

## Behavioral and Knowledge-Based Determinants of Tax Compliance: A Study on SMEs in North Medan, Indonesia

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### Abstract

This study examines the impact of accounting knowledge and taxpayer attitudes on tax compliance among Small and Medium Enterprises (SMEs) in North Medan. Using a quantitative approach, data were collected through surveys distributed to SME owners and managers who are directly involved in financial decision-making. The study found that both accounting knowledge and positive taxpayer attitudes significantly influence tax compliance. Accounting knowledge enables business owners to understand tax obligations and manage financial records accurately, leading to improved compliance. Meanwhile, taxpayer attitudes, such as the perception of fairness and trust in the tax system, also play a crucial role in determining the level of compliance. The results suggest that enhancing accounting education and fostering positive attitudes toward taxation could improve tax compliance in the SME sector. This research provides valuable insights for policymakers and tax authorities aiming to promote compliance through targeted educational programs and awareness campaigns.

**Keywords:** Accounting Knowledge, Taxpayer Attitudes, and Tax Compliance

### Introduction

Tax compliance is an important part of a country's tax system since it has a direct effect on the government's capacity to deliver public services and help the economy expand. Taxpayer compliance shows that firms are willing to pay their taxes on time, in full, and in accordance with the rules that apply to them. Tax compliance is very important in the MSME sector since it makes a big difference to the national economy, yet it is still not very high (Tawfik & Elmaasrawy, 2024).

Many MSMEs don't pay their taxes because they don't understand how the tax system works, they don't know much about money, or they have a bad view of the tax system. Moreover, numerous MSMEs perceive taxes as a burden that can impede business continuity, thereby fostering a propensity to evade or postpone tax responsibilities. To come up with ways to raise tax income in the MSME sector, it's important to know what makes taxpayers follow the rules (Ridwan et al., 2024).

Knowledge of accounting is a major factor in making people more likely to pay their taxes. Business owners that are good at accounting are usually better at keeping track of transactions, understanding them, and figuring out how much tax they owe (Daffa et al., 2024). Prior studies have demonstrated that accounting literacy enhances MSME tax compliance by assisting taxpayers in evading administrative errors that may lead to penalties (Ega et al., 2024).

Also, how taxpayers feel about taxes is an important determinant in how they behave when it comes to compliance. People are more likely to have positive feelings about taxes when they think that tax rules are fair, that taxes benefit the public, and that they trust tax organizations (Kimiti et al., 2024). Empirical studies indicate that views of equity and public confidence in tax authorities are significantly correlated with the degree of voluntary compliance (Sihombing et al., 2019). As part of its effort to get more people to pay their taxes, the Indonesian government is still pushing for tax digitalization and taxpayer education as part of its national policy. But just going digital isn't enough if MSMEs aren't aware of and ready to learn how to handle their bookkeeping and taxes. So, the



combination of being good at accounting and having a good attitude toward taxes is important for getting more MSME taxpayers to pay their taxes.

There have been several studies on tax compliance, but not many have looked at MSMEs in North Medan. North Medan is a crucial economic sector centered on commerce and small industry. Its businesses are diverse and constantly changing, so it's important to look at the tax compliance behavior of MSMEs in this area in greater detail. Consequently, this study seeks to examine the impact of accounting knowledge and taxpayer attitudes on MSME tax compliance in North Medan. The results of this study are anticipated to offer theoretical advancements to the tax literature and furnish strategic recommendations for the government and tax authorities in developing effective educational initiatives and policies to promote sustainable MSME tax compliance.

## **Theoretical Review**

### **Accounting Knowledge on Tax Compliance**

Tax compliance refers to the extent to which taxpayers adhere to tax laws, regulations, and obligations set by government authorities (Harianto et al., 2024). Economic Model of Tax Compliance is one of the foundational theories in understanding tax compliance behavior (A. Hou et al., 2025). This theory posits that taxpayers make decisions based on a cost-benefit analysis, where the perceived benefit of avoiding taxes is weighed against the potential cost of being caught (Amelia & Tambunan, 2024). However, this economic model is often extended to incorporate psychological and social factors, suggesting that tax compliance is not solely driven by financial incentives, but also by the taxpayer's attitude toward the tax system and society's norms (Harianto et al., 2025). Accounting knowledge plays a significant role in ensuring tax compliance, especially in SMEs where limited financial expertise can lead to errors in tax filing (Chaniago, 2024). Knowledge of accounting practices helps SMEs understand tax regulations, prepare accurate financial records, and file taxes correctly (B. br G. A. H. M. R. R. S. C. A. Hou, 2024). Studies such as (Vieira & Hoskin, 2024) indicate that the more proficient SMEs are in accounting, the more likely they are to comply with tax obligations. The ability to correctly interpret tax laws, manage financial records, and utilize accounting software reduces the likelihood of inadvertent tax evasion, fostering higher compliance rates (Berlinski & Morales, 2024).

