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The Influence of Tax Fairness Perception and Tax Knowledge on Tax Morale and Tax Compliance of MSME Taxpayers Partnered with Toko Basmallah

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ABSTRACT

This study examines the influence of tax fairness perception and tax knowledge on tax morale and tax compliance among MSME taxpayers partnered with *TokoBASMALAH* in East Java. The research problem arises from the persistent challenge of low tax compliance among MSMEs, which is often linked to limited tax knowledge and perceived unfairness in the tax system. The study aims to analyze whether tax fairness perception and tax knowledge indirectly or directly affect compliance through the mediating role of tax morale. A quantitative approach was employed, with data collected through electronically distributed questionnaires to MSME taxpayers. The findings reveal that both tax fairness perception and tax knowledge significantly improve tax morale, which in turn has a positive and significant effect on tax compliance. However, neither tax fairness perception nor tax knowledge shows a direct significant impact on tax compliance. These results imply that strengthening taxpayer education and fostering a sense of fairness in the tax system are crucial strategies to enhance compliance among MSMEs in Indonesia.

KEYWORDS Tax Fairness Perception, Tax Knowledge, Tax Morale, Tax Compliance

INTRODUCTION

Granting full trust to taxpayers through the implementation of the self-assessment system appears to provide very large leeway, and it is highly possible that the data and taxes reported by taxpayers to the tax office do not correspond to actual circumstances. Moreover, the loopholes in the self-assessment system are often exploited by taxpayers to avoid fulfilling their tax obligations, whether in depositing or reporting, resulting in lower levels of taxpayer compliance. The low level of taxpayer compliance remains a challenge for the Directorate General of Taxes (*DGT*). The government has issued several policies to improve taxpayer compliance levels from year to year through various approaches, such as digital

transformation in tax reporting and payment, among others. In Law No. 7 of 2021 concerning the Harmonization of Tax Regulations (*HPP*), the government issued a stimulus policy in the form of non-taxable rates on business income below 500 million rupiah for individual *MSMEs*.

Table 1. DGT Annual Report 2021: Compliance Ratio of Annual Income Tax Return Submission

Description	2021	2020	2019	2018
Registered Taxpayers Must File Returns	19.002.585	19.006.794	18.334.683	17.653.046
a. Body	1.652.251	1.482.500	1.472.217	1.451.512
b. Employee's Personal Person	13.279.644	14.172.999	13.819.918	13.748.881
c. Non-Employee Individuals	4.070.690	3.351.295	3.042.548	2.452.653
Annual Income Tax Return	15.976.387	14.755.255	13.394.502	12.551.444
a. Body	1.012.302	891.877	963.814	854.354
b. Employee's Personal Person	13.110.613	12.105.833	10.120.426	9.875.321
c. Non-Employee Individuals	1.853.472	1.757.545	2.310.262	1.821.769
Compliance Ratio	84.07%	77.63%	73.06%	71.10%
a. Body	61.27%	60.16%	65.47%	58.86%
b. Employee's Personal Person	98.73%	85.41%	73.23%	71.83%
c. Non-Employee Individuals	45.53%	52.44%	75.93%	74.28%

In connection with this compliance issue, the *DGT* released its 2021 annual report showing that the Compliance Ratio for the Submission of Annual Income Tax Returns remains relatively low. It is noted that the compliance ratio for submitting Annual Income Tax Returns in 2021 was only 84.07%. This figure is indeed better than the previous three years, which was still around 70 percent. Nevertheless, in 2021, non-employee individual taxpayers ranked as the taxpayers with the lowest level of compliance in submitting Annual Tax Returns compared to corporate taxpayers and employee individual taxpayers, at only 45.5%. This figure is certainly very concerning because this category includes individual taxpayers who have entrepreneur status. This indicates that non-employee individual taxpayers represent the least compliant layer of taxpayers in carrying out the administrative requirement of reporting Annual Tax Returns.

