



# Revealing Tax Non-Compliance Of Msmes From The Perspective Of Local Wisdom Of Madurese Society

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## ABSTRACT

Micro, small, and medium-sized enterprises (MSMEs) are proliferating; however, this growth is not accompanied by a corresponding increase in tax revenue for these enterprises. Tax non-compliance by MSMEs is a barrier to tax revenue. This study aims to uncover the essence of MSME tax non-compliance from the perspective of the local wisdom of the Madurese community. It seeks to identify the causes and variations of MSME tax non-compliance, drawing on the socio-cultural and local wisdom of the Madurese community. This study uses qualitative methods with a holistic ethnographic approach to uncover the essence of MSME tax non-compliance in Madura. The results indicate that MSME tax non-compliance is caused by Madurese scepticism due to perceived unfair tax benefits and the choice between compliance and non-compliance, driven by differing views on tax law. Various types of tax non-compliance by MSMEs include failing to register as taxpayers, not collecting and paying taxes, and not reporting their tax activities. This study helps to further develop research and provides a basis for tax policymakers to reduce tax non-compliance among MSMEs.

## INTRODUCTION

Taxes are the backbone of the national economy, as the majority of state revenue comes from the tax sector. However, taxes have struggled to achieve their targets each year. Over the past decade, tax revenue has consistently fallen below the set target, although it was exceeded from 2021 to 2023 (DJP, 2024). In 2024, tax revenue again fell below the expected target (Kemenkeu, 2025). This phenomenon is a problem that must be addressed immediately. One way to achieve this is by increasing taxpayer awareness, ensuring that tax revenue targets are met and continue to increase annually (Erasashanti *et al.*, 2024).

Several factors contribute to the failure to achieve state revenue from the tax sector,

including tax non-compliance by taxpayers, particularly Micro, Small, and Medium Enterprises (MSMEs). The Directorate General of Taxes has not been able to optimize the potential tax revenue from MSMEs (Nurlinda and Sinuraya, 2020). Tax revenue should have increased drastically in line with the rapid growth of MSMEs, thus increasing state revenue. However, one of the obstacles encountered in the field is tax non-compliance by MSMEs (Sibarani *et al.*, 2024).

Tax non-compliance refers to an action that fails to comply with tax regulations (Riskiyadi *et al.*, 2020). Non-compliance can occur in any part of the tax mechanism that MSMEs are required to implement. Non-compliance occurs during tax collection when the tax collected does not comply with the applicable regulatory rate or when the tax is not collected at all. Non-compliance occurs when taxes are not paid or paid when they should not be. The final non-compliance concerns the reporting of taxes that have been paid. Many taxpayers ignore this provision (Engström *et al.*, 2023).

Previous research regarding tax compliance in MSMEs is influenced by knowledge of tax regulations (Anto *et al.*, 2021; Hamid *et al.*, 2022; Ratnawati *et al.*, 2019), tax rates (Oktaviani *et al.*, 2020; Yusro and Kiswanto, 2014), tax sanctions (Andreansyah and Farina, 2022; Anto *et al.*, 2021; Hantono and Sianturi, 2021; Jarkoni and Hotmasari, 2021; Putra, 2020), services (Andreansyah and Farina, 2022; Anto *et al.*, 2021; Madjodjo and Baharuddin, 2022; Ratnawati *et al.*, 2019), incentives (Andreansyah and Farina, 2022), tax technology systems (Nurfadila, 2020; Putra, 2020), ease of taxation mechanisms (Hamid *et al.*, 2022; Yusro and Kiswanto, 2014) and accountability (Ratnawati *et al.*, 2019).

