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# The Effect of Tax Knowledge and Tax Sanctions on Taxpayer Compliance of Msmes in Makassar City

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ABSTRACT

***Purpose****: This study will examine how tax knowledge and tax sanctions affect taxpayer compliance in the Micro, Small and Medium Enterprises (MSMEs) in Makassar.*

***Subjects and Methods:*** *The study has a descriptive and quantitative methodology. A simple random sampling strategy was used, and data were collected by distributing questionnaires to 95 MSME respondents. Multiple linear regression was used to perform the statistical analysis.*

***Results:*** *The results suggest that the tax knowledge variable has a positive and statistically significant impact on taxpayer compliance among MSMEs in Makassar. Similarly, the application of tax sanctions illustrates a positive and significant impact on taxpayer compliance in the region.*

***Conclusions****: Tax knowledge and tax sanctions both significantly improve MSME taxpayer compliance in Makassar, indicating that strengthening tax literacy and enforcing sanctions consistently can enhance tax compliance behavior among MSME taxpayers.*

## INTRODUCTION

The tax systems are applied in most countries to cover the governmental spending. Indonesia is not an exception; the taxes form the basic mechanism of government expenditure to offer the public goods and services (Alm, 2019; Bird & Zolt, 2018). Indonesia is a developing country, and the national income and natural resources are mostly based on taxation (Ilham & Ulfah, 2022). Tax revenue is used by the state authorities to finance and develop various sectors (Kirchler et al., 2008; Slemrod, 2019; Torgler, 2007). In a bid to achieve revenue goals, the government has implemented tax extension or hardening mechanisms, which are seen through the government policies like those outlined by Fitrianingsih et al. (2018).

Reform programs require taxpayers to self-assess and compute and file taxes, which is called self-assessment (Diamastuti, 2018). Taxes are non-compensated voluntary contributions that are made to state treasuries and are given by the people as per the legislative requirements. It is a well-known fact that tax is a very vital source of sovereign income that is important in the development of a country especially in Indonesia. This fact is reflected in the 2024 State Budget

(APBN), where taxes constitute the biggest part of state income at IDR 2,309.9 trillion of IDR 2,802.3 trillion or 82 percent of all state revenue (Ministry of Finance, 2024). The Directorate General of Taxes has been taking strategic actions to ensure that maximum collections are made in appreciation of the central role of taxes. Compliance is one of the major barriers to efficient tax collection; to comply with tax laws, all individual taxpayers need to make their payments on time and properly report (Kusuma & Maradona, 2020). The legal norms on which the government taxes are based maintain the expenses on the provision of collective goods and services in order to attain the welfare of the populace.

According to the law No. 28 of 2007 that contains general provisions and procedures to taxation, any individual who willfully does not pay the withholding taxes or collected taxes into the state revenue causing losses to state revenues, commits a criminal offense. Micro, Small and Medium Enterprises (MSMEs) are some of the tax topics which can make significant contributions to development (Mukhlis et al., 2015; Night & Bananuka, 2020; Palil, 2010; Saad, 2014; Wadesango et al., 2018). The role of MSMEs in Indonesia is also reflected in statistics published by the Ministry of Cooperatives and SMEs in 2019: the MSMEs exceeded 65,465,497 units, which is 99.99, and Large Enterprises (UB) totaled 5,637 units, which is 0.01. With respect to labor absorption, 119,562,843 workers or 96.92 were employed by the MSMEs. Further, on contribution to Gross Domestic Product (PPP) point, the MSMEs contributed Rp 9,580,763, which is equivalent to 60.51 (Ministry of Cooperatives and SMEs, 2019).

