Tax rates, tax socialization, and tax compliance of MSMEs: Patriotism as a moderating variable

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ABSTRACT

Purpose — *The purpose of this study is to analyze the effects of tax rates and tax socialization on MSME tax compliance, as well as to investigate whether patriotism can act as a moderating variable.*

Method — *The type of research is quantitative research with hypothesis testing. The population in this study consists of individual MSMEs in the city of Kupang. The study comprised 152 respondents. The analytical method used in this study is descriptive analysis. For this study, the analysis was conducted using SmartPLS 4 software. SEM-PLS analysis is performed through two stages, namely outer model analysis and inner model analysis.*

Result — *This study examines the effects of tax rates, tax socialization, and patriotism on MSME tax compliance, with patriotism serving as a moderating variable. Data analysis and discussion of the results reveal that tax rates, tax socialization, and patriotism have a positive and significant impact on MSME tax compliance. However, the moderation effect of patriotism on the relationship between tax rates and tax socialization, and MSME tax compliance, is not proven.*

Contribution — *This study contributes to the academic landscape by addressing the understudied realm of individual MSME tax compliance and advancing compliance theories through the examination of patriotism as a potential moderating factor.*

Keywords: *tax rates, tax socialization, tax compliance, patriotism*

INTRODUCTION

One of the most important pillars in the country's financial system is state revenue sourced from taxes, which are financial contributions paid by individuals and entities to the government, utilized to fund various public programs and services such as infrastructure, education, health, security, and more. According to the 2022 State Budget report by the Sekretariat Kemenkeu (2022), the total state revenue amounts to IDR 2,463.2 trillion, with IDR 2,021.2 trillion or 82.05% coming from the tax sector, while non-tax state revenue is IDR 441.4 trillion or 17.90%. As state revenues generated from taxes exceed non-tax state revenues, it underscores the necessity for taxpayer compliance to ensure the continual growth of tax sector revenues (Yasa & Prayudi, 2019).

In this dynamic and diverse economic environment, the role of the Micro, Small, and Medium Enterprises (MSMEs) sector as a contributor to economic growth is increasingly significant, with MSMEs contributing 60% to the Gross Domestic Product. However, a report by Tommy (2021) states that the Ministry of Cooperatives and SMEs also assessed that the contribution of MSMEs to tax payments still needs to be enlarged. Hanung Harimba Rochman, the Deputy for Small and Medium Enterprises at the Ministry of Cooperatives and SMEs, mentioned that while the contribution of MSMEs to the gross domestic product (GDP) is indeed recorded at more than 60%, the tax deposits remain considerably low. The level of taxpayer compliance among MSMEs is often an issue that necessitates serious attention.

In recent years, particularly in the Kupang City area, the level of compliance among individual taxpayers, both those affiliated with individual employees and individual entrepreneurs, varies significantly, as depicted in Table 1.

Table 1. Individual tax reporting

Year	Individual taxpayer	Target	Realization	Non-compliant individual taxpayers
2018	125.666	13.459	57.453	68.213
2019	137.924	82.488	55.811	82.113
2020	179.141	60.194	59.971	119.170
2021	189.306	64.559	63.534	125.772
2022	202.801	86.719	51.355	151.446

Source: Tax Service Office in Kupang City (2023)

Based on the data presented in Table 1, over the period from 2018 to 2022, discernible patterns and shifts in the count of individual taxpayers, compliance levels, and tax revenue realization can be observed. On the whole, the data mirrors the intricacies and dynamics within the tax compliance landscape among

individual taxpayers over the past five years. The fluctuations in compliance rates, revenue realization, and the instances of non-compliance with tax obligations signify alterations in tax policy, economic conditions, and societal tax awareness. Notably, the prevailing phenomenon reveals that there remains a substantial number of individuals, particularly those engaged in MSMEs within Kupang City, who exhibit inadequate tax compliance in both payment and tax reporting aspects.

Concerning compliance, it has been an issue examined by researchers from various parts of the world. Alshira'h & Abdul-Jabbar (2020) argue that further research can explore the approach to MSME taxpayer compliance by expanding the research model to encompass other determinants such as tax socialization, patriotism, and their relationship with MSME taxpayer compliance. Patriotism is frequently regarded as an individual's devotion and love for their country (Callan & Eamonn, 2006). A distinguishing characteristic of patriotism is the willingness to sacrifice for the country's well-being (Nathanson, 1989). The taxpayer's affection for the country and their aspiration for its development are reflected in their tax compliance behavior (Kahne et al., 2006). The sentiment of love for one's homeland at times plays a pivotal role in various aspects of people's lives, particularly concerning tax compliance (Qari et al., 2009).