In this regard, the theory of slippery slope framework of tax compliance states that tax compliance can be divided into two motivations that underlie taxpayers' compliance with their tax obligations: enforced compliance, meaning tax compliance due to coercive parties, and voluntary compliance, which is voluntary cooperation from the community (da Silva et al., 2019; Darmayasa et al., 2022; Khasanah et al., 2019; Saeed et al., 2020; Sohail Saeed et al., 2020). The voluntary compliance component includes tax morale, which plays a considerable role in determining tax compliance (Luttmer and Singhal, 2014). Furthermore, in another study conducted on a specific case of a Protestant church in Bavaria, where tax enforcement was limited or nonexistent, the results showed that approximately 20 percent of individuals pay taxes despite the lack of law enforcement (Dwenger et

al., 2016). However, in another study, tax morale actually had a negative impact on tax compliance (Yuniati, 2021).

With regard to tax morale, it cannot be observed directly because it is part of a multidimensional concept. However, as one of the factors that affect the level of tax compliance, tax morale in various studies is often influenced by various factors such as taxpayers' level of knowledge of tax regulations and provisions (tax knowledge). It is evident that one of the factors of non-compliance in empirical studies and literature shows that non-compliance can be caused by a lack of taxpayer knowledge and inability to comply (Bøås et al., 2018; Stead et al., 2021). In another study conducted in South Africa, Ramutumbu (2016) confirmed among the small business owner population that although they have high tax morale (or intrinsic motivation to be tax compliant), their biggest challenge is their lack of knowledge in handling their own tax affairs.

In addition to the tax knowledge factor, there is another factor in the form of perception of tax fairness that tends to affect the level of tax compliance among taxpayers, especially *MSME* actors in Indonesia. The perception of tax fairness arises from taxpayers' actual or imaginary comparative activities involving themselves and others in matters related to taxation. As highlighted in the justice and organizational fairness literature, the perception of fairness is important because it influences an individual's willingness to view tax authorities as legitimate and trustworthy, thus preventing tax evasion behavior and even encouraging cooperative behavior (Himes-Cornell et al., 2018). Thus, perceptions of tax fairness are crucial in determining the level of tax compliance among taxpayers in various countries.

Based on the description above, this study is a replication model that combines the research of Richmond Kumi & Richard Kwasi Bannor (2022), Luttmer and Singhal (2014), Gholam Reza Zandi, Ayesha Aslam & Abd Rahman Sultan M Elwahj (2016), Joshua Timothy & Yulianti Abbas (2021), YoungRok Kim & Hongyu Wan (2022), Owusu et al. (2022), George Gilligan and Grant Richardson (2005), and Edward Nartey (2022) to process variables relevant to the context of the discussion. The research refers to various previous studies and then attempts to find distinguishing study points with different research method approaches. This research introduces a new element compared to previous research, namely that the research object is *MSMEs* that are *TokoBASMALAH* Partners throughout East Java. In addition, this research is also a combination of various previous studies with an update in the form of combining several variables from previous research while removing several variables to create this study.

Based on the problems identified, this study aims to analyze the influence of tax fairness perception and tax knowledge on tax morale and tax compliance among *MSME* taxpayers partnered with *TokoBASMALAH* in East Java. Specifically, the

study seeks to provide empirical evidence on how fairness and knowledge shape taxpayer behavior both directly and indirectly through tax morale.

The findings are expected to contribute to the development of scientific literature on taxation, particularly regarding the behavioral dynamics of *MSMEs*, while also offering practical insights for policymakers. By highlighting the role of fairness perceptions and knowledge in strengthening tax morale, this research can serve as a reference for improving taxpayer education programs, designing more equitable tax policies, and formulating strategies to increase voluntary compliance.