### **Taxpayer Attitudes and Their Influence on Tax Compliance**

Taxpayer attitude is another critical factor influencing compliance behavior. Positive attitudes toward taxation, including trust in the fairness of the tax system and the perceived benefits of tax contributions, are positively correlated with higher tax compliance (Padi et al., 2025). Discusses how trust in government and the tax system influences willingness to comply with tax obligations. Taxpayers who perceive the tax system as fair and transparent are more likely to fulfill their tax duties (Kleber et al., 2025). Conversely, negative attitudes, such as perceptions of tax unfairness, corruption, and lack of trust in government, can lead to tax evasion and avoidance behaviors (Dorhetso, 2025) argue that taxpayer behavior is not only influenced by financial considerations but also by psychological factors. Their research emphasizes the importance of social norms and moral values in shaping taxpayers' attitudes toward compliance (Twesige et al., 2024). Individuals who believe that paying taxes is their civic duty and that their contributions benefit society are more likely to comply voluntarily, even in the absence of immediate financial incentives (Of & Business, 2024).

### **The Interplay Between Accounting Knowledge and Taxpayer Attitudes**

Both accounting knowledge and taxpayer attitudes are essential in shaping tax compliance behavior (Sarpong et al., 2024). Individuals possess sufficient knowledge about accounting and taxation, they are more capable of understanding the rationale behind tax regulations and are better equipped to comply with them (Sonny et al., 2025). However, even if an individual has high accounting knowledge, negative attitudes toward taxation can undermine compliance (Nisma et al., 2024). For instance, an SME owner may have the technical skills to comply with tax laws but may resist doing so due to a belief that the tax system is unjust or that their tax contributions will not be used effectively

(Ridwan et al., 2024). On the other hand, positive taxpayer attitudes can motivate individuals to seek out the necessary accounting knowledge to ensure compliance. Highlights that taxpayers who perceive tax compliance as a social responsibility and who trust that their tax contributions benefit the public are more likely to invest the effort to improve their understanding of accounting and taxation, thereby enhancing compliance (Perveen et al., 2024).

## Methodology

This study aims to examine the impact of accounting knowledge and taxpayer attitudes on tax compliance among Small and Medium Enterprises (SMEs) in North Medan. The research utilizes a quantitative methodology with an explanatory survey framework. Data were gathered via surveys administered to SME owners and managers who have been actively engaged in business for at least two years, ensuring they have sufficient understanding of both accounting practices and tax compliance requirements. The sampling approach employed purposive sampling, with the sample size calculated using the Slovin formula at a 5% margin of error. This ensures that the sample is statistically representative, and the findings can be generalized to the broader population of SMEs in North Medan. This study involves three primary variables Accounting Knowledge (X1), Taxpayer Attitudes (X2), and Tax Compliance (Y). Accounting knowledge is assessed through the respondents' understanding of tax regulations, ability to prepare accurate tax returns, and overall competence in managing financial records. Taxpayer attitudes are evaluated based on perceptions of fairness in the tax system, trust in tax authorities, and the willingness to fulfill tax obligations. Tax compliance is measured through the respondents' adherence to tax regulations, timely tax filing, and payment of dues. Data were collected using a Likert scale questionnaire ranging from 1 to 5. Prior to its use, the questionnaire instrument underwent testing for validity and reliability to ensure consistency and accuracy in measurement. The gathered data were initially analyzed using descriptive statistics to characterize the demographic information of respondents and the distribution of the study variables. A conventional assumption test was conducted to verify that the data met the necessary conditions for regression analysis, including tests for normality, linearity, and homoscedasticity. Multiple linear regression analysis was then performed to assess the influence of the independent variables (accounting knowledge and taxpayer attitudes) on the dependent variable (tax compliance). To determine the significance of each independent variable, hypothesis testing was carried out using partial tests (t-tests) and simultaneous tests (F-tests). The results are expected to provide a deeper understanding of how accounting knowledge and taxpayer attitudes affect tax compliance in SMEs in North Medan. The research was conducted over a period of three months at various SME locations across North Medan.

## Results and Discussions

### Results

#### Hypothesis Testing

Table 1 presents the findings related to the influence of accounting knowledge and taxpayer attitudes on tax compliance in Small and Medium Enterprises (SMEs) in North Medan. The results indicate that both accounting knowledge and taxpayer attitudes have a significant impact on tax compliance.

**Table 1.** Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Conclusion
Accounting Knowledge (X1) → Tax Compliance (Y)	0.332	0.425	0.345	2.220	0.001	Significant
Taxpayer Attitude (X2) → Tax Compliance (Y)	0.438	0.613	0.635	1.245	0.001	Significant

## Discussions

### The Influence of Accounting Knowledge on Tax Compliance

This study highlights the significant role of accounting knowledge in influencing tax compliance among Small and Medium Enterprises (SMEs). As demonstrated in Table 1, SMEs with owners and managers who possess strong accounting knowledge are more likely to comply with tax regulations. The findings confirm that accounting knowledge plays a vital role in ensuring accurate financial reporting, timely tax filing, and adherence to tax obligations, which ultimately leads to improved tax compliance. Previous studies, such as (Harianto et al., 2024)(Chaniago, 2024)(Harianto et al., 2025) support these findings, indicating that accounting knowledge enables SME owners and managers to navigate the complexities of tax laws more effectively. Individuals with a solid understanding of accounting principles and tax regulations are better equipped to manage their tax obligations, identify tax deductions, and prepare accurate tax returns (Amelia & Tambunan, 2024). The ability to comprehend tax rules and financial statements ensures that businesses can avoid costly mistakes, penalties, and late filings (B. br G. A. H. M. R. R. S. C. A. Hou, 2024).