This huge figure as such offers a substantial tax revenue potential. Nonetheless, this massive potential also brings significant challenges, one of which is that it is necessary to promote the consciousness of MSME taxpayers to comply with the tax rules, since the contribution of the MSME segment is not that high, and the share of tax payments is only 5% of the total tax (Putra, 2020). Government Regulation (PP) No. 46 of 2013 on Income Tax (PPh) on business received or earned by taxpayers with gross turnover of specific level came into effect. At least this regulation partially resolves current controversies, namely the minimum turnover requirement of MSMEs which are not obligated to pay tax and the exemption of taxpayers mentioned in this regulation.

Under both the laws, the definition of an MSME is different, but has remained constant in the context of Micro, Small, and Medium Enterprises (MSMEs) as set out by Law No. 20 of 2008. It would therefore mean imposing an unwarranted burden on MSMEs by subjecting them to the same taxes as those of large corporations and that would make it difficult to promote the development of MSMEs in Indonesia. According to statistical data provided by the Ministry of Cooperatives and MSMEs of the Republic of Indonesia, the number of MSMEs was at the level of 56,262,772 in 2015, 61,651,177 in 2018 and 65,456,497 in 2019. This growth however is negatively linked to tax revenue because such businesses tend to be careless on tax compliance. According to the Directorate General of Taxes, a very small percentage of MSMEs are compliant to the payment of taxes.

When dealing with taxpayers who do not meet their tax obligations, the tax authorities should make use of prudence in dealing with taxpayers that do not meet the obligations by mistake or lack of knowledge to do so. Besides, in case of the taxpayer being a micro, small or medium enterprise, it is interesting to note that the majority of the actors in this group have limited formal education; most have only secondary education. Tertiary education does not always involve taxation or economics, which may make an individual have relevant knowledge even in situations where tertiary education is achieved. The regulation, therefore, should ensure that the revenue is maximised without undue burden on taxpayers and other fiscal apparatus (Rustiyaningsih, 2018).

The importance of MSMEs in Indonesia is proven by the statistics published by the Ministry of Cooperatives and Small and Medium Enterprises in 2019. There was a total of 65,465,497 units of MSMEs, 99.99% of the total enterprises, and large enterprises (UB) totaled 5,637 units i.e. 0.01. MSMEs took in 119,562,843 workers in terms of employment and this is 96.92 percent of the workforce. Also, based on their contribution to the value-added tax (PPB), MSMEs contributed IDR 9,580,763, which is equivalent to 60.51 percent of the total (Ministry of Cooperatives and SMEs, 2019).

Thus, this huge figure is a large source of potential and opportunity to collect taxes. Nevertheless, this potential also breeds significant issues, the most significant being that the awareness of MSME taxpayers toward adherence to tax rules should be increased, as the sector contributes rather insignificantly to the overall tax revenues, namely, 5% (Putra, 2020). The government issued a Government Regulation (PP) No. 46 of 2013 on income tax (PPh) levied on the business income obtained or received by taxpayers who attain a specific gross turnover. This regulation deals with at least partially the current controversy over the minimum turnover threshold to be taxed to MSMEs, and relief provisions to individuals who will use the regulation.

It is identified in the Law No. 20 of 2008 on Micro, Small and Medium Enterprises (MSMEs) that an MSME is a business that is run by an individual, household or a small-scale business. In this regard, taxing MSMEs at similar tax rates as large corporations would place heavy burden on them that might hinder their growth. According to the statistical data of the Ministry of Cooperatives and MSMEs, in 2015, the amount of MSMEs in Indonesia was 56, 262,772, which increased to 61,651,177 in 2015, and has been steadily increasing to 65,456,000 as of 2019. Notably, this growth is accompanied with the inverse relation to the tax revenue, since a lot of these businesses are not in compliance with taxation. According to the Directorate General of Taxes, a small percentage of the MSMEs meet their tax payment obligations.

When it comes to imposing tax sanctions, the authorities should be prudent in dealing with the taxpayers who because of their inadvertence or lack of knowledge of their duties fail to pay their taxes. Furthermore, when the taxpayer is a micro, small or medium enterprise, it is remarkable that most players of this category are poorly educated; often, they only secured secondary education. Acquiring tertiary education is not always applicable in relation to taxation or economics, which may provide a person with the necessary knowledge. This means that the regulation will maximise the revenue collection by ensuring that it does not impose on taxpayers or the fiscal apparatus (Rustiyaningsih, 2018).