RESEARCH METHOD

This study uses a quantitative research method. According to Sugiyono (2010), quantitative research is a research method based on positivist philosophy that is used to research a specific population or sample, with data collection using research instruments and quantitative or statistical data analysis, aiming to test predetermined hypotheses.[A1] [A2] The research was conducted in East Java, with the population consisting of all *MSME* taxpayers partnered with *TokoBASMALAH*. Data were collected through structured questionnaires distributed electronically to the respondents. The primary source of data comes from the responses of *MSME* taxpayers, while secondary data were obtained from relevant literature, official reports, and tax regulations. The research instrument was tested for validity and reliability before use to ensure accurate measurement. Data analysis was carried out using multiple linear regression, supported by classical assumption tests such as normality, multicollinearity, and heteroscedasticity tests, to assess the influence of tax fairness perception and tax knowledge on tax morale and tax compliance.

RESULT AND DISCUSSION

Description of Research Results

This study uses a questionnaire distributed by the researcher through electronic media, namely WhatsApp. The number of questionnaires filled out was 102 respondents, but the data of respondents who were valid and met the criteria in this study amounted to 98 respondents. The researcher begins to describe the results of the study by explaining the characteristics of the respondents, then a validity and realism test is carried out on the questionnaire statements that have been filled out by the respondents. The next process after the statement in the questionnaire is declared valid and realistic, then it is continued by describing all the variables contained in the study, namely the perception of tax fairness, tax knowledge, tax morality, and tax compliance.

Analysis Partial Least Square (PLS)

The partial least square (PLS) technique was used in this study to test models and hypotheses. The analysis using the PLS technique is composed of 2 parts, namely the evaluation of the outer model and the evaluation of the inner model. Therefore, in this discussion, it will be clearly described regarding the evaluation of each model mentioned above based on the results of the analysis carried out.

Outer Model

This research makes an external model evaluation with the aim of providing information related to the validity, validity and reliability of a measuring tool in a research model. Evaluation needs to be carried out in order to find out how well and well the questionnaire items assess the nature and concept of the variables that are measured as well as to know the items the questionnaire is said to be consistent to measure the same variables in different times and places. The analysis of the outer model can be known through convergent values. validity, construct validity, discriminant validity, and composite reliability. A full explanation of the outer model is outlined below.

Convergent Validity

The first component of the outer model is to check and check convergent validity. The convergent validity test in the PLS technique can be carried out by looking at the numbers from one loading factor by one. This loading factor number serves to explain the magnitude of the relationship between each measurement item and the latent construct or it can also be called a latent variable (unobserved variable). In this case, an indicator item is said to have met convergent validity when the value of the loading number in each path between the latent variable and the manifest variable has exceeded 0.7 (> 0.7) (Abdillah and Jogiyanto, 2016). Based on the description above, the table below is the result of a validation test according to the loading factor value of each indicator in this study (before the drop indicator is carried out).

Table 2. Outer Loading Evaluation Results

	Perception of Tax Justice	Tax Knowledge	Tax Morale	Taxpayer Compliance
X1.1	**0.907**			
X1.2	**0.922**			
X1.3	**0.835**			
X1.4	**0.904**			
X1.5	**0.832**			
X2.1		**0.889**		
X2.2		**0.881**		
X2.3		**0.781**		
X2.4		**0.886**		
X2.5		**0.841**		
Z1.1			**0.851**	
Z1.2			**0.840**	
Z1.3			**0.888**	

	Perception of Tax Justice	Tax Knowledge	Tax Morale	Taxpayer Compliance
Z1.4			**0.899**	
Z1.5			**0.834**	
Y1.1				**0.797**
Y1.2				**0.663**
Y1.3				**0.724**
Y1.4				**0.840**

The table of Outer Loading Evaluation Results above informs that the majority of the loading factor values in each indicator have a value greater than 0.7 (>0.7) except for the Y1.2 variable which is none other than the tax compliance variable. Based on this data, it can be concluded that the indicators in this study have been declared statistically valid and can be used in the research construct. The following is a research model produced from SmartPLS3 before the drop indicator was carried out:

