

Tax Morale of Individual Taxpayers in the Micro, Small, and Medium Enterprises

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Article Info

Article history:

Received July 17 – 2025

Revised July 30 – 2025

Accepted July 31 – 2025

Keywords:

Tax Morale; MSMEs; Tax Literacy

Abstract

This study aims to review the tax morale of Individual Taxpayers who are MSMEs in Parepare City. Tax morale refers to the intrinsic motivation of individuals to fulfill their tax obligations voluntarily and without coercion. This research employs a descriptive qualitative approach, utilizing an in-depth interview method with four MSME actors who already possess a Taxpayer Identification Number. The analysis was conducted using the Theory of Planned Behavior (TPB) framework to understand how attitudes, subjective norms, and perceived behavioral control influence tax morale. The results showed that the tax morale of MSME players in Parepare City remains relatively low, despite most having a positive view of the importance of taxes. Low tax literacy, the perception that one is not obliged to pay because income is considered insufficient, and the lack of education and transparency in the tax system are the main obstacles to shaping tax morale.

DOI:

10.56341/aafj.v3i2.623

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INTRODUCTION

Technological developments and entrepreneurial trends are making the role of Micro, Small, and Medium Enterprises (MSMEs) increasingly important. MSMEs are one of the nation's key economic drivers, making their existence crucial to the country's economy. Every MSME established is a new opportunity for individuals seeking employment. The role of MSMEs is significant for Indonesia's growth, as they account for 99% of all business units. In 2023, MSME business players reached around 66 million. MSMEs contribute 61% of Indonesia's Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion. MSMEs absorb around 117 million workers (97%) of the total workforce.²

MSMEs can help boost the country's economy by generating tax revenue and expanding employment opportunities. MSMEs play a crucial role in the skill

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²Indonesia, K. (n.d.). *UMKM Indonesia*. Indonesian Chamber of Commerce and Industry. Laman: <https://kadin.id/data-dan-statistik/umkm-indonesia/>

development of society by employing a large number of skilled, semi-skilled, and even unskilled labor. This highlights the importance of MSMEs in expanding tax revenue streams, underscoring their significance in the fiscal landscape of countries, particularly developing ones.³

Based on data from the Office of Cooperatives and SMEs of South Sulawesi Province, as shown in Table 1 below, it is evident that most MSMEs in Parepare City are micro businesses, accounting for more than 92% of the total units.⁴ This reflects that the local economy still relies heavily on small-scale and household-based business activities. The existence of 2,565 small businesses and 96 medium-sized businesses indicates that Parepare is also experiencing the growth of larger-scale entrepreneurs, who have the potential to absorb labor and contribute more to tax revenue.

Table 1. Data on The Number of MSMEs in Parepare City

Business Category	Amount (Unit)	Percentage (%)
Micro Business	33.517	92,65
Small Business	2.565	7,09
Medium-Sized Enterprises	96	0,27
Total	36.178	100

Source: Data processed (2025)

Increasing taxpayer compliance is a crucial policy and step in the field of taxation aimed at enhancing state revenue, as stated in the financial memorandum and the 2014 State Budget. The concept of voluntary compliance from taxpayers is necessary because Indonesia's tax collection system is based on a self-assessment model. The self-assessment system authorizes taxpayers to determine the amount of tax payable themselves.⁵

However, one of the main challenges in managing the MSME sector is the low level of tax compliance, especially from individual businesses. The government has issued various policies to encourage compliance, such as the implementation of the 0.5% final rate through Government Regulation No. 23/2018. However, this structural approach has not been entirely successful in increasing voluntary tax awareness and compliance.⁶

Based on the fact that, to date, some people are reluctant to become taxpayers, while many who have registered as taxpayers still do not want to report their taxes, let alone pay them. Starting from small taxpayers to large taxpayers.⁷

³Damayani, F., & Mukhtaruddin. (2025). Kepatuhan pajak usaha mikro kecil menengah (umkm): apakah moral pajak memiliki peran? *Jurnal Ilmiah Akuntansi Keuangan Dan Bisnis*, 6(1).

⁴Dinas Komunikasi. (n.d.). *Jumlah Usaha Mikro, Kecil, dan Menengah Menurut Kabupaten/Kota di Sulawesi Selatan*.