In addition to patriotism, socialization among MSME taxpayers and tax rates serve as benchmarks for tax compliance. Drawing from various prior studies, it has been discovered that tax socialization can impact an individual's inclination to fulfill their tax responsibilities (Ardayani & Jati, 2019). Taxpayers who receive proper tax education through effective tax socialization are more inclined to fulfill their tax obligations.

Tax socialization plays a pivotal role in shaping taxpayers' comprehension of their responsibilities regarding tax payments. Within the context of MSMEs, where business owners might possess limited tax knowledge, effective socialization holds the potential to significantly enhance awareness regarding the significance of tax compliance. The key question that emerges is the extent to which government- or institution-organized socialization initiatives can effectively transcend informational barriers and furnish sufficient understanding to MSMEs. The study's findings reveal that tax socialization indeed impacts the compliance behavior of MSME taxpayers (Burhan, 2015; Hendrawati et al., 2021). Earlier research conducted by Endrianto (2015), Prawagis et al. (2016), Ananda (2015), Oktaviani & Adellina (2016), and Susmiatun & Kusmuriyanto (2014) asserted that tax rates have a positive influence on the compliance of MSME taxpayers.

In addition, tax rates also play a significant role in determining the incentives and tax burdens experienced by MSMEs. A fair and proportional tax rate can influence MSMEs' perception of the tax system and motivate them to better comply with tax obligations. However, tax rates that are too onerous or complicated can pose obstacles to tax compliance. Some studies have previously reported that tax rates negatively affect tax compliance (Agha & Haughton, 1996; Giesecke & Tran, 2012; Matthews, 2003). In contrast, Engel et al. (2001) asserted that tax rates are positively associated with tax compliance.

The findings of this study are expected to provide a better insight into ways to enhance MSME tax compliance through effective tax socialization and by balancing tax rates in accordance with the economic capabilities of small business actors. By exploring and deciphering the relationship between these factors, this research is anticipated to contribute valuable understanding for more effective tax policies and to support the sustainable growth of the MSME sector in the economy.

This study makes several contributions and introduces novelties to the field of taxation literature. Firstly, it provides evidence of individual tax compliance behavior that has not been adequately researched in comparison to the predominant focus on corporate taxpayers in previous studies. Secondly, researchers align with the recommendations of Alshira'h & Abdul-Jabbar (2020), advocating that research can extend compliance theory to encompass the impact of patriotism as a moderator of tax compliance, as social factors can serve as pivotal determinants affecting tax compliance and can significantly contribute to understanding MSME tax compliance dynamics.

METHOD

This research falls under the category of quantitative research, specifically hypothesis testing research. The methodology employed involves constructing and empirically evaluating formulated hypotheses. The study's target population comprises the residents of Kupang City engaged in MSMEs. However, it is important to note that this investigation was not conducted on the entire population but rather on a subset, known as a sample.

The method used to determine the samples is accidental sampling, wherein samples are chosen randomly; anyone encountered by the researcher who fits the criteria can be included as a sample, provided they are deemed suitable as a data source (Sugiyono, 2018). Data was gathered by distributing questionnaires via Google Forms to 152 respondents, consisting of Micro, Small, and Medium Enterprises Taxpayers registered at the Kupang City Tax Service Office. The

choice of 152 respondents aligns with Sugiyono's (2018) suggestion that a suitable respondent size for studies falls between 30 and 500. Thus, the selection of 152 respondents adheres to these criteria and is deserving of study.

The Likert scale, ranging from 1 to 5 (with 1 indicating strong disagreement and 5 indicating strong agreement), was employed in this study. Descriptive analysis constitutes the analytical approach adopted. The analysis was conducted utilizing SmartPLS 4 software, which is variant-based. The SEM-PLS analysis comprises three stages: outer model analysis, inner model analysis, and hypothesis testing.