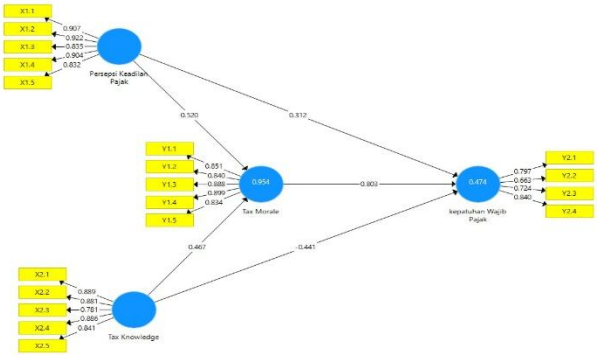

Figure 1. PLS Outer Model Path Diagram Drawing

Construct Validity

The second stage in the analysis of the outer model is to look at the constructs. Validity. Construct validity is defined as validity that is useful in informing the extent to which a test assesses the theoretical construct that is the basis for the preparation of the test. In this regard, the construct is categorized as a good and good construct validity when the average variance extracted (AVE) value must be greater than the value of 0.5 (> 0.5) (Abdillah and Jogiyanto, 2016). Understanding the AVE value > 0.5 can be interpreted as the probability of an entry construct into another value that is smaller (less than 0.5). Thus, the probability of the vector is classified as convergent and included in the construct in question is larger, which is more than 50 percent (Abdillah and Jogiyanto, 2016). The following are the results of the construct validity test using Smart-PLS:

Table 3. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Perception of Tax Justice	**0.776**
Tax Knowledge	**0.734**
Tax Morale	**0.745**
Taxpayer Compliance	**0.576**

In connection with the data contained in Table 4.8 above, it can be seen that the AVE value for each variable in this research analysis model has obtained a good and good construct validity value, namely the AVE value is greater than 0.5 as mentioned earlier

Discriminant Validity

Discriminant validity in the outer model is a test that must be carried out with the aim of confirming whether each indicator that makes up a latent variable has a higher loading value when compared to other latent variable indicators. The benchmark discriminant validity test used is to compare the root of AVE of a higher construct when compared to the correlation between the latent variables, or by looking at the value on cross loading (Abdillah and Jogiyanto, 2016). In the cross loading table, it will be known that each indicator in one construct will be different from the indicator in another construct and accumulate in the construct in question. Table 3 below is the cross loading values of each indicator:

Table 4. Cross Loading

	Perception of Tax Justice	Tax Knowledge	Tax Morale	Taxpayer Compliance
X1.1	**0.972**	0.938	0.892	0.597
X1.2	**0.928**	0.924	0.898	0.614
X1.3	**0.835**	0.781	0.865	0.547
X1.4	**0.904**	0.840	0.857	0.617
X1.5	**0.832**	0.728	0.741	0.555
X2.1	0.852	**0.889**	0.825	0.598
X2.2	0.825	**0.881**	0.818	0.502
X2.3	0.835	**0.881**	0.865	0.547
X2.4	0.827	**0.886**	0.807	0.479
X2.5	0.761	**0.841**	0.810	0.577
Z1.1	0.804	0.850	**0.851**	0.588
Z1.2	0.802	0.734	**0.840**	0.546
Z1.3	0.901	0.934	**0.958**	0.611
Z1.4	0.877	0.907	**0.929**	0.611
Z1.5	0.784	0.719	**0.834**	0.570
Y2.1	0.580	0.601	0.611	**0.797**
Y2.2	0.391	0.324	0.379	**0.663**
Y2.3	0.476	0.448	0.494	**0.724**
Y2.4	0.550	0.512	0.547	**0.840**

This table informs that the value of each indicator in a construct is higher when comparing it with other constructs and accumulating on that one construct.