## METHODOLOGY

### Research Location and Time

This research was conducted at the Department of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) of Makassar City, which is located in Mamajang District, Makassar City. The selection of this research location was based on the consideration that the institution maintains official administrative records of registered MSMEs, thereby ensuring the accuracy and relevance of the research population. In addition, Mamajang District represents one of the active MSME areas in Makassar City, making it an appropriate setting for examining taxpayer compliance among MSME actors. The research was carried out over a period of three months, from May 2025 to July 2025. This timeframe included the preparation of research instruments, distribution and collection of questionnaires, data processing, and statistical analysis.

### Research Type and Approach

This study employs a quantitative research approach using a survey method. The quantitative approach was selected because the objective of this study is to examine the influence of independent variables, namely tax knowledge and tax sanctions, on the dependent variable, namely MSME taxpayer compliance, through numerical measurement and statistical analysis. The data collected are expressed in numerical form and analyzed using statistical procedures to test the proposed hypotheses. The survey method was used to obtain primary data directly from respondents through structured questionnaires. This method enables the researcher to gather empirical evidence regarding respondents' perceptions and behaviors related to tax knowledge, tax sanctions, and taxpayer compliance in a measurable and systematic manner.

### Types and Sources of Data

The types of data used in this research consist of quantitative and qualitative data. Quantitative data serve as the primary data and are expressed in numerical form, allowing statistical measurement and hypothesis testing. These data are obtained from respondents' answers to the structured questionnaires. Qualitative data are used as supporting information, such as general descriptions of the research location and respondent characteristics. The data sources in this study include primary and secondary data. Primary data are collected directly from MSME actors registered at the Department of Cooperatives and MSMEs in Mamajang District through questionnaire distribution. Secondary data are obtained from official documents, institutional reports, tax regulations, books, and relevant academic journals. These secondary sources provide theoretical foundations and contextual support for the research analysis.

**Population and Sample**

The population of this study consists of all MSMEs registered at the Department of Cooperatives and MSMEs in Mamajang District, Makassar City, totaling 1,895 MSMEs. This population was selected because it directly corresponds to the object of the study, which focuses on taxpayer compliance among MSME actors. The sample was determined using a probability sampling technique, specifically simple random sampling. This technique was chosen to ensure that each member of the population had an equal opportunity to be selected as a respondent, without considering specific strata or categories. The sample size was calculated using the Slovin formula with a margin of error of 10 percent ($e = 0.1$). Based on the calculation, the required sample size was 95 respondents. Therefore, 95 MSME actors were randomly selected to participate in this research.

**Data Collection Method**

The primary data collection technique used in this study is a questionnaire. The questionnaire was designed in the form of structured statements related to the variables of tax knowledge, tax sanctions, and MSME taxpayer compliance. The questionnaires were distributed directly to the respondents to ensure that they were completed by the respective MSME actors. Respondents' answers were measured using a five-point Likert scale consisting of: Strongly Disagree (score 1), Disagree (score 2), Slightly Agree (score 3), Agree (score 4), and Strongly Agree (score 5). The Likert scale was used to measure the level of agreement with each statement, enabling the data to be quantified and statistically analyzed.