Previous research regarding tax compliance in MSMEs is influenced by knowledge of tax regulations (Anto *et al.*, 2021; Hamid *et al.*, 2022; Lestari *et al.*, 2023; Ratnawati *et al.*, 2019; Urumsah and Lasmono, 2022), tax rates (Oktaviani *et al.*, 2020; Yusro and Kiswanto, 2014), tax sanctions (Andreansyah and Farina, 2022; Anto *et al.*, 2021; Erasashanti *et al.*, 2024; Hantono and Sianturi, 2021; Jarkoni and Hotmasari, 2021; Junaidi and Dendi, 2025; Putra, 2020; Sari and Junaidi, 2025; Urumsah and Lasmono, 2022), services (Andreansyah and Farina, 2022; Anto *et al.*, 2021; Lestari *et al.*, 2023; Madjodjo and Baharuddin, 2022; Ratnawati *et al.*, 2019; Sari and Junaidi, 2025), incentives (Andreansyah and Farina, 2022), tax technology systems (Erasashanti *et al.*, 2024; Junaidi and Dendi, 2025; Nurfadila, 2020; Putra, 2020), ease of tax mechanisms (Hamid *et al.*, 2022; Yusro and Kiswanto, 2014), tax accountability (Ratnawati *et al.*, 2019) and sociodemographics (Vincent *et al.*, 2023).

Socio-cultural and local wisdom shape the character of each individual, so that a person's actions can be influenced by the local wisdom of the local community (Riskiyadi, 2021; Tarjo *et al.*, 2021). The local wisdom of the Madurese people, which upholds brotherhood and mutual assistance (Safi' *et al.*, 2024) and is devout in religion (Takdir and Sumbulah, 2024), is a commendable character embedded in every Madurese community. The Madurese community has a strong religious character, which according to Abodher *et al.* (2020) can increase tax compliance. However, disappointment with unscrupulous tax officials (Pradnyarani Dewi and Mitrawan, 2020) and taxpayers' distrust of the government in managing taxes can lead to tax non-compliance (Erasashanti *et al.*, 2024; Williams, 2020). Is this local wisdom able to increase tax compliance of MSMEs or on the contrary, other local wisdom of Madurese people causes tax non-compliance.

The causal elements of tax non-compliance are the opposite of tax compliance, which means that if factors influencing tax compliance decrease, tax non-compliance will increase, and vice versa. Previous research has empirically tested these causal elements. However, qualitative exploration remains scarce. Especially true when exploring tax non-compliance from the perspective of Madurese local wisdom, which generally fosters commendable behavior. However, this study will examine the different effects of local wisdom on interpreting tax non-compliance among MSMEs in Madura.

This study differs from previous research by exploring the causes and forms of tax non-

compliance among MSMEs from the perspective of the local wisdom of the Madurese community. This study employs a different approach, specifically a holistic, qualitative ethnographic approach. This research comprehensively explores the underlying causes of tax non-compliance among MSMEs from the perspective of the socio-cultural and local wisdom of the Madurese community. The socio-cultural and local wisdom of each region, including Madura, is unique. Therefore, a comprehensive blend of cultural, social, and religious factors forms the local wisdom of the Madurese community (Hipni, 2023).

This research is expected to provide a comprehensive overview of MSME tax non-compliance, based on socio-cultural perspectives and local wisdom of the Madurese community. The results will be helpful for further research and serve as a reference for policymakers to enhance MSME tax compliance, thereby increasing tax revenues.

## LITERATURE REVIEW

Tax non-compliance refers to an action by a taxpayer that fails to comply with tax regulations. Several factors can contribute to this tax non-compliance. Both internal and external factors can influence tax compliance. External factors that cause non-compliance with tax regulations originate from outside the individual taxpayer (Riskiyadi, 2021; Tarjo *et al.*, 2021). Internal factors, on the other hand, are causes of tax non-compliance that originate within the individual taxpayer.

Taxpayer knowledge of tax regulations, beliefs, and spirituality are factors that cause internal tax non-compliance (Riskiyadi *et al.*, 2020, 2021; Urumsah and Lasmono, 2022). Meanwhile, tax rates, tax witnesses, tax services by tax authorities, the provision of tax incentives, and accountability in tax management by tax authorities are some of the factors that influence external tax non-compliance by taxpayers (Andreansyah and Farina, 2022; Erasashanti *et al.*, 2024; Hamid *et al.*, 2022).

Tax non-compliance can occur among both individual and corporate taxpayers. This study focuses on corporate taxpayers, specifically the taxation of MSMEs. MSMEs are business entities classified based on their assets and annual turnover. Microbusinesses are classified as having a maximum of IDR 1 billion in assets and a maximum annual turnover of IDR 2 billion. Small businesses are those with assets between IDR 1 billion and IDR 5 billion and a yearly turnover between IDR 2 billion and IDR 15 billion. Furthermore, medium-sized businesses are those with assets between IDR 5 billion and IDR 10 billion and an annual turnover between IDR 15 billion and IDR 50 billion (PP 37, 2021).