⁵Wahyuni, N. (2024). Pengaruh Norma Subjektif, Kewajiban Moral dan Sanksi Terhadap Kepatuhan Pajak Usaha Mikro Kecil dan Menengah di KPP Makassar Selatan. *Jurnal Mirai Management*, 9(1), 112–127. <http://jurnal.fe.umi.ac.id/index.php/CESJ/article/view/1186>

⁶Syahril, M. A. F., Rifani, R. A., & Khaerul, K. (2023). Pengantar Hukum Pajak. CV. Eureka Media Aksara

⁷Sani dan Habibie. (2016). Pengaruh Moral Wajib Pajak, Sikap Wajib Pajak Dan Norma Subjektif Terhadap Kepatuhan Pajak Melalui Pemahaman Akuntansi. *Encyclopedia of Systems Biology*, 5(2), 1646–1646. <http://repository.stie-mce.ac.id/id/eprint/1463>

Tax morale is one of the important factors that can encourage voluntary taxpayer compliance. Tax morale is a motivation that already exists in taxpayers intrinsically, who make tax payments voluntarily without coercion, in the public interest.⁸ Tax morale refers to individual beliefs about the importance of paying taxes as a form of contribution to the state.⁹ Taxpayers who are aware of good tax morale will also increase their level of compliance, thereby optimizing state revenue through tax collections.¹⁰

In the context of MSMEs, tax morale is very important because business actors are usually not closely monitored by the authorities (tax authorities). Some studies show that tax morale can moderate the effect of incentives on taxpayer compliance.¹¹ There is significant potential for increased tax revenue if the level of voluntary tax compliance can be achieved; therefore, the key lies with the government itself in implementing various programs, services, and tax regulations.¹² Meanwhile, tax morale plays a role in strengthening MSME tax compliance. Tax morale, an internal factor, motivates taxpayers to comply with tax payments. High tax morale makes them feel guilty when they do not comply with tax regulations because it is an obligation they must live with.¹³

To gain a deeper understanding of taxpayer behavior, this study adopts the Theory of Planned Behavior (TPB) approach introduced by Ajzen (1991). This theory posits that a person's intention to take an action is influenced by three main components: attitudes towards the action, subjective norms, and perceptions of perceived behavioral control, which play a crucial role in shaping tax morale.¹⁴

Therefore, this study aims to review in more depth the views and experiences of Individual Taxpayers of MSMEs in Parepare City related to their tax morale and how these values affect their attitudes and decisions in fulfilling tax obligations voluntarily.

RESEARCH METHODS

Research Design

This research uses a descriptive qualitative approach. This approach was chosen to thoroughly explore the perceptions, experiences, and motivations of MSME actors as Individual Taxpayers in fulfilling their tax obligations, particularly those related to aspects of tax morale. Descriptive design is employed to provide a comprehensive

⁸Wayra, H., & Fionasari, D. (2025). *Determinan Tax Morale Wajib Pajak Orang Pribadi Non Karyawan*. 6(1).

⁹Syahril, M. A. F., & Hasan, H. (2024). *A Comparative Research on the Effectiveness of Progressive versus Proportional Tax Systems in Enhancing Social Justice*. *Administrative and Environmental Law Review*, 5(2), 97-106. <https://doi.org/10.25041/aclr.v5i2.3479>

¹⁰Lusdani, W., Bandaso, S., Panimba, W., Kristen, U., & Toraja, I. (2024). *Pengaruh Literasi Perpajakan, Moral Pajak dan Insentif Pajak Terhadap Kepatuhan Wajib Pajak UMKM di Kabupaten Tana Toraja*.

¹¹Damayanti, F., & Jibrani, M. F. (2024). *Pengaruh Insentif Pajak, Kepercayaan Pada Otoritas Pajak, dan Keadilan Pajak Terhadap Kepatuhan Wajib Pajak UMKM Orang Pribadi dengan Tax Morale Sebagai Variabel Moderasi*. 17(2), 195–208. <https://doi.org/10.15408/akt.v17i2.44861>

¹²Wayra, H., & Fionasari, D. (2025). *Determinan Tax Morale*, *Loc.Cit*.