**Data Analysis Method**

The data analysis method in this study was designed to test the research hypotheses regarding the influence of tax knowledge and tax sanctions on MSME taxpayer compliance. Data processing and analysis were conducted through several statistical testing stages. First, a validity test was conducted to determine whether the questionnaire items accurately measure the intended variables. The validity test was performed using Pearson correlation with a significance level of 0.05. An item is considered valid if its significance value is less than 0.05. Second, a reliability test was conducted to assess the consistency and stability of the measurement instrument. Reliability was tested using Cronbach's Alpha coefficient. A variable is considered reliable if the Cronbach's Alpha value exceeds 0.60. Third, classical assumption tests were conducted before performing regression analysis. These tests included the normality test, heteroscedasticity test, and multicollinearity test. The normality test was carried out using the Kolmogorov-Smirnov method to determine whether the residuals were normally distributed. The heteroscedasticity test was conducted to examine whether there was inequality of variance in the residuals across observations. The multicollinearity test was performed by examining Tolerance and Variance Inflation Factor (VIF) values. The regression model is considered free from multicollinearity if the Tolerance value is greater than 0.10 and the VIF value is less than 10. Multiple linear regression analysis was then applied to examine the influence of the independent variables on the dependent variable. The regression model used in this study is expressed as follows:

$$Y = a + b1X1 + b2X2 + e$$

Where Y represents MSME taxpayer compliance, X1 represents tax knowledge, X2 represents tax sanctions, a is the constant, b1 and b2 are regression coefficients, and e is the error term. Hypothesis testing was conducted using the t-test (partial test) to determine the individual influence of each independent variable on the dependent variable, and the F-test (simultaneous test) to examine the joint influence of all independent variables. A significance level of 5 percent

(0.05) was applied in all statistical tests. Furthermore, the coefficient of determination ($R^2$) was used to measure the extent to which the independent variables explain the variation in the dependent variable.

**Operational Definition of Variables**

The operational definition of variables in this study is intended to clarify how each variable is measured. Tax knowledge (X1) refers to the level of understanding possessed by MSME actors regarding tax regulations, including knowledge of taxpayer registration procedures (NPWP), annual tax return reporting deadlines, tax calculation procedures, and applicable tax rates for MSMEs. This variable is measured using six statement indicators on a Likert scale. Tax sanctions (X2) refer to the perception of MSME actors regarding the strictness, fairness, and effectiveness of tax penalties in encouraging tax compliance. This variable is measured using six indicators reflecting respondents' understanding and perceptions of administrative sanctions and tax fines. MSME taxpayer compliance (Y) refers to the level of obedience of MSME actors in fulfilling their tax obligations, including timely tax reporting, accurate tax payment, compliance with tax regulations, and honest completion of tax returns. This variable is measured using five statement indicators on a Likert scale.

## RESULTS AND DISCUSSION

Table 1. Results of Descriptive Statistical Testing of Research Variables

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Tax Knowledge | 95 | 18 | 30 | 24.29 | 2.873 |
| Tax Sanctions | 95 | 18 | 30 | 24.32 | 3.112 |
| Taxpayer Compliance | 95 | 19 | 30 | 24.87 | 2.506 |
| Valid N (listwise) | 95 | | | | |

The Taxpayer Knowledge variable had the lowest score of 18 in the sample of 95 respondents, the highest score of 30, the mean of 24.29 and standard deviation of 2.873. Tax Sanctions variable which was measured on a sample of the same sample had a minimum of 18, a maximum of 30, a mean of 24.32 and a standard deviation of 3.112. The minimum value reported by the MSME Taxpayer Compliance variable was also 19 with a maximum value of 30, mean 24.87 and standard deviation of 2.506.

Table 2. Validity Test Results for Tax Knowledge Variable (X1)

| No. | Calculated r (r-value) | r Table | Description |
|---|---|---|---|
| 1 | 0.626 | 0.202 | Valid |
| 2 | 0.679 | 0.202 | Valid |
| 3 | 0.761 | 0.202 | Valid |
| 4 | 0.706 | 0.202 | Valid |
| 5 | 0.749 | 0.202 | Valid |
| 6 | 0.762 | 0.202 | Valid |

According to Table 2, the validity tests of all instruments being subject to the tax knowledge variable (X1), which include X1.1, X1.2, X1.3, and X1.4, provided correlation coefficients that were over and above the critical value of the r table. Statistical correlation coefficient obtained using the sample size (n = 95) was 0.202, and consequently, this confirms validity of all the instruments used in this study.