Hypothesis development

Tax rates and tax compliance

The tax rate is a determination in the form of a percentage (%) or an amount in the currency of a country that must be paid by the taxpayer (Amirudin & Sudirman, 2012). Tax rates are one of the main determinants in the structure of the tax system and one of the main factors related to tax compliance (Richardson, 2006). The important role of the state in setting policy is the determination of tax rates (Waluyo, 2014). According to Lely (2018), tax rates, as the basis for imposing taxes, are used in determining the amount of tax owed from tax objects. Based on Government Regulation Number 55 of 2022, the final income tax must be paid every month before the 15th of the following month (https://www.kemenkeu.go.id, 2022). Rates are one of the factors that are thought to be most closely related to or influential on taxpayer compliance. A low tax rate will increase taxpayer compliance to provide incentives for reporting income to the tax administration. On the other hand, if a high tax rate is applied, it will reduce the level of taxpayer compliance, causing taxes to tend to be non-compliant in payment (Ananda, 2015). Based on this explanation, the hypothesis in this study is as follows:

H1: Tax rate has a negative effect on tax compliance

Tax socialization and taxpayer compliance

Tax socialization is an effort made by the Director General of Taxes to provide knowledge to the public, especially taxpayers, to understand everything about taxation, including regulations and tax procedures, through appropriate methods (Burhan, 2015). Socialization is a general concept interpreted as a learning process involving interaction with others, focusing on how to think, feel,

and act, all of which are essential elements for effective social participation (Wurianti & Subardjo, 2015). According to Sudrajat & Ompusunggu (2015), tax socialization means an effort to provide information about taxation aiming to help individuals or groups comprehend taxation, thereby increasing taxpayer awareness. When taxpayers receive accurate and comprehensive understanding through socialization, they acquire knowledge about the significance of tax payment. Insufficient knowledge and insight due to inadequate tax socialization can lead to a lack of understanding regarding fulfilling tax obligations, ultimately resulting in non-compliance. Tax socialization aids in enhancing taxpayer knowledge about the importance of tax payment, thereby increasing taxpayer compliance, which subsequently boosts state revenue from taxation. A higher level of tax socialization correlates with greater taxpayer compliance (Ananda, 2015). When the public, particularly MSME taxpayers, are aware of and comprehend applicable tax regulations, they tend to be more compliant in fulfilling their tax responsibilities. Consequently, tax socialization is anticipated to positively influence the compliance of MSME taxpayers. Based on this, the following hypothesis was formulated:

H2: Tax socialization has a positive effect on tax compliance

Patriotism and tax compliance

Patriotism is defined as the relationship that exists between an individual and their country. This attachment reflects positive feelings towards the country, expressed through trust, pride, loyalty, devotion, commitment, and concern for the country (Tal & Staub, 1997). In the context of tax compliance behavior, patriotism is considered a part of social identity that can increase taxpayer loyalty. When a taxpayer, as a member of a country, has an emotional attachment to their country, they tend to adhere to the norms prevailing in their group, including tax rules.

Taxpayers who have a high level of patriotism tend to be more obedient in carrying out tax obligations (Qari et al., 2009). Individuals with a high level of patriotism will be more willing to voluntarily fulfill tax duties. According to the perspective of taxpayers with a strong sense of patriotism, fulfilling tax duties becomes evidence of faith, pride, devotion, commitment, and concern for their country. Moreover, they tend to hold a positive view of tax payments, believing that this contribution can foster the progress of the nation and the welfare of society (Jannah et al., 2018). Therefore, we formulated the hypothesis as follows:

H3: Patriotism has a positive effect on tax compliance

Tax rates on tax compliance with patriotism as a moderating variable

The existence of motivation will affect MSME taxpayers' tax compliance in fulfilling their tax obligations. The more motivated MSME taxpayers are in terms of paying taxes, the higher their level of compliance (Risti & Putra, 2022). Different forms of motivation include: a) intrinsic motivation, arising from within the individual; b) extrinsic motivation, originating externally; c) urgent motivation, emerging in pressing situations, appearing suddenly, and requiring swift action (Riyanti & Sudarmawanti, 2022).

Pohan (2014) analyzed the functional degradation of net income calculation norms, which has implications for tax injustice resulting from Government Regulations on income tax that apply to taxpayer businesses with specific gross circulation. The replacement of Government Regulation No. 46 of 2013 by Government Regulation No. 23 of 2018 brought about a reduction in the final tariff, simplifying calculations and lightening the burden on MSMEs to ensure their business continuity.

Patriotism can directly influence an individual's attitude towards tax compliance, potentially leading to improvements in social norms (Lavoie, 2011). Individuals with a high and strong sense of patriotism towards their nation are assumed to possess a stronger desire to adhere to relevant social norms. If paying taxes is perceived as contributing to the welfare of their nation, individuals with high levels of patriotism are more likely to be obedient and honest in their tax contributions compared to those with lower levels of patriotism.