¹³Damayanti, F., & Mukhtaruddin. (2025). *Kepatuhan pajak usaha mikro kecil menengah (umkm)*, *Loc.Cit*.

¹⁴Iranda, A. D., & Precyilia, A. (2025). *How Education Shapes Tax Morale : Exploring The Mediating Effect Of Income*. 20(1), 91–116.



picture of tax morale within the context of voluntary compliance in the MSME sector of Parepare City.

Location and Research Population

This research was conducted in Parepare City, South Sulawesi. The research population consists of individual taxpayers who operate business activities in the MSME sector in Parepare City, hold an NPWP, and are potentially subject to MSME income tax. The selection of informants was carried out using a purposive sampling technique, which involves a deliberate selection based on specific criteria, ensuring that the data obtained is relevant to the research focus. The criteria for informants in this study are:

1. Micro, small, or medium enterprises players.
2. Status as an individual taxpayer.
3. Domiciled and running a business in the Parepare area.
4. Willing to participate in a research interview.

The number of informants is not predetermined and will be adjusted according to the principle of saturation point, which occurs when the data obtained has been repeated and no new findings are revealed.

Data Collection Technique

In this study, data were collected through various methods that support each other to obtain comprehensive information about the tax morale of Individual Taxpayers in the MSME sector in Parepare City. The data collection techniques used include:

1. In-depth interviews are the primary method used for obtaining data. Interviews were conducted in a semi-structured manner using a pre-formulated question guide. The semi-structured format provides flexibility for researchers to further explore information from informants based on the direction and dynamics of the conversation. Interviews were conducted in person (face-to-face) or through online communication media if it was not possible to meet in person. The interviews will be recorded (with the informant's permission) and transcribed in full for further analysis.
2. In addition to primary data, this research also utilizes secondary data in the form of supporting documents relevant to the research topic. The documents can be in the form of statistical data on the number of MSMEs in Parepare City, information from the Office of Cooperatives and SMEs, and tax regulations related to MSMEs (such as PP No. 23/2018). This documentary data is used to provide additional context, strengthen the analysis results, and support the validity of the field findings.
3. Observation, conducting limited field observations of the informants' business activities. This observation was conducted to gain a more thorough understanding of the informants' business characteristics, social environment, and how the business activities are carried out in daily life. Observation acts as a complement to interviews, helping researchers interpret informants' statements in the context of the real situation in the field.

RESULTS AND DISCUSSION

Result

This research was conducted in Parepare City, South Sulawesi, involving four informants selected through a purposive sampling technique, namely:

1. Mrs. Ani, business owner of Warung Putri Solo, a micro business in the home culinary sector.
2. Mr. Ali, business owner of Warung Sate Cak Ali, a micro business in the field of street food culinary.
3. Mrs. Tanti is the owner of Bakso Kesuma, a small business in the culinary street food sector.
4. Ms. Julianti, owner of Laundry Geby, a small business in the service sector.

The four informants met the criteria of being MSME actors, having a status as Individual Taxpayers, being domiciled in Parepare, having an NPWP, and being willing to participate in this study.

Result of Interviews

The results of the study were analyzed descriptively to describe taxpayers' perceptions and attitudes towards tax obligations, with a focus on aspects of tax morale.

General Awareness of Taxes

All four informants demonstrated a basic understanding that paying taxes is a civic obligation. However, this understanding is more focused on local taxes, such as retribution for the use of business premises or neighborhood contributions. Ms. Ani and Mr. Ali, for example, routinely fulfill their obligation to pay retribution or contributions to the neighborhood, which they consider a form of compliance with tax obligations.

Meanwhile, Ms. Julianti stated that awareness of paying taxes should be adjusted to the business conditions. If the income meets the criteria, then paying taxes is a form of contribution to the country's development. However, she also emphasized the importance of transparency and fairness in government tax management.

Understanding Individual Tax

Despite having an NPWP, two informants, Mrs. Ani and Mr. Ali, did not understand that, as individual taxpayers, they are still required to report and pay income tax (PPh) annually. Both assume that having an NPWP does not necessarily require tax reporting, especially since the income earned is considered small and uncertain.