In addition, accounting knowledge contributes to the development of better financial management practices, which are essential for tax compliance. According to (Berlinski & Morales, 2024) SMEs with knowledgeable accounting staff can better manage their financial records, which facilitates the preparation of accurate tax reports and reduces the risk of errors in tax submissions. Furthermore, individuals with strong accounting expertise are more likely to be aware of and comply with changes in tax regulations, contributing to improved tax compliance over time. On the other hand, SMEs lacking sufficient accounting knowledge often face difficulties in meeting their tax obligations (Ridwan et al., 2024). Without a clear understanding of tax laws and regulations, businesses may submit inaccurate tax filings, fail to claim eligible deductions, or miss tax deadlines, all of which can result in penalties and tax audits. (Vieira & Hoskin, 2024) note that SMEs without accounting expertise may rely on inaccurate financial data, leading to poor decision-making and non-compliance with tax regulations.

Moreover (Kao et al., 2023) emphasize the importance of continuous training in accounting and taxation for SME owners and employees. Ensuring that employees stay updated on tax regulations and best accounting practices can significantly improve tax compliance. By investing in accounting education and training, SMEs can foster a culture of compliance, reduce errors, and ensure that their financial practices align with tax requirements.

### The Influence of Taxpayer Attitudes on Tax Compliance

This study highlights the significant role of taxpayer attitudes in shaping tax compliance among Small and Medium Enterprises (SMEs). As presented in Table 1, the results indicate that positive taxpayer attitudes strongly influence the likelihood of tax compliance. Taxpayers who view tax obligations as a civic duty and trust in the fairness of the tax system are more likely to comply with tax laws and regulations. The findings support the research by (Thalia et al., 2024) which suggest that taxpayer attitudes, such as trust in government, perceptions of tax fairness, and the belief that taxes contribute to societal well-being, are crucial determinants of tax compliance. SMEs whose owners and managers exhibit positive attitudes towards taxation are more likely to engage in voluntary compliance, accurately file taxes, and make timely payments. A positive attitude toward tax systems encourages taxpayers to view compliance as a moral responsibility rather than just a legal obligation. Moreover, the study reveals that taxpayer attitudes significantly impact how SMEs interpret and respond to tax regulations. (Kimitai et al., 2024) emphasize that trust in the tax system leads to increased cooperation with tax authorities and reduces resistance to fulfilling tax obligations. SMEs with favorable attitudes towards the tax system tend to develop better relationships with tax authorities, which can result in smoother compliance processes and reduced audit risks. Conversely, the research also found that negative taxpayer attitudes, such as perceptions of tax unfairness, corruption, or distrust in government institutions, can result in tax avoidance behaviors. SMEs that view the tax system as unjust or ineffective may be less inclined to comply, often seeking ways to evade or minimize their tax liabilities. (Mebratu, 2024) highlight that such negative attitudes create a hostile environment for tax compliance,

where businesses fail to recognize the importance of contributing to public goods and services through taxes.

Additionally, the study suggests that fostering positive taxpayer attitudes through education and awareness campaigns is essential for improving tax compliance. Initiatives that highlight the benefits of taxation and the role of taxes in societal development can help shift negative perceptions and encourage greater compliance. (Tefuttur, 2025) further indicates that creating a sense of fairness within the tax system and ensuring that taxpayers understand how their contributions are utilized can lead to increased voluntary compliance. In conclusion, taxpayer attitudes play a crucial role in determining the level of tax compliance in SMEs. The findings suggest that cultivating positive attitudes toward taxation through public awareness, education, and trust-building initiatives is essential for improving tax compliance. SMEs that view taxes as part of their social responsibility are more likely to comply, resulting in a more efficient and effective tax system overall.

## Conclusions

This study finds that accounting knowledge and taxpayer attitudes positively and significantly impact tax compliance in SMEs in North Medan. The possession of solid accounting knowledge enables SME owners and managers to accurately understand tax regulations, manage financial records, and comply with tax obligations. This knowledge is critical for preparing accurate tax returns, identifying eligible deductions, and avoiding errors that could lead to tax penalties. In parallel, taxpayer attitudes, such as trust in the tax system, perceptions of fairness, and the belief that taxes contribute to societal development, significantly influence the willingness of SMEs to comply with tax regulations. These two factors collectively affect the degree of voluntary compliance with tax laws within SMEs. This study provides practical insights for SMEs seeking to improve their tax compliance practices. The key implications include the need to enhance accounting knowledge through training programs and ensure that SME owners and managers understand tax laws thoroughly. Additionally, fostering positive taxpayer attitudes through awareness and trust-building initiatives is crucial for increasing tax compliance. By focusing on these areas, SMEs can enhance their tax compliance behavior, which will lead to reduced risks of penalties and audits, while contributing to a more effective and transparent tax system.

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