Therefore, the conclusion regarding the value of discriminant validity in this study can be concluded that discriminant validity is good and good

Composite Reliability

The next explanation about the outer model is the reliability test. The reliability test can be determined by Cronbach's alpha and Composite reliability values. In this case, a construct can be categorized as reliable if the construct has a Cronbach's alpha value greater than 0.6 (> 0.6) and a composite reliability value greater than 0.7 (> 0.7) (Abdillah and Jogiyanto, 2016). The function of composite reliability is to measure the proper reliability value of a variable, while Cronbach's alpha function is to measure the lowest value. (lower bound) reliability of a variable. That way, the composite reliability value in a study becomes higher when compared to Cronbach's alpha value (Abdillah & Jogiyanto, 2016). The table below is information about Cronbach's alpha and composite reliability values of each variable in this study:

Table 5. Cronbach's Alpha & Composite Reliability

	Cronbach's Alpha	Composite Reliability
Perception of Tax Justice	**0.927**	**0.945**
Tax Knowledge	**0.908**	**0.932**
Tax Morale	**0.914**	**0.936**
Taxpayer Compliance	**0.753**	**0.843**

Based on the data listed in the Cronbach's Alpha & Composite Reliability Table, it can be understood that all constructs contained in this study have a weight of Cronbach's alpha value greater than 0.6 and a composite reliability value greater than 0.7. With these results, it can be concluded that all constructs are classified as reliable. This conclusion can also be interpreted that each construct in the research model has internal consistency in the instrument reliability test.

Inner Model

Structural model testing or known as inner model is carried out to predict the causal relationship between variables or can also be referred to as hypothesis testing. This category test can be known from the results of the value of the determination coefficient, goodness of fit, predictive relevance, as well as the path coefficient and parameter coefficient. With this test, if the relationship between significant variables is known, it can automatically be concluded that the hypothesis regarding the variables used in this study is the perception of tax fairness, tax knowledge, tax morality, and tax compliance. The hypothesis testing was carried out by bootstrapping. Below are the output results of PLS bootstrapping in the research model:

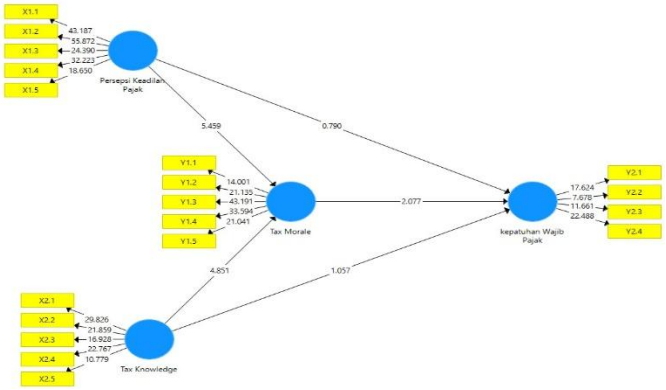

Figure 2. PLS Model Inner Path Diagram
Source: Data processed using PLS

Coefficient of Determination

The analysis of the determination coefficient functions to find out how strong the quality of a model is in terms of explaining the variation of dependent variables (Ghozali, 2008). The value of the determination coefficient is a value between 0 and 1. A smaller R-square value indicates that the variation of the dependent variable is very limited, while if the value is close to one (1) it indicates that the independent variables have informed all the information needed to explain and predict the dependent variable.

The coefficient of determination can be found from the R-square table through the technique of multiplying the value of R-square by the number 100%. After the multiplication, if the multiplication results show a value greater than 67%, it shows that the determination coefficient is relatively good. However, if the result is in the form of a value below 67% but still more than 33%, it shows that the coefficient of determination is called moderate. Meanwhile, the results that show a value of less than 33% but more than 19% show that the determination coefficient is relatively weak (Ghozali, 2008). Here is a table showing the value of the determination coefficient:

Table 6. R Square & R Square Adjusted

	R Square	R Square Adjusted
Tax Morale	0.954	0.953
Tax Compliance	0.874	0.857

Source: Data processed using PLS

Based on the data of the R-square value listed in the table above, and multiplied by 100%, it is known that the coefficient value of determination of each variable is 95% for the Tax Morale variable, and 87% for the Tax Compliance variable. In connection with these results, it can be concluded that the value of the determination coefficient in the Tax Morale variable has an effect of 95%, and the remaining 5% is explained by other variables outside the research model. In addition, the value of the determination coefficient of the Tax Compliance variable

of 87% was affected in this study, while the remaining 13% was explained by other variables outside the research model.