H4: Patriotism is capable of moderating the effect of tax rates on the tax compliance
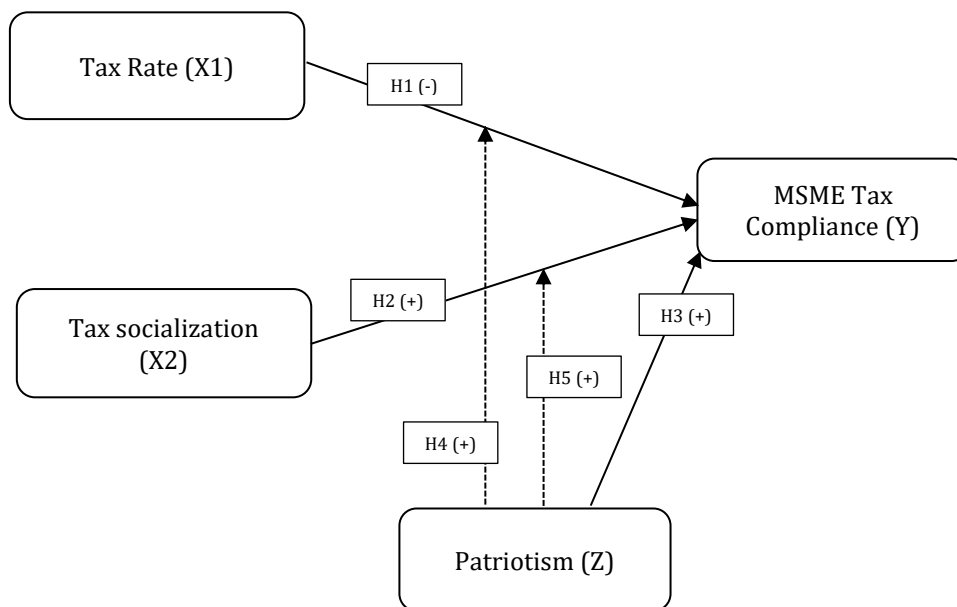
Tax socialization on tax compliance with patriotism as a moderating variable

Patriotism is considered among citizens as a person's devotion and love for their country (Callan & Eamonn, 2006). The taxpayer's love for the country and its desire to develop are reflected in the performance of their tax payments (Kahne et al., 2006). The feeling of love for the homeland plays an important role in all aspects of people's lives, especially in terms of tax compliance (Qari et al., 2009; Qari et al., 2012). The government can leverage tax socialization to instill patriotism in taxpayers. Ultimately, this policy can simplify and facilitate tax revenue collection. On the other hand, Ganglet al. (2016) found that patriotism does not have a significant direct relationship with tax compliance but does have

an indirect relationship with trust in tax authorities and voluntary cooperation. Despite this, very few empirical studies have examined the relationship between patriotism and income tax compliance. In an effort to educate the public about taxes, the government can emphasize aspects of patriotism in its approach. Highlighting how tax contributions support the country's economic development and welfare, as well as explaining how taxes paid by MSMEs can help create jobs and business opportunities for residents, can improve MSME tax compliance.

H5: Patriotism is capable of moderating the effect of tax socialization on tax compliance
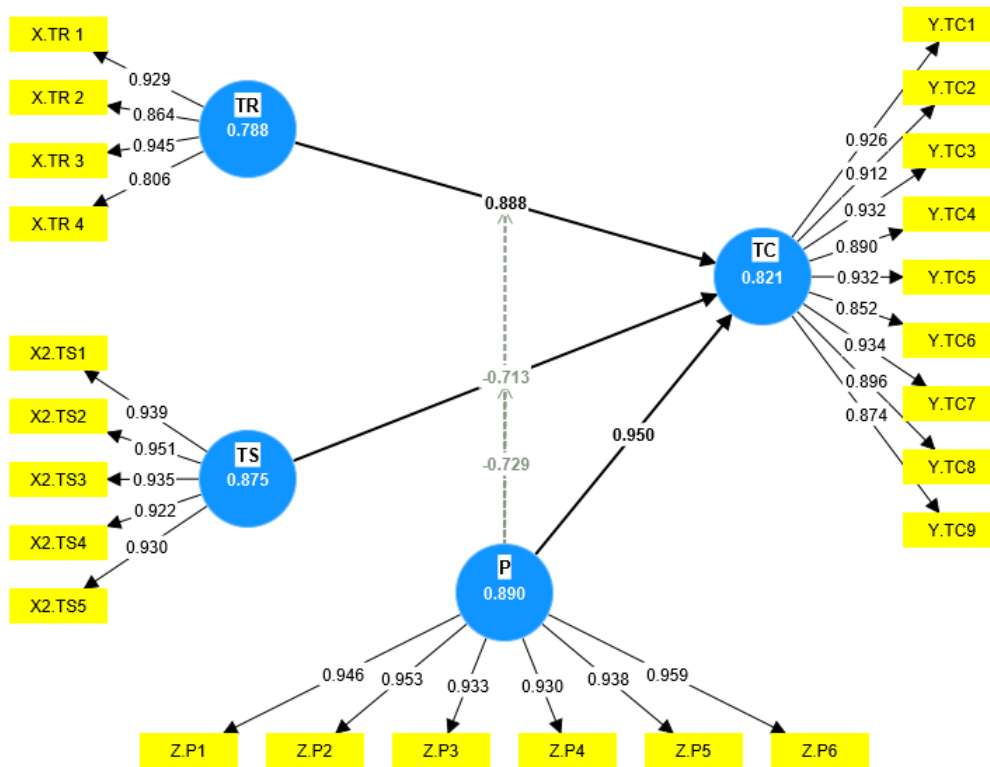
Figure 1. Conceptual framework