Table 3. Validity Test Results for Tax Sanction Variable (X2)

| No. | Calculated r (r-value) | r Table | Description |
|---|---|---|---|
| 1 | 0.784 | 0.202 | Valid |
| 2 | 0.838 | 0.202 | Valid |
| 3 | 0.819 | 0.202 | Valid |
| 4 | 0.742 | 0.202 | Valid |
| 5 | 0.780 | 0.202 | Valid |
| 6 | 0.724 | 0.202 | Valid |

It can be seen (Table 5.9) that the results of the validity test of all instruments, which refer to the tax sanction variable (X2), including X2.1-X2.5 subcomponents, produced calculated r values that were greater than those in the r table. The r table value was measured with the sample (n = 95) and found to be 0.202, thus reaching the conclusion that all the instruments that have been incorporated in the present study are valid.

Table 4. Valid Test Results of Taxpayer Compliance Variable (Y)

| No. | Calculated r (r-value) | r Table | Description |
|---|---|---|---|
| 1 | 0.826 | 0.202 | Valid |
| 2 | 0.792 | 0.202 | Valid |
| 3 | 0.725 | 0.202 | Valid |
| 4 | 0.735 | 0.202 | Valid |
| 5 | 0.652 | 0.202 | Valid |
| 6 | 0.732 | 0.202 | Valid |

Table 5.10 above shows that based on the validity test results of all instruments concerning the taxpayer compliance variable (Y), which include Y1, Y2, Y3, Y4, Y5 and Y6 all of them had the calculated correlation coefficient (r) greater than the tabulated critical value. The given value of the table corresponds to a sample size of n=95, and it is 0.202, which implies that all the instruments used in this research work are valid.

Table 5. Reliability Test

| Variable | Cronbach's Alpha | r Table | Description |
|---|---|---|---|
| Taxpayer Compliance (Y) | 0.833 | 0.60 | Reliable |
| Tax Sanctions (X2) | 0.872 | 0.60 | Reliable |
| Tax Knowledge (X1) | 0.806 | 0.60 | Reliable |

According to the figures shown in the table, every Cronbach alpha coefficient is above 0.60. This establishes a satisfactory amount of internal consistency in the data under analysis in the current study hence justifying its reliability as a research tool.

Table 6. Results of the One-Sample Kolmogorov-Smirnov Test for Normality

Here is your table rewritten clearly in English (Kolmogorov–Smirnov Normality Test Results):

| Description | Value |
|---|---|
| N | 95 |
| **Normal Parameters (a, b)** | |
| Mean | 0.0000000 |
| Std. Deviation | 1.52193173 |
| **Most Extreme Differences** | |
| Absolute | 0.099 |
| Positive | 0.074 |
| Negative | -0.099 |
| Test Statistic | 0.099 |
| Asymp. Sig. (2-tailed) | 0.022 |

Based on the table above, it can be seen that the significance value of Asymp.2 tailed is 0.022. Since the significance value is > 0.05, the data is normally distributed.

Table 7. Multicollinearity Test Results

| Model | Variables | Unstandardized Coefficients (B) | Std. Error | Standardized Coefficients (Beta) | t | Sig. | Tolerance | VIF |
|---|---|---|---|---|---|---|---|---|
| 1 | (Constant) | 7.709 | 1.412 | — | 5.458 | .000 | — | — |
| | Tax Knowledge (X1) | 0.253 | 0.078 | 0.290 | 3.244 | .002 | 0.500 | 1.999 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Tax Sanctions (X2) | 0.453 | 0.072 | 0.562 | 6.281 | .000 | 0.500 | 1.999 |

Based on the results of the analysis of the table above, the tolerance values obtained for X1 (0.500) and X2 (0.500) are > 0.100, while the VIF values for X1 (1.999) and X2 (1.999) are < 10.00, so it is concluded that there are no symptoms of multicollinearity.

