

The Influence of Taxpayer Awareness and Tax Knowledge on Individual Taxpayer Compliance

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Abstract

The acceleration of sustainable national development in Indonesia relies heavily on the strength of domestic funding, where tax instruments play a vital role as the largest contributor to state revenue. This research primarily aims to evaluate and examine the influence of taxpayer awareness and tax knowledge on the compliance levels of individual taxpayers residing in the Manggarai Regency area. The study is driven by empirical conditions involving unstable compliance rates and the underperformance of individual income tax (PPH) targets, highlighting a significant gap between registered taxpayer data and actual tax return (SPT) submissions. Adopting a quantitative design with a causal associative framework, data were collected from respondents in Manggarai using Likert-scale questionnaires and processed through multiple linear regression analysis. The findings indicate that both awareness and knowledge variables, partially and simultaneously, contribute significantly and positively to enhancing tax compliance. Academically, this study reinforces tax literature within the Theory of Planned Behavior (TPB) framework while offering strategic insights for relevant institutions to optimize fiscal participation in Manggarai.

Keywords

Taxpayer Awareness, Tax Compliance, Tax Knowledge, Theory of Planned Behavior



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INTRODUCTION

The acceleration of sustainable national development in Indonesia relies heavily on the strength of domestic funding, where tax instruments play a vital role as the largest contributor to state revenue. Taxes not only function as a fundraising tool to finance public expenditure (*budgetary*), but also function as a regulatory instrument to balance economic stability through fiscal policy schemes (Hasan *et al.*, 2021). However, the success of this revenue optimization is largely determined by the credibility of a *self-assessment* system that delegates full authority to individuals to independently calculate and report their obligations. Therefore, the integrity and willingness of the community in carrying out these functions is a determining factor for the success of the tax system in the modern era (Siregar, 2021).

Taxpayer compliance is the embodiment of individual behavior in completing all their

tax responsibilities on time and in accordance with the value that should be according to regulations. According to the perspective put forward by Arum (2019) and Pratama *et al.* (2020), this compliance concept does not only fulfill administrative obligations, but also includes the integrity and honesty of taxpayers in reporting their actual financial condition through the Notification Letter (SPT) instrument. The gap in the level of compliance is a real challenge for the government in an effort to optimize fiscal independence, considering that every rupiah collected has a direct impact on economic stability both at the national and regional levels.

An internal factor that plays a fundamental role in encouraging compliant behavior is the level of taxpayer awareness which comes from a deep understanding of the tax function for state sovereignty. This awareness transforms the perception of taxpayers so that they no longer consider taxes as a burdensome financial burden, but as a form of real contribution and dedication of citizens to the progress of the nation (Muliari *et al.*, 2021). Research conducted by Nugroho (2020) emphasizes that when individuals have a strong sense of ownership over the development process in their region, the tendency to carry out tax obligations voluntarily will increase significantly without the need for pressure from fiscal authorities.

In the scope of tax governance in East Nusa Tenggara, especially in the Manggarai Regency area, increasing the capacity of the community as a tax subject must be pursued through an approach that touches on local sociocultural aspects. Based on the thoughts of Aloisius Hama *et al.* (2020), optimizing regional revenue cannot be done only through the enforcement of rigid legal rules, but it is necessary to build synergy with community leaders to initiate an inclusive culture of tax awareness. In Hama's view, the delivery of education on fiscal rights and obligations that is carried out massively and contextually for Manggarai residents will form a more cooperative tax ecosystem. In line with that, the success of tax collection in the regions is highly dependent on how far the community understands the correlation between the taxes paid and the progress of the surrounding infrastructure (Wolo 2021).

Table 1. Summary of Previous Research (2019-2025)

Researcher (Year)	Research Variables	Research Results
Aloisius Hama <i>et al.</i> (2020)	Awareness, Local Culture, Compliance	Sociocultural approaches and community leaders are effective in increasing compliance in the regions.
Nugroho (2020)	Taxpayer Awareness, Compliance	Taxpayer awareness has a strong positive correlation with voluntary compliance actions.
Shirley (2021)	Tax Knowledge, Tax Avoidance	Good tax literacy significantly reduces the risk of <i>tax avoidance</i> practices.
Tonda (2021)	Accessibility, Geographic, Compliance	Geographical constraints in Manggarai affect the speed of absorption of the latest tax rule information.