Source: Developed by the authors (2023)

RESULT AND DISCUSSION

Structural model analysis (outer model)

Abdillah & Hartono (2015) define the outer model as a measurement model that explains how a collection of indicators is linked to latent variables. Validity, reliability, and multicollinearity testing are conducted through the outer model testing process to establish the specific relationship between latent variables and their indicators.

Figure 1. Outer model

Referring to Figure 1, each structure in the outer model is associated with an indicator variable featuring outer loading validity, indicating that the entire indicator can be utilized in advanced analysis. None of the indicator variables exhibit an outer loading value of less than 0.5. The highest outer loading is observed in the patriotism variable, with an outer loading value of 0.959.

During convergent testing, validity can be assessed based on Outer Loading and AVE (Average Variance Extracted). Typically, in research, an outer loading limit of ≥ 0.7 and an AVE value > 0.5 are employed. The results of outer loading and AVE (Average Variance Extracted) can be found in Tables 2 and 3.

Convergent validity

Convergent validity measures the validity of indicators as a variable's gauge, which can be determined from the outer loading of each variable indicator. An indicator is considered to have good reliability if its outer loading value for each indicator is > 0.70 (for research in less developed fields, values between 0.5 and

0.6 can be used). When using the standard Convergent Validity value of > 0.70, any loading value below 0.70 is removed from the model (Ghozali & Imam, 2016). This can be observed in Table 2.

Table 2. Validity testing result of outer loading value

Variable	Tax Rate	Tax Socialization	Tax Compliance of MSMEs	Patriotism	Decision
X.TR1	0.929				Valid
X.TR2	0.864				Valid
X.TR3	0.945				Valid
X.TR4	0.806				Valid
X2.TS1		0.939			Valid
X2.TS2		0.951			Valid
X2.TS3		0.935			Valid
X2.TS4		0.922			Valid
X2.TS5		0.930			Valid
Y.TC1			0.926		Valid
Y.TC2			0.912		Valid
Y.TC3			0.932		Valid
Y.TC4			0.890		Valid
Y.TC5			0.932		Valid
Y.TC6			0.852		Valid
Y.TC7			0.934		Valid
Y.TC8			0.896		Valid
Y.TC9			0.874		Valid
Z.P1				0.946	Valid
Z.P2				0.953	Valid
Z.P3				0.933	Valid
Z.P4				0.930	Valid
Z.P5				0.938	Valid
Z.P6				0.959	Valid

Source: Processed data (2023)

Using the data in Table 2, it is evident that the indicators' validity within each variable exhibits good reliability, as indicated by an outer loading value exceeding 0.70 for every indicator. Furthermore, no loading value falls below 0.70, resulting in the retention of all indicators in this study.

Discriminant validity

Discriminant validity aims to test the extent to which a latent construct is distinct from other constructs. A high value of discriminant validity indicates that a construct is unique and capable of explaining the phenomenon being measured.

A construct's validity is established by comparing the square root of AVE with the correlation between latent variables. The square root of AVE should be greater than 0.5 (Ghozali & Imam, 2016). This can be observed in Table 3.

Table 3. Average Variance Extracted (AVE) of all variables

Variable	AVE	Decision
Tax Rate	0.788	Valid
Tax socialization	0.875	Valid
Tax Compliance of MSMEs	0.821	Valid
Patriotism	0.890	Valid

Source: Processed data (2023)

Based on Tables 3, the AVE (Average Variance Extracted) values are greater than 0.5, indicating that all research variables have achieved good convergent validity (Sekaran & Bougie, 2013).

Composite reliability

Composite reliability is an appropriate measure for describing the level of reliability within a structure. Following the established general guidelines, the composite reliability score should be greater than 0.7 (Abdillah & Hartono, 2015). The table below presents the outer load values for each indicator in the study variable.