The final tax levied on MSMEs applies if their annual turnover exceeds 500 million to 4.8 billion rupiah. Imposing a final tax on MSMEs' businesses will undoubtedly reduce the income earned by the business owner. Taxation poses a significant challenge for MSMEs, compounded by the dynamic evolution of tax regulations and limited outreach to these businesses UMKM (Jarkoni and Hotmasari, 2021).

Previous research discussing the factors causing tax non-compliance has been discussed in the introduction. However, this article explores the causes of tax non-compliance among MSMEs based on local wisdom. Local wisdom is a socio-cultural value preserved by local communities and passed down from one generation to the next (Safi' *et al.*, 2024). Local wisdom serves as a community's perspective on how to act and behave in social life. Local wisdom is a commendable act that characterises a region (Tarjo *et al.*, 2024).

This research is interesting to conduct in order to address the research question, namely, to identify the causes of MSME tax non-compliance based on the local wisdom of the Madurese community and to explore the forms of tax non-compliance carried out by MSME actors.

## METHODS

This study employs a holistic ethnographic qualitative approach to uncover the factors contributing to tax non-compliance among MSMEs. The holistic, ethnographic, qualitative approach in this study is used to interpret the phenomenon of MSME tax non-compliance from the social, cultural, and local wisdom perspectives of the local community as a whole. The phenomenon of MSME tax non-compliance is viewed from the perspective of the community's daily habits (Creswell and Creswell, 2018). A holistic ethnographic approach is a method that examines the relationship between two elements from a socio-cultural perspective and the local wisdom of the community as a whole (Creswell and Poth, 2018).

A holistic ethnographic approach is appropriate for analysing tax non-compliance among MSMEs. The causes of non-compliance are examined from the social, cultural, and local wisdom perspectives of the Madurese community to illustrate the research problem (Gupta and Awasthy, 2015). The cultural elements and local wisdom of the Madurese community, deeply embedded in daily life, play a crucial role in shaping the character of each individual in social life. This character, in turn, shapes habits that become commendable actions in daily life. This character then becomes the local wisdom of the Madurese community (Merriam and Tisdell, 2016).

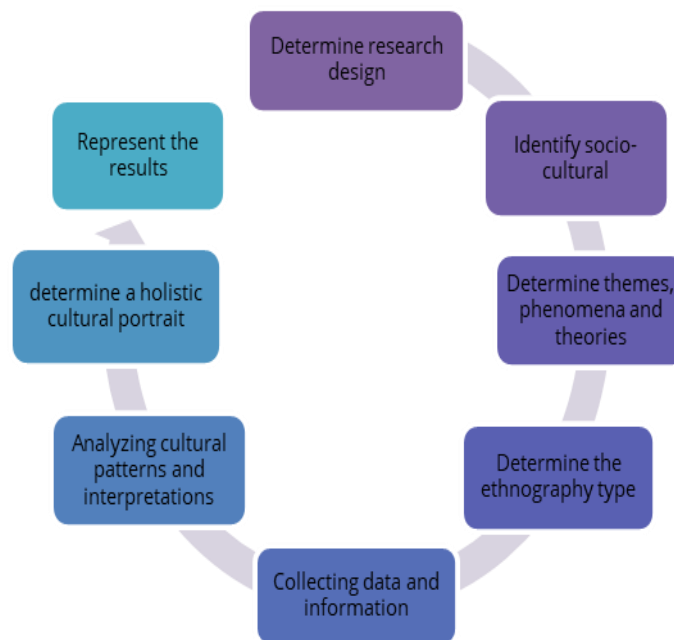
This research was conducted on MSMEs in Madura, spanning four districts. These locations were chosen because they share similar socio-cultural practices and local wisdom. The hope is that the information obtained in this research will be based on similar socio-cultural conditions. The elaboration of the socio-cultural conditions of the community, from various aspects, has been integrated into a unified understanding, thus creating the local wisdom and customs of the Madurese people (Hipni, 2023). The strong bonds of brotherhood in community life constitute a local wisdom that has been preserved to this day.