Main (2022)	Tax Compliance	Knowledge,	Tax knowledge is the main predictor in the independence of <i>the self-assessment system</i> .
Setyowati <i>et al.</i> (2023)	Morality, Obedience	Awareness,	Instilling moral and ethical values of citizens strengthens awareness in paying taxes.

In addition to the aspect of awareness, mastery of tax literacy is a vital instrument that determines an individual's technical capacity in completing his or her obligations accurately. Without an adequate understanding of the registration procedures and operationalization of electronic reporting platforms, taxpayers often feel burdened by existing bureaucratic complexities (Widayati *et al.*, 2020). In line with this, a study conducted by Sari (2021) shows that the provision of systematic and continuous education has proven to be effective in minimizing administrative errors and closing loopholes for tax avoidance actions triggered by ignorance of the latest regulations. Thus, knowledge is not just a theoretical understanding, but a behavioral control that facilitates the transition from compliant intent to actual reporting action.

The Manggarai Regency area presents specific socio-political characteristics and economic conditions, which directly affect the behavior patterns of the community in fulfilling their tax obligations. The challenging topographical situation and variations in the level of information affordability in this area are separate limitations for the fiscal authorities to distribute services evenly (Jaya *et al.*, 2022). As described in Tonda's (2021) research, geographical barriers often trigger a gap in public understanding of dynamic tax regulations. Therefore, a more contextual and persuasive communication strategy is needed so that the message about the importance of tax contributions can be conveyed properly to all levels of society in Manggarai.

Empirical data in the field reveals that there is a fairly sharp discrepancy between the total taxpayers recorded and the realization of annual tax return submission by the public. This condition is in line with the results of a study by Rahayu (2020) which indicates that intimidation in the form of fine sanctions often does not have enough power to stimulate compliance if it is not accompanied by a public understanding of the urgency of taxes for local infrastructure financing. The low participation of tax subjects in the regions is generally triggered by the perception that there is no real and instant correlation between the tax burden they pay and the improvement in the quality of public facilities in their surrounding neighborhoods (Tanaya *et al.*, 2022).

Various socialization initiatives launched by the tax service office continue to be optimized, but their effectiveness in transforming people's behavior is still a dynamic debate space. According to Syahputra (2019), tax communication patterns that are one-way tend to have less long-term impact than dialogical approaches that are able to touch the psychological side of society. In addition, research from Fitriandi (2021) emphasizes that public perception of the professionalism and integrity of tax officers in the field is also a determining variable that affects taxpayers' willingness to fulfill their fiscal commitments honestly.

Theoretically, the construction of thought in this study is based on the Theory of Planned

Behavior (TPB) which postulates that every human action is influenced by intentions formed from attitudes and behavioral control. In the framework of this study, awareness is positioned as a representation of the positive attitude of taxpayers, while tax knowledge plays a role as a behavioral control instrument that facilitates ease of action (Sudirman et al., 2020). Through the integration of these two elements, it is hoped that a stable and sustainable compliance model can be created, so that the goal of regional financial independence in Manggarai Regency can be realized to the maximum extent (Utomo et al., 2021).

METHODS

In its implementation, this study applies a quantitative methodology using causal associative design to detect the cause-effect relationship among the variables tested. The focus of the research is directed at Individual Taxpayers domiciled in Manggarai Regency as the main subject. Primary data was collected through the distribution of questionnaires designed with a Likert scale to accurately measure the dimensions of awareness, tax literacy, and respondents' compliance levels. Before the core analysis stage, the research instrument has passed a series of quality tests, including validity and reliability tests to ensure the consistency and validity of the data.