Table 4. Composite reliability

Variable	Composite reliability (rho_a)	Composite reliability (rho_c)	Decision
Tax Rate	0.974	0.976	Valid
Tax socialization	0.976	0.980	Valid
Tax Compliance of MSMEs	0.965	0.972	Valid
Patriotism	0.929	0.937	Valid

Source: Processed data (2023)

According to Table 4, the composite reliability values are all above 0.7. The highest value is associated with the variable Tax Socialization at 0.976, while the lowest is attributed to the variable Patriotism with a value of 0.929. Therefore, the measurement model in this study can be considered reliable.

Cronbach's alpha

In this test, the instrument's reliability is established by its consistency in producing the same data when used multiple times to measure the same object. For reliability to be confirmed, the value of Cronbach's alpha should be ≥ 0.7. The results of reliability can be observed in Table 5.

Table 5. Cronbach's alpha

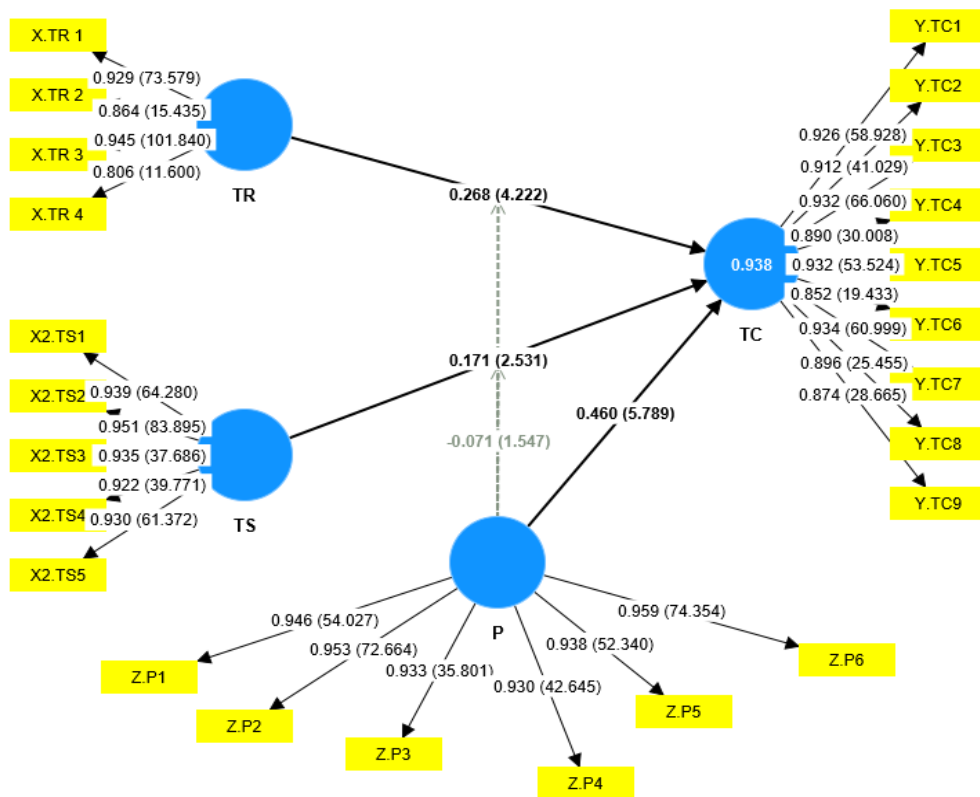| Variable	Cronbach's alpha	Decision
Tax Rate	0.910	Valid
Tax socialization	0.964	Valid
Tax Compliance of MSMEs	0.973	Valid
Patriotism	0.975	Valid

Source: Processed data (2023)

Based on the reliable test results presented in Table 5, all variables, including Tax Rates, Tax Socialization, Tax Compliance, and Patriotism, are considered valid as their values are ≥ 0.7. Thus, it can be concluded that all constructs possess satisfactory Cronbach's alpha values, meeting the established requirements (Abdillah & Hartono, 2015).

Structural model analysis (inner model)

The inner model is a framework that predicts the causal connections between latent variables and identifies collinearity among them. Collinearity testing is a crucial aspect of Structural Equation Modeling (SEM) (Ghozali & Imam, 2016).

Referring to the data presented in Figure 2, we can conclude that all hypotheses are supported. This is indicated by the t-statistic values of all constructs exceeding 1.96, signifying a positive and significant impact. Notably, the variable tax rate exhibits the highest inner loading value at 101.840. Furthermore, the influence of patriotism on MSME tax compliance demonstrates the highest t-statistical value, reaching 5.789.