Kak Julianti, despite having an accounting education background, has also not carried out her tax obligations because she considers her income to be below the taxable threshold. However, she said that when her income meets the requirements, she intends to comply with tax payments. Her primary motivation is the desire to contribute to the country, provided that tax funds are managed transparently and fairly.

Meanwhile, Mrs. Tanti is the only informant who regularly fulfills her obligation to pay and report taxes to the state. Her good understanding of tax obligations is supported by her accounting education background in vocational school. For her, paying taxes is part of her social responsibility and a moral reflection as a citizen.

Observation Result

Field observations reveal that all informants' businesses are micro to small-scale, characterized by simple administrative management and the absence of a structured accounting system. Data from the Office of Cooperatives and SMEs indicate that the majority of businesses in Parepare are microenterprises, which generally lack optimal access to tax education and financial literacy. This condition is one of the factors that contribute to the low level of tax compliance, particularly in terms of reporting and paying Income Tax.

Discussion

Based on the research results, it is evident that tax morale among MSME players in Parepare City remains relatively low. Although all informants already have an NPWP, only one person actively carries out tax obligations as an Individual Taxpayer. This shows that the level of knowledge and understanding of taxation is one of the crucial factors in shaping the tax morale of MSME business actors in Parepare City.

From the perspective of the Theory of Planned Behavior, tax-paying behavior is influenced by three primary factors: attitude toward the behavior, subjective norms, and perceived behavioral control. In terms of attitude, most informants have a favorable view of the obligation to pay taxes. They recognize that taxes play a significant role in state development. However, this positive attitude has not been fully realized in the form of concrete behavior. Some informants stated that as long as their income has not exceeded the taxable income limit, they do not feel obligated to pay taxes. However, they realize the importance of this contribution in principle. There is one informant who shows an ambivalent attitude towards tax obligations, stating that the willingness to pay taxes will arise if the tax system is implemented fairly and transparently. The funds collected are appropriately managed by the government.

Then, when viewed from the perspective of subjective norms, social influence from the environment, family, or friends has no relation to tax morale. Some informants emphasized that the decision to fulfill tax obligations is a personal choice based on their principles and motivations, rather than being driven by social pressure. This indicates that social norms are not the primary factor in shaping tax compliance behavior among MSME players in Parepare City.

Meanwhile, perceived behavioral control, or an individual's perception of their ability to carry out tax obligations, also plays a role in shaping tax morale. Low tax literacy, a lack of understanding of MSME tax regulations, and inadequate education and socialization from tax authorities make business actors feel unable or unnecessary to fulfill their tax obligations. Some businesses even consider that tax education and counseling need to be expanded so that they have a sufficient understanding to act by tax provisions.

The results of this study suggest that tax morale plays a significant role in promoting voluntary compliance among MSME actors. In the absence of supervision from tax authorities, compliance is heavily influenced by internal values, such as a sense of responsibility and fairness. This finding aligns with previous research, which emphasizes that tax morale can moderate the effect of incentives on compliance.¹⁵

¹⁵Damayanti, F., & Jibrán, M. F. (2024). *Pengaruh Insentif Pajak, Loc.Cit.*

Additionally, it suggests that compliance increases when taxpayers feel guilty about not fulfilling their tax obligations.¹⁶

This research also reinforces the view that the role of government is crucial in shaping the community's tax morale through the provision of services, fair regulations, and extensive and easily accessible education.¹⁷ If the tax system is built on the principle of transparency and upholds justice and human values, then it has the potential to increase the tax morale of MSME actors. A high level of tax morale will encourage the emergence of awareness among taxpayers to voluntarily fulfill their tax obligations, as they feel that the existing system is worthy of support and trust.

CONCLUSIONS AND SUGGESTIONS

This study concludes that the tax morale of MSME players in Parepare City remains relatively low, despite most having a positive view of the importance of taxes. Low tax literacy, the perception that they are not obliged to pay because their income is considered insufficient, and the lack of education and transparency of the tax system are the main obstacles in shaping tax morale.

Therefore, the government needs to improve tax education and build a fair and transparent system to encourage the tax morale of MSME actors, so that they can voluntarily fulfill their tax obligations.

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