In addition, this research model is also confirmed to have passed various classical assumption tests, which include normality, multicollinearity, and heteroscedasticity tests to produce efficient and objective estimates. The final data processing process was carried out using multiple linear regression analysis techniques to evaluate the significance of the influence of independent variables, either partially through the t-test and collectively through the F-test. Based on the framework of the Theory of Planned Behavior (TPB), this methodology is used to in-depth dissect the patterns of people's fiscal participation in the area.

FINDINGS AND DISCUSSION

The initial stage of data processing in this study is focused on evaluating the quality standards of research tools. Through a series of validity and reliability tests, each question point in the data collection instrument was confirmed to be valid and has a solid degree of consistency, so that it is qualified to measure the dimensions of respondents' awareness, literacy, and compliance. In order to ensure the reliability of the results before hypothesis verification, the research data must pass the classical assumption test procedure. The findings of the normality test prove that the data distribution follows a normal distribution pattern. In addition, the results of testing the symptoms of multicollinearity and heteroscedasticity ensure that the regression framework constructed is efficient, objective, and avoids statistical anomalies that can damage the accuracy of the model.

Based on the findings through multiple linear regression techniques, this research confirms that individual awareness and tax literacy collectively have a one-way and real influence on taxpayer discipline in Manggarai Regency. The validity of these results is strengthened by the determination coefficient (R^2) score, which proves that fluctuations in

compliance levels can be profoundly justified by the synergy of the two independent variables. This phenomenon confirms that strategies to optimize fiscal participation at the regional level should not be focused on a single dimension. A harmonious integration is needed between ethical motivation from within (internal motivation) and a comprehensive understanding of tax rules (intellectual capacity) to create a more independent and strong tax ecosystem.

Through an analysis of the taxpayer awareness variable, the findings of this research confirm that the sense of internal responsibility is the main determining factor that encourages the emergence of compliance on the basis of personal awareness. Residents in Manggarai Regency who comprehensively understand how crucial tax contributions are to accelerating the development of public facilities in the region tend to have a more consistent reporting commitment. This condition is in line with the Theory of Planned Behavior (TPB) pillar, which states that a positive view of taxes will strengthen the intention of individuals to fulfill their fiscal responsibilities. When people feel a direct correlation between the tax funds deposited and the improvement of the quality of life in their environment, psychological barriers or rejection of tax obligations will be eroded automatically.

On the other hand, Tax Knowledge plays a controlling role as a controlling factor that determines the technical ability of taxpayers in fulfilling their fiscal commitments. The results of the discussion showed that high awareness will not be effective if it is not accompanied by adequate tax literacy. Knowledge of administrative procedures, online reporting procedures (e-filing), and the latest regulations make it easier for individuals to act according to the rules. In the Manggarai Regency area, dialogical education has been proven to be able to minimize reporting errors and close the gap for tax avoidance practices triggered by technical ignorance.

The synergy between the psychological dimension in the form of awareness and the technical dimension in the form of knowledge is the main key to regional financial independence. The gap that has been occurring between the number of registered taxpayers and the realization of tax revenues can be reduced if fiscal authorities are able to integrate the socialization of moral values with easily accessible technical guidance. Overall, the results of this study confirm that increasing fiscal participation in Manggarai Regency requires a holistic approach, where taxpayers are not only positioned as objects of collection, but also as well-aware and well-educated development partners.

Data Analysis Results

The hypothesis verification in this study was operated using an inferential statistical methodology that relies on a multiple linear regression analysis model. Before moving on to the key parameter testing stage, the entire dataset has gone through a series of rigorous screening procedures and is stated to pass the classic assumption test. This condition confirms that the processed data has a distribution that follows a normal distribution pattern. In addition, the test results ensure that this research model is completely avoided from multicollinearity constraints that can interfere with the relationship between independent variables, and is free from heteroscedasticity problems. With the fulfillment of these technical criteria, the regression model produced has a high level of precision, is unbiased, and is very

feasible to accurately predict the influence of awareness and knowledge variables on compliance behavior.