Table 8. Heteroscedasticity Test Results

| **Model** | **Variables** | **Unstandardized Coefficients (B)** | **Std. Error** | **Standardized Coefficients (Beta)** | **t** | **Sig.** |
|---|---|---|---|---|---|---|
| 1 | (Constant) | 2.080 | 0.894 | — | 2.327 | 0.022 |
| | Tax Knowledge (X1) | -0.058 | 0.049 | -0.171 | | |

Based on the results of the analysis of the table above, the sig value of X1 (0.245) and X2 (0.659) > 0.05 was obtained, so it was concluded that there was no heteroscedasticity problem.

Table 9. Multiple Linear Regression

| **Model** | **Variables** | **Unstandardized Coefficients (B)** | **Std. Error** | **Standardized Coefficients (Beta)** | **t** | **Sig.** | **Tolerance** | **VIF** |
|---|---|---|---|---|---|---|---|---|
| 1 | (Constant) | 7.709 | 1.412 | — | 5.458 | 0.000 | — | — |
| | Tax Knowledge (X1) | 0.253 | 0.078 | 0.290 | 3.244 | 0.002 | 0.500 | 1.999 |
| | Tax Sanctions (X2) | 0.453 | 0.072 | 0.562 | 6.281 | 0.000 | 0.500 | 1.999 |

Table 5.10 shows that the multiple linear regression gives the equation Y = 7.709 + 0.253X 1 + 0.453X 2, which implies that when the Tax Knowledge (X 1) and Tax Sanctions (X 2) are zero, the MSME Taxpayer Compliance (Y) is equal to 7.709. The positive regression coefficient of X1 (0.253) indicates that a one unit or a point increase in tax knowledge will increase the compliance by 0.253 points, but the trend of X2 (0.453) represents that a one-unit or a point increase in tax sanctions will increase the compliance by 0.453 points. The t -test partial results indicate that the values of the independent variables are less than 0.05 in value (X1 = 0.002; X2 = 0.000), and that is why the null hypothesis is not accepted and the alternative hypothesis is accepted. Therefore, tax knowledge and tax sanctions have both a positive and statistically significant partial impact on MSME taxpayer compliance.

Table 10. Results of Partial Significance Test (t-Test)

| **Model** | **Variables** | **Unstandardized Coefficients (B)** | **Std. Error** | **Standardized Coefficients (Beta)** | **t** | **Sig.** |
|---|---|---|---|---|---|---|
| 1 | (Constant) | 7.709 | 1.412 | — | 5.458 | 0.000 |
| | Tax Knowledge (X1) | 0.253 | 0.078 | 0.290 | 3.244 | 0.002 |
| | Tax Sanctions (X2) | 0.453 | 0.072 | 0.562 | 6.281 | 0.000 |

In this research, the confidence level of 95% (= 0.05) was used and the critical t-value calculated using the formula t -table = (= 0.05/2; n -k -1) = 1.98611 at 92 degrees of freedom. According to the results of the t-test, with a partial t-test value exceeding the critical t-test value of 1.98611, the Tax Knowledge (X 1) variable has a regression coefficient of 0.253 and a t-value of 3.244 which is greater than the critical t-test value of 1.98611; the respective level of significance of 0.002 (< 0.05) represents a positive and statistically significant partial effect on the taxpayer compliance of MSME Similarly, the Tax Sanctions (X 2) variable has a regression coefficient of 0.453 and t - value of 6.281, and this falls below the critical value of 1.986111, and the significance level is 0.000 (less than 0.05), thus indicating a positive and statistically significant partial relationship with MSME taxpayer compliance. This leads to null hypothesis (H 0 ) being rejected and the alternative hypothesis (H 1 ) being accepted in both the explanatory variables.