Data collection methods included interviews, observation, and documentation. The study began with initial observations to identify MSMEs suitable for the research objectives. Key informants from these MSMEs were then identified for interviews. To provide consistent information and validate each other, the results of interviews with each informant served as a guide for subsequent interviews. The consistency of the information supplied by informants was also ensured through repeated interviews conducted over a period, using different perspectives (Riskiyadi, 2021). Information validation was also conducted through interviews with authorities involved in MSME empowerment and taxation.

A holistic ethnographic approach was employed over a prolonged period to investigate the socio-cultural influences of Madurese society on tax non-compliance among MSMEs. Researchers must be able to interact with the community and informants to obtain a comprehensive picture of the socio-cultural context of Madurese society regarding the phenomenon of MSME tax non-compliance. The lengthy research period also provided sufficient time for observation and information gathering from informants, allowing for the simultaneous collection of information and data validation (Englander and Morley, 2023).

Observation, interviews, and documentation are complementary mechanisms in qualitative research. Observation results can be validated against interview results and documentation obtained during the information collection process. Therefore, data collection mechanisms can validate each other. This research employed the procedures outlined by J. Creswell & Poth (2018), specifically a holistic ethnographic approach comprising eight stages, as illustrated in Figure 1.

**Figure 1. Holistic ethnographic research procedures**



Source: J. Creswell & Poth (2018)

Informants in this study used initials to protect the reputation of the informants and their MSMEs, thereby upholding journalistic ethics. Because the research contains sensitive information that could damage the image of the informants, MSMEs, or the government institutions that oversee them, informants in this study included MSME owners, community leaders, cultural activists, employees of the MSME Office, and tax officials in Madura. The details of the informants are as shown in Table 1 below:

**Table 1. Research informants**

No	Informant's Initials	Position
1	INF1	MSME Owners in Sumenep Regency
2	INF2	MSME Owners in Pamekasan Regency
3	INF3	MSME Owners in Sampang Regency
4	INF4	MSME Office Employees
5	INF5	Community Leaders
6	INF6	Madurese Cultural Activists
7	INF7	Tax Officials

Source: Research Data

The validity of this research data was tested by verifying the information provided by informants. Information consistency testing was conducted through repeated interviews over a relatively long period with informants using the same question theme but with different questioning (Creswell and Poth, 2018; Riskiyadi, 2025). The validity of this research information

was tested using triangulation, which included credibility, transferability, dependability, and confirmability.

Credibility testing was conducted by confirming information with each informant, reinforced by continuous observation and long-term field documentation. Transferability testing was performed based on the research object of MSMEs that have the potential to commit tax non-compliance. Dependability testing can be conducted by replicating this research by other researchers, ensuring that the research results are not subject to the researcher's bias. Confirmability testing was undertaken to ensure that this research used the correct processes and procedures. In addition, this study also conducted a triangulation test of theory, methodology, data, and researchers (Denzin and Lincoln, 2018).

After the collected information has undergone a series of validity tests, the data analysis proceeds, encompassing data reduction, data verification, data presentation, and conclusion. Data reduction is carried out by grouping informants' experiences based on similar themes regarding tax non-compliance from a socio-cultural perspective and local wisdom. Next, information is verified from interviews, observations, and documentation obtained during data collection. The next step is to present information based on thematic groupings, ultimately concluding that MSME tax non-compliance is viewed from a socio-cultural perspective and informed by the local wisdom of the Madurese community.

## RESULTS

Taxes are the backbone of state revenues, used to finance state expenditures. State expenditures aim to improve public welfare. In Madurese society, taxes are viewed as deductions from earned income, thereby reducing the actual income received. Because taxes are seen as a deduction from earned income, society is inherently reluctant to comply with tax regulations.

Examining tax non-compliance by MSMEs from a socio-cultural perspective, along with the local wisdom of the Madurese community, provides a different picture. While socio-cultural factors generally foster positive local wisdom, this study's findings suggest a conflicting perspective. Madurese local wisdom can contribute to tax non-compliance by MSMEs.