Predictive. Relevance

The next structural model is predictive relevance which functions to assess how good and good the observation numbers obtained from the model and the estimation of its parameters (Ghozali, 2008). For this reason, if the Q-square number is greater than 0 (zero), it shows that the model in the study has a predictive relevance value. However, if the Q-square value is less than 0 (zero), then this indicates that the model in the study lacks or does not have predictive relevance (Chin, 1998). Here's how to find out the value of predictive relevance through Q-square calculation:

Calculation : Q2 = (1-[(1-R12) (1-R22)]

Q2 = (1-[(1-0.954) (1-0.953)] = 0,997

According to the results of the Q-square calculation above, it can be concluded that the model has a predictive relevance value of 0.997 or 99%, with this result, it can be ascertained that the analysis model is classified as a good predictive relevance.

Hypothesis Testing

The next test is hypothesis testing with an estimated path coefficient that can be evaluated based on T-statistics values. The path efficiency estimate informs the estimation value that describes the relationship between latent variables obtained by the bootstrapping procedure. The measurement item used is called significant if the T-value is greater than the value of 1.96 and the p-value is lower than 0.05 at the significance level of 5%. Meanwhile, the parameter coefficient explains the direction of influence by looking at the positive or negative of the original sample as well as the magnitude of the influence of independent variables on the dependent variables (Ghozali, 2008). The table below is a table of path coefficients to find out the value of T-statistic.

Table 7. Direct Influence Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Information
Perception of Tax Justice -> Tax Morale	0.520	0.524	0.095	5.459	**0.000**	**Significant**
Perception of Tax Fairness – Tax Compliance >	0.312	0.324	0.395	0.790	**0.430**	**Insignificant**
Tax Knowledge -> Tax Morale	0.467	0.463	0.096	4.851	**0.000**	**Significant**
Tax Knowledge – Tax Compliance >	-0.441	-0.458	0.417	1.057	**0.291**	**Insignificant**
Tax Morale -> Tax Compliance	0.803	0.811	0.387	2.077	**0.038**	**Significant**

Source: Data processing results with PLS

The Influence of Tax Justice Perception on Tax Morale

Based on the results of the estimation on the variable of perception of tax fairness, it is stated that this variable has a significant positive effect on tax morale, with a parameter coefficient value (original sample) of 0.520. This shows that if the perception of tax fairness increases, then behavior intention will increase. The significance effect can be seen in Table 6 through the results of the coefficient path showing the t-statistical value. of 5.459, which means that the statistical value (5.459) > the T-table (1.96) so that it can be concluded that the perception of tax justice has a significant effect on tax morale. With these results, the hypothesis of this study is accepted.

The results of the study corroborate previous research conducted by Alexander & Orlic (2022) on 630 public and private sector employees in the US and UK, where data collection was carried out in 2015. The results show that the perception of tax justice has an effect on tax morality. In addition, research from YoungRok & Hongyu (2022) also confirms that perceptions on tax fairness have a positive and significant relationship with the growth of tax morale of taxpayers in South Korea. YoungRok & Hongyu (2022) in their research used a considerable amount of data, namely 7,300 taxpayers in South Korea.

The Effect of Tax Justice Perception on Tax Compliance

Based on the results of the estimation of the tax justice perception variable, it is stated that this variable has a positive and insignificant effect on tax compliance, with a parameter coefficient value (original sample) of 0.312. This shows that if the perception of tax fairness increases, then tax compliance will increase. The significance effect can be seen in Table 6 through the results of the coefficient path showing the t-statistical value. by 0.790, which means a statistical value (0.790) < T-table (1.96) so that it can be concluded that the perception of tax fairness has no effect on tax compliance. With these results, the hypothesis of this study is not accepted.