Table 11. ANOVA Results (Simultaneous F-Test of Multiple Linear Regression Model)

| Model | Source | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 372.754 | 2 | 186.377 | 78.752 | 0.000 |
| | Residual | 217.730 | 92 | 2.367 | — | — |
| | Total | 590.484 | 94 | — | — | — |

A 95% confidence level (= 0.05) was used in the present study. Critical F-value was calculated by using F(k -1; n -k) formula and obtained the critical value of 2.704 with the df1 = 2 and df2 = 92. The F-statistic was found to be 78.752, which is significantly higher than the critical value, and the p -value was 0.000 (< 0.05). As a result, the null hypothesis (H 0 ) was rejected and the alternative hypothesis (H 1 ) was accepted which meant that both the tax knowledge and the tax sanctions have a positive and statistically significant effect on MSME taxpayer compliance.

Table 12. Results of the R and R2 Model Summary Tests

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.795 | 0.631 | 0.623 | 1.538 |

The table was analyzed to show that the correlation coefficient (R) value is 0.795. Moreover, the coefficient of determination (R 2) is equal to 0.631 or 63.1. The independent variables, i.e., tax knowledge and tax sanctions, therefore, account for about 63.1 1/2 of the dependent variable, i.e. the compliance of MSME taxpayers, but the other variability can be explained by factors that are outside the variables under study.

## Discussion

The current research aims at analyzing the relationship between tax knowledge and tax sanctions on the compliance behaviour of micro-, small-, and medium-sized enterprises (MSMEs) in Makassar City. The reported results of the analysis have informed the discussion presented. The partial correlation indicates that there is statistically significant positive correlation between tax knowledge and MSME taxpayer compliance. The first hypothesis (H1) is accepted as proven by a regression coefficient of 0.253, a p -value of 0.002 (which is less than the standard 0.05 value), and a t -value of 3.244, which is more than the critical value of 1.986111. These results highlight the critical importance of tax knowledge in the development of compliance. The greater the knowledge of tax provisions, tax obligations and overall fiscal importance, the more the awareness is created to follow the tax provisions and even the tax obligation. The tax knowledge is positively correlated to compliance with the regression coefficient of 0.453, p -value of 0.000 and t -statistic of 6.281 which is greater than the critical value of 1.986111.

As a result, the second hypothesis (H2) that tax sanctions positively affect the taxpayer compliance of the MSMEs is proven.The analysis also reveals that tax sanctions have a positive impact on compliance and, thus, hypothesis H2 is accepted. However, the effectiveness of sanctions can be determined by the economic ability of taxpayers; too much sanctions can result in opposition and lead to tax avoidance. Thus, a regime of sanctions should be calibrated in order to maintain levels of compliance.3. Tax knowledge and tax sanctions as factors affecting the taxpayer compliance of MSME in Makassar City. The regression analysis carried out simultaneously proves that tax knowledge and tax sanctions have a strong positive influence on MSME taxpayers' compliance in Makassar City. Hypothesis H3 is supported by a p-value equal to 0.000 with a corresponding F-statistic equal to 78.752, which is greater than the critical value of 2.704. The implication of these findings is that an excellent knowledge of tax laws, accompanied by a well-developed penalty system, will most likely enhance compliance behaviour of MSMEs.

## CONCLUSION

Tax knowledge has been shown to have a positive and significant influence on taxpayer compliance among MSMEs in Makassar City. This is evidenced by the calculated t-value of 3.244, which is greater than the t-value of 1.98611, and a significance value of 0.025, which is less than the 0.05 level of significance. Tax sanctions have a positive and significant influence on taxpayer compliance among MSMEs in Makassar City. This is indicated by the calculated t-value of 6.281, which is greater than the t-value of 1.98611, and a significance value of 0.000, which is less than the 0.05 level of significance. Tax knowledge and tax sanctions simultaneously have a positive and significant influence on taxpayer compliance among MSMEs in Makassar City, specifically in the Mamajang District.

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