Local wisdom, always highly valued by the Madurese people, such as *bhapa' bhabhu' ghuru rato* can backfire if the teacher's (*ghuru*) views on taxes differ from tax regulations. Obedience, which is inherently a good deed, can become detrimental if the *kyai* (Islamic teacher) holds a different view on taxes. Obedience to parents (*bhapa' bhabhu'*), teachers (*ghuru*), and leaders (*rato*) forms a hierarchical chain of obedience in the Madurese community. Therefore, the *ghuru's* views are more likely to be obeyed than the tax regulations established by the *rato*.

The local wisdom of *rampa' naong baringin korong* embodies the philosophy of a shady banyan tree that provides shade for everyone. Madurese people uphold the spirit of togetherness, cooperation, and harmonious living. Taxes are essentially intended to improve the welfare of all citizens; however, the phenomenon that occurs when individuals in positions of authority neglect their responsibilities results in state finances derived from taxes failing to enhance the welfare of their citizens. Tax money, which should boost development and the community's economy, ends up in the personal pockets of irresponsible individuals.

*Song-osong lombung* is a philosophy of cooperation to help others achieve shared prosperity. The purpose of collecting taxes by the state is to improve the welfare of its people. However, in Madura, the community has not yet enjoyed the benefits of these taxes. This factor is what causes tax non-compliance among MSMEs in Madura. "Taxes are collected from the little people, but the big people benefit" is a phrase often heard from MSMEs.

This phenomenon has given rise to a distrust among Madurese people regarding the taxes they pay. The taxes collected by the state should benefit the people, providing improved public

services and a growing economy, thus achieving prosperity. However, increasing corruption and stagnant public services have led to a distrust among Madurese regarding taxes.

The findings of this study contradict the socio-cultural and local wisdom of the Madurese people. While this local wisdom should have positive implications, it has led to tax non-compliance among MSMEs. The following is a description of the phenomenon of tax non-compliance among MSMEs in Madura, based on the local wisdom of the Madurese people.

### **Tax Benefit Inequity**

Taxes collected as state revenue should be able to provide equitable prosperity for its people. However, the benefits that all, especially the MSMEs, should enjoy are being lost due to the greed of irresponsible officials. This phenomenon has created apathy among the Madurese people, especially MSMEs. The local wisdom of *song-osong lombung* in taxation, intended to develop *rampa' naong beringin korong*, is being eroded due to the unfairness of tax benefits.

The Madurese people prefer tangible, direct fundraising that can be directly enjoyed, unlike taxes, whose benefits are less readily apparent and prone to misuse by officials. The following statement from an MSME owner in Pamekasan (INF2) states that the benefits of taxes have not yet been felt in Madura:

"The Madurese people are characterised by cooperation, brother. When we contribute to the common good, we are always united, but for us to waste our money on barns that have no real benefit, it feels heavy, brother."

Based on this statement, although the Madurese community's local wisdom, *song-osong lombung*, fosters prosperity, if it is not balanced with tangible benefits shared by the Madurese community, it can lead to heavy hearts and a lack of sincerity in carrying out these obligations. Taxes, perceived as not providing a tangible contribution for MSMEs, can feel burdensome to comply with, leading to acts of tax non-compliance.

Echoing INF2's statement, MSME owners in Sampang (INF3) stated that the benefits of taxes for infrastructure development, public services, and pro-MSME government programs have yet to reach MSMEs. Taxes, which are essentially a form of *song-osong lombung* to realize *rampa' naong beringin korong*, have not yet been discovered in Madura. The following is a statement from INF3:

"We're lazy about paying taxes, brother. We haven't seen the benefits of taxes yet. Infrastructure development and public services remain far from optimal, and we have yet to see the benefits of government programs for MSMEs. The tax benefits for realizing *rampa' naong* have yet to materialize here."

The unfairness of tax benefits, which all should enjoy, causes MSMEs to be reluctant to comply. Taxes, which are intended to fund public services, often fail to deliver the maximum benefits to the community. Consequently, Madurese, who truly value local wisdom in the form of cooperation through tax contributions, are reluctant to implement it.