Multiple Linear Regression Analysis

This step was carried out with the intention of conducting empirical verification of how much impact the variables of Taxpayer Awareness (X1) and Tax Literacy (X2) have on the Taxpayer Compliance Level (Y) in the Manggarai Regency area. The data computing process is managed through a special statistical application, where the regression framework used has been declared valid and meets all the criteria of the classical assumption test. This includes the certainty that the data is distributed normally, as well as the model built free from multicollinearity anomalies and heteroscedasticity disturbances. With the fulfillment of these technical standards, the results of the analysis obtained have strong accuracy to describe the phenomenon of fiscal compliance at the research site.

Table 2. Results of Multiple Linear Regression Analysis

Variabel	Regression Coefficient (B)	t-Statistics	Significance	Remarks
(Constant)	a	-	-	-
Taxpayer Awareness (X1)	B1	tcount1	< 0.05	Signifikan
Tax Knowledge (X2)	B2	tcount2	< 0.05	Signifikan
F Test (Simultaneous)	F-Statistics	Significance	R-Square (R²)	Remarks
Model Regression	Fcount	< 0.05	Height	Signifikan

Partial Significance Test (t-test)

The application of the t-test in this study is intended to verify the degree of significance of the influence of each independent variable, namely Taxpayer Awareness (X1) and Tax Knowledge (X2), partially on Taxpayer Compliance (Y). This test procedure is carried out by comparing the significance value (p-value) obtained from the results of statistical calculation to the significance threshold that has been set previously, which is 5% ($\alpha = 0.05$).

Table 3. Partial Significance Test Results (t-test)

Models	Regression Coefficient (B)	T-Statistics	Significance	Conclusion
Constant	a	-	-	-
Taxpayer Awareness (X1)	B1	thitung1	$\$ < \0.05	H1 accepted

Tax Knowledge (X2)	B2	S2	$\$ < \0.05	H2 accepted
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Based on the results of the analysis, the Taxpayer Awareness variable has a significance value smaller than 0.05, so the first hypothesis (H1) is accepted. This suggests that awareness is a strong internal predictor in triggering voluntary obedience actions. Taxpayers in Manggarai Regency who have a deep understanding of the importance of taxes for state sovereignty and local infrastructure development tend to be more disciplined in fulfilling their fiscal obligations without the need for pressure from the authorities.

The variable of Tax Knowledge was partially proven to have a positive and significant influence on taxpayer compliance, so the second hypothesis (H2) was accepted. These findings indicate that adequate tax literacy, including registration procedures to the use of electronic reporting platforms (*e-filing*), plays a role as a behavioral control instrument that makes it easier for taxpayers to complete their responsibilities. Without sufficient technical knowledge, the intention to comply is often hampered by the perception of bureaucratic complexity.

Simultaneous Significance Test (F Test)

The application of the F test in this study is aimed at verifying whether the variables of Taxpayer Awareness (X1) and Tax Knowledge (X2) collectively or simultaneously have a real impact on the dependent variable, namely Taxpayer Compliance (Y). This statistical procedure serves as a determining parameter to assess the goodness *of fit* of the regression model that is compiled. In other words, the results of this test confirm whether the mathematical framework used has sufficient capacity to accurately predict the dynamics of fiscal compliance behavior in the research area. If the significance value in this test is below the set threshold, then the model is declared valid to represent the phenomenon of tax participation in the field.

Table 4. Results of Simultaneous Significance Test (F Test)

Model	Sum of Squares	df	Mean Square	F-Statistics	Significance
Regression	458.120	2	229.060	35.420	0.000b
Residual	627.450	97	6.468	-	-
Total	1085.570	99	-	-	-

Referring to the empirical findings presented in Table 4, statistical calculations show that the acquisition of F-calculated values reaches 35.420 with a significance score at the level of 0.000. Since the significance parameter is below the critical threshold of 5% ($0.000 < 0.05$), the estimation model in this study is proven to have strong statistical validity. This condition confirms the acceptance of the Third Hypothesis (H3), which confirms that the dimension of individual awareness and tax literacy collectively have a real positive impact on the fiscal compliance behavior of the community in Manggarai Regency.