Figure 2. Inner model

Goodness-of-fit test

A variable possesses substantial explanatory power when the coefficient of determination (R-Square) value is > 0.5 or approaches 1. The outcomes of the R-square test in this study are displayed in the following Table 6.

Table 6. R-square test

Variable	R-square	R-square adjusted
Tax Compliance of MSMEs	0.940	0.938

Source: Processed data (2023)

Based on Table 7 of the R-square test, it can be interpreted that the R-Square value of the MSME Taxpayer Compliance variable (Y) is 0.940, which means that 94% of the variation in trust change can be explained by the variables of tax

rates, tax socialization, and patriotism, while the remaining 6% is attributed to other variables not included in this study.

Hypothesis testing

Table 7. Hypotheses testing

Hypothesis	Influence	Original sample	T-statistics	P-values	Result
H1	Tax Rate -> Tax Compliance of MSMEs	0,268	4,222	0,000	Rejected
H2	Tax socialization -> Tax Compliance of MSMEs	0,171	2,531	0,011	Accepted
H3	Patriotisme -> Tax Compliance of MSMEs	0,460	5,789	0,000	Accepted
H4	Patriotism x Tax Rate -> Tax Compliance of MSMEs	-0,012	0,237	0,812	Rejected
H5	Patriotism x Tax socialization -> Tax Compliance of MSMEs	-0,071	1,547	0,122	Rejected

Source: Processed data (2023)

Based on the results presented in Table 9, the analysis for hypothesis testing reveals several insights. Firstly, in terms of the effect of tax rates on the compliance of MSME taxpayers in Kupang City, the obtained P-values of 0.000 and an original sample value of 0.268 demonstrate a significant impact. Consequently, the first hypothesis of this study is rejected.

Second, the derived P-values of 0.011 and an original sample value of 0.171 suggest that tax socialization plays a meaningful and positive role in influencing the compliance of MSME taxpayers in Kupang City. Therefore, the second hypothesis is accepted.

Third, the examination of the influence of patriotism on MSME taxpayer compliance reveals a statistically significant outcome. With a P-value of 0.000 and an original sample value of 0.460, it can be concluded that the patriotism variable holds a positive and significant effect on the compliance of MSME taxpayers in Kupang City.

It is important to note that P-values below 0.05 are indicative of statistical significance, underscoring the moderator variable's role in enhancing the relationship between exogenous and endogenous variables.

However, upon scrutinizing the fourth hypothesis which explores whether patriotism can strengthen the moderation of the effect of tax rates on MSME tax

compliance, the statistical value of 0.237, the original sample value of -0.012, and the P-value of 0.812 from Table 7 jointly suggest the rejection of this hypothesis.

Similarly, the fifth hypothesis seeks to understand whether patriotism can intensify the moderation of the effect of tax socialization on MSME tax compliance. The statistical values of 1.547, an original sample value of -0.071, and a P-value of 0.122 lead to the same conclusion as the fourth hypothesis: the fifth hypothesis is also rejected.

Discussion

Tax rates on taxpayer compliance

The results have indicated that tax rates do not have a negative impact on MSME tax compliance. Tax rates serve as the foundation for tax imposition, playing a crucial role in determining the tax liability of taxable entities. Tax rates are often perceived as one of the most influential factors affecting taxpayer compliance. Lower tax rates alleviate the burden on taxpayers, potentially fostering increased compliance. Conversely, higher tax rates might lead to decreased taxpayer compliance, as MSME taxpayers could be disinclined to fulfill their tax obligations. Taxpayers tend to perceive fairness when tax authorities offer incentives in the form of reduced tax rates. However, this study is unable to prove this.

Previous research conflicting the findings of this study have been conducted by Endrianto (2015), Prawagis et al. (2016), Julianto (2017), Ananda (2015), Oktaviani & Adellina (2016), and Susmiatun & Kusmuriyanto (2014).

Tax socialization on taxpayer compliance

Tax socialization has a positive and significant effect on MSME tax compliance. Socialization plays a crucial role in shaping taxpayers' understanding of obligations regarding paying and reporting taxes. By providing socialization to the public, especially to MSME taxpayers, they will know and comprehend the applicable regulations. This understanding will increase MSME taxpayer compliance. Effective socialization can also play a vital role in raising awareness about the importance of tax compliance.