The results of this research are certainly different from various previous studies. Musimenta et al., (2019) conducted a study with 2 data models, namely Ugandan tax collection institutions and Ugandan SMEs. The results show that the perception of fairness of the tax system has a significant correlation with tax compliance. In addition, the results of this study are also different from the research conducted by Pertiwi et al., (2020) on 107 MSME respondents in Indonesia which produced 5 dimensions of the perception of tax fairness that have a significant effect on the tax compliance of MSMEs in Indonesia.

The Influence of Tax Knowledge on Tax Morale

Based on the results of the estimation on the tax knowledge variable, it is stated that this variable has a significant positive effect on tax morale, with a parameter coefficient value (original sample) of 0.467. This shows that if tax knowledge increases, tax morale will increase. The significance effect can be seen in Table 6 through the results of the coefficient path showing the t-statistical value. as much as 4.851, which means the statistical value (4.851) > the T-table (1.96) so that it can be concluded that tax knowledge has a significant effect on tax morale. With these results, the hypothesis of this study is accepted.

The results of the study corroborate previous research conducted by Kumi and Bannor (2022) on 92 respondents in Ghana. The results of the study stated that tax reporting knowledge, tax calculating knowledge and tax payment knowledge have a significant effect on tax morale of investors in Ghana. Oladipupo & Obazee (2016) in their research also stated that the existence of tax knowledge has a significant influence on tax morale.

The Influence of Tax Knowledge on Tax Compliance

Based on the results of the estimation on the Tax Knowledge variable, it is stated that this variable has a positive and insignificant effect on tax compliance, with a parameter coefficient value (original sample) of -0.441. This shows that if the perception of tax justice increases, tax compliance will decrease. The significance effect can be seen in Table 4.4 through the results of the coefficient path showing the t-statistical value. of 1.057, which means the statistical value (1.057) < t-table (1.96) so that it can be concluded that Tax Knowledge has no effect on tax compliance. With these results, the hypothesis of this study is not accepted.

The results of the study corroborate the previous research conducted by Natrah Saad (2014) on 30 New Zealand taxpayers consisting of 18 male taxpayers and 12 female taxpayers. In this study, it was concluded that Tax knowledge and tax complexity did not affect tax compliance. However, this study is different from the research conducted by Bornman & Ramutumbu (2019) which said that procedural tax knowledge has a significant effect on tax compliance.

The Effect of Tax Morale on Tax Compliance

Based on the results of the estimation on the tax morale variable, it is stated that this variable has a significant positive effect on tax compliance, with a parameter coefficient value (original sample) of 0.803. This shows that if tax morale increases, tax compliance will increase. The significance effect can be seen in Table 6 through the results of the coefficient path showing the t-statistical value. of 2.077, which means that the statistical value (2.077) > the T-table (1.96) so that it can be

concluded that tax morale has a significant effect on tax compliance. With these results, the hypothesis of this study is accepted.

Based on the results of this study, it corroborates several previous studies such as those conducted by Ghani et al (2020) which examined the factors that affect the tax compliance of self-employed taxpayers in Malaysia. The results of the study concluded that the position of tax morale has a significant positive impact on tax compliance. In line with the above research, Unger (2014) in his research also concluded that Tax Morale has a significant impact on Tax Compliance

CONCLUSION

This study seeks to identify the factors that affect tax morale and tax compliance among *TokoBASMALAH* Partner *MSME* taxpayers. Given the various facts showing that the compliance ratio of individual non-employee taxpayers is decreasing every year, including data on *MSME* taxpayers, this study attempts to reveal whether the variables of tax fairness perception and tax knowledge have an impact and influence on the tax morale and tax compliance of *MSMEs* that are *TokoBASMALAH* Partners. The results of the study summarized that among 98 respondents of *TokoBASMALAH MSME* taxpayers, it was found that tax fairness perception and tax knowledge have positive and significant effects on tax morale. Additionally, the tax morale variable was found to have a positive effect on tax compliance. Furthermore, different results from several previous studies were also found in this study. The variables of tax fairness perception and tax knowledge did not have significant effects on tax compliance directly.

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