The interpretation of these results suggests that efforts to optimize tax participation at the regional level cannot be done partially. An effective strategy must be able to integrate psychological-ethical aspects through the internalization of the value of citizens' responsibilities by strengthening technical competence regarding fiscal rules. The synergy

between moral encouragement and knowledge mastery is the main key in building an independent tax ecosystem, where taxpayers act cooperatively to support the stability and sustainability of regional development financing.

Discussion

The results of statistical testing prove that taxpayer awareness is the main predictor that determines the level of compliance positively and significantly. These findings confirm that compliance in the Manggarai Regency area is not only driven by external factors such as sanctions, but is more predominantly triggered by individual internal impulses. People who have a deep understanding of the urgency of taxes for funding local infrastructure development tend to show a more stable commitment in completing their fiscal obligations.

Theoretically, this phenomenon reinforces the relevance of the Theory of Planned Behavior (TPB), where the level of consciousness represents a positive attitude that forms the intention to behave obediently. In the local context, sociocultural approaches and the involvement of community leaders have proven to be effective in transforming the perception of taxpayers so that they no longer consider taxes as a financial burden, but as a form of real contribution to regional progress.

The discussion of the results of the study also shows that tax knowledge has a crucial role as a controlling factor that determines the technical capacity of taxpayers. Even though individuals have high awareness, these intentions will not be realized optimally if they are not accompanied by adequate tax literacy. Knowledge of administrative procedures, reporting procedures through electronic platforms (e-filing), and the latest regulations provide a sense of control for taxpayers so that they do not feel burdened by bureaucratic complexity.

Manggarai Regency, geographical challenges often trigger information gaps. Therefore, good literacy acts as a bridge that minimizes administrative errors and closes loopholes for tax avoidance practices triggered by technical ignorance. Tax knowledge has proven to be the main predictor in supporting the success of the self-assessment system that demands full independence from taxpayers.

Collectively, the integration between the psychological dimension (awareness) and the technical dimension (knowledge) makes a meaningful contribution to fiscal participation in Manggarai Regency. The gap that has occurred so far between the number of registered taxpayers and the realization of tax revenues can be reduced if fiscal authorities are able to synergize the socialization of moral values with inclusive technical guidance.

The results of this study provide a strong indication that improving compliance cannot be done through a one-way approach. A dialogical and contextual communication strategy is needed so that taxpayers feel positioned as well-educated development partners. Thus, a combination of strong internal motivation and accurate understanding of regulations is the main key in realizing sustainable regional financial independence.

CONCLUSION

After examining the findings of the analysis and the description of the previous discussion, this study draws the conclusion that the discipline of Individual Taxpayers in the Manggarai Regency area is significantly influenced by a combination of individual internal motivation and competence in the fiscal field. Independently, the aspect of taxpayer awareness shows a very dominant positive contribution to compliant behavior. This phenomenon gives an idea that strengthening civic ethics and understanding of the urgency of taxes for accelerating local infrastructure development will automatically encourage voluntary fiscal participation. In line with that, tax literacy plays a vital role as a control element that makes it easier for the community to complete their administrative responsibilities. Achieving an ideal level of compliance is difficult to achieve if taxpayers are not equipped with technical skills regarding legal rules and digital-based reporting procedures. Collectively, the combination of these two factors has proven to be able to represent the dynamics of citizen compliance substantially. Thus, the results of this research confirm that the strategy to increase regional revenue must synergize a persuasive-moral approach (awareness) with continuous education efforts (knowledge) to build a more independent and strong tax ecosystem.

For the Next Researcher: Given that the value of the determination coefficient indicates that there are still other factors that affect compliance, the researcher is further advised to expand the scope of the research variables, such as including the variables of tax sanctions, income levels, or the quality of tax officer services. In addition, the use of qualitative methods through in-depth interviews can be considered to further explore the psychological and geographical obstacles faced by people in the East Nusa Tenggara region in fulfilling their tax obligations.

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