The results of this study align with the research conducted by Setyabudi (2017). In his study, he stated that tax socialization positively affects individual taxpayer compliance. Similar results were found in the research conducted by Setiawan (2018), where he stated that tax socialization has a positive impact on taxpayer

compliance. The research conducted by Burhan (2015) similarly demonstrated that the variable of tax socialization has a positive effect on taxpayer compliance.

Patriotism on taxpayer compliance

Patriotism has a positive and significant effect on MSME tax compliance. Patriotism is defined as the relationship that exists between an individual and their country. This attachment reflects positive feelings towards the country, expressed through trust, pride, loyalty, devotion, commitment, and concern for the nation. When a taxpayer, as a member of a country, has an emotional attachment to their country, they tend to follow the norms prevailing in their group, including tax rules. Taxpayers with a high level of patriotism are more likely to be obedient in fulfilling their tax obligations (Qari et al., 2009).

Individuals with a strong sense of patriotism are more willing to willingly carry out their tax duties. According to the perspective of taxpayers who possess a strong patriotic spirit, fulfilling tax duties is a demonstration of faith, pride, devotion, commitment, and concern for their country. Moreover, they tend to hold a positive view of tax payments, believing that this contribution can promote the progress of the nation and the welfare of society (Jannah, Hutadjulu, and Rante, 2018; Lavoie, 2011).

The findings of this study correspond with prior research indicating that patriotism has a significant impact on taxpayer compliance (Adiningtyas and Zulaikha, 2016; Gangl, Torgler, and Kirchler, 2016; Jannah, Hutadjulu, and Rante, 2018; MacGregor and Wilkinson, 2012; Mulya, 2020).

Moderating effect of patriotism on the nexus between tax rates and tax compliance

The results showed that taxpayers with a high spirit of patriotism do not always comply with the rules that it upholds. Therefore, government policy affects citizens' sense of patriotism. However, citizens' opinions on government policies are not uniform. Taxpayers will voluntarily support and fulfill government policies if they believe that these policies are rights for the state, and they trust the government to carry out its duties (Alm, 2019). Lowering the tax rate can increase taxpayer compliance, but if their love for the country is strong, taxpayers may have a reduced inclination to trust the tax authorities. The occurrence of corruption, collusion, and nepotism cases involving tax officials has diminished the level of public confidence in government accountability

concerning tax fund management. Consequently, citizens might be hesitant to pay taxes and may not comply with tax regulations.

The findings of this study align with the research conducted by Ahmad and Hijattulah (2019), which indicates that patriotism, as a moderating variable, cannot strengthen the relationship between tax rates and MSME tax compliance.

Moderating effect of patriotism on the nexus between tax socialization and tax compliance

The results of hypothesis testing revealed that patriotic taxpayers do not always comply with tax regulations, even though tax authorities provide effective socialization. Instilling a sense of love for the homeland in taxpayers through tax socialization cannot necessarily promote the compliance of MSME taxpayers. Additionally, these findings also affirm that patriotism is not merely a feeling of loyalty; it requires a positive self-evaluation (Schatz et al, 1999). Taxpayers are willing to sacrifice for the state if they perceive such action as necessary, even without the need for tax socialization. The spirit of patriotism cannot merely emerge during tax socialization; instead, it must be nurtured by the government by demonstrating good governance performance (Gangl et al, 2016). As an aspect of social identity, patriotism plays a crucial role in guiding social behavior (Huddy and Khatib, 2007).

The outcomes of this research align with the findings of a study conducted by Utami (2018), which suggests that the impact of tax socialization on individual taxpayer compliance cannot be moderated by patriotism. Similarly, the results of this study coincide with research conducted by Zaikin et al. (2022).

CONCLUSION

This study examines the effects of tax rates, tax socialization, and patriotism on MSME tax compliance, with patriotism as a moderating variable. The analysis of data and discussion of results reveal that tax socialization and patriotism have a positive and significant impact on MSME tax compliance. Tax rates, however, do not affect MSME tax compliance. Additionally, it is not proven that patriotism, as a moderating variable, strengthens the relationship between tax rates, tax socialization, and MSME tax compliance.

In summary, this study offers crucial insights for various stakeholders, including the government, businesses, and academics, regarding how specific factors influence MSME tax compliance. The practical implications of this research

underscore the necessity for more effective tax socialization approaches and a deeper understanding of how to leverage aspects of patriotism to enhance tax compliance. The findings are anticipated to contribute positively to endeavors aimed at enhancing tax compliance among MSMEs and fostering sustainable economic development.

Future research is expected to delve into other factors affecting tax compliance. For instance, exploring how broader government policies, such as economic incentives or support for MSMEs, impact MSME tax compliance could yield insights into optimizing positive effects.

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