The Madurese community, as MSMEs, views taxes as a primary source of state revenue, but this is often overshadowed by the phenomenon of corrupt officials, which has further fueled apathy toward taxes. The corruption that occurs across all sectors has led Madurese to lose confidence that the community reaps the benefits of their taxes. The factor that leads to tax non-compliance among MSMEs. Tax benefits are enjoyed only by certain officials, but not by MSMEs. This view was expressed by Madurese cultural activists (INF6) who argued that Madurese people are sceptical about tax benefits, leading to tax non-compliance. The following is a statement from INF6:

"Madurese people are already sceptical about the benefits of taxes, brother. We believe that corrupt officials often misappropriate tax money, and the amount is substantial enough to improve the sustainability of MSMEs and enhance the welfare of those who operate them. We consider MSMEs' non-compliance with taxes to be normal."

Based on this statement, cultural activists justify tax non-compliance by MSMEs. Taxes, which are intended to benefit the broader community, are being misused for the personal and group interests of corrupt officials.

Echoing INF6's statement, a tax official (INF) also acknowledged the phenomenon on the ground. The public often complains about the taxes paid by MSMEs in Madura, a manifestation of their *song-osong lombung* spirit. Tax benefits remain unfair to the public. The following is a statement from INF7:

"...the public complains that tax benefits are not evenly distributed, that they only benefit officials, while the MSMEs still don't feel the benefits. This view is the basis for people's tax non-compliance."

Taxes, which constitute the largest source of state revenue compared to revenue from other sectors, are being misappropriated by irresponsible government officials. Leads Madurese to believe that tax benefits only benefit government officials, while MSMEs receive nothing in return. This assumption justifies tax non-compliance among MSMEs.

Although local Madurese wisdom teaches us to continually contribute to the well-being of our community through cooperation and helping others achieve prosperity, taxes, which are essentially a form of *song-osong lombung*, lack any benefit for the taxpayers, leading to tax non-compliance among MSMEs.

### Differences in Views on Taxes

Taxes are a deduction from the income that MSMEs should receive. MSMEs would generally be happier without tax deductions, as they would have a greater income from their activities. Taxes differ from zakat, which is a Muslim's obligation to give a portion of their wealth in the path of Allah, a distinction that the Madurese view as holding. Unlike taxes, many scholars differ in their interpretation of the law.

The first opinion is that zakat is not obligatory for Muslims because taxes are not zakat. Paying taxes does not relieve the obligation to pay zakat, which is at least 2.5% of one's assets once they reach the nisab (minimum threshold). Therefore, Madurese Muslims believe they must pay both zakat and taxes simultaneously. Of course, further reduces the income that MSMEs should receive. According to this opinion, tax non-compliance can occur because taxes are not obligatory. The second opinion is that both zakat and taxes are equally obligatory.

The Madurese philosophy of respect begins with the most important, in order: parents (bhapa' bhabhu'), teachers (ghuru), and leaders (rato). The hierarchy of teachers is higher than that of leaders, so the community prioritizes the advice of Kyai, the Madurese teachers, over that of leaders. Therefore, if there are differences of opinion between teachers and government regulations, the Madurese community will follow the teacher's instructions.

The debate that taxes are not mandated by religion can be a basis for MSMEs to commit tax non-compliance. As stated by an MSME owner in Pamekasan (INF2), according to his cleric, taxes are not mandatory; it is up to each individual to decide whether to comply or not. Because taxes can reduce income and tax administration is also complicated, INF2 chose not to register as a taxable entity, thus eliminating the obligation to pay or report taxes. The following is INF2's statement:

"Maybe I have a different view from other people about taxes, brother. Kyai gives his students the freedom to decide whether to pay taxes or not. I choose not to, brother, so I have never registered for taxes, let alone paid or reported taxes. I have never done so (while smiling)."

The experience that INF2 went through as an MSME actor, who chose not to comply with tax regulations, because the Kyai freed him to choose his life path, whether to follow government regulations or not regarding taxes.

An employee of the UMKM Office (INF4) shared an experience with someone who shared the same view as INF2, stating that during his time running his UMKM business, he had never

been involved in taxes. He chose not to comply with tax regulations, did not have a Taxpayer Identification Number (NPWP), failed to pay taxes despite his significant business activities, and never filed any tax returns. Here is INF4's statement about his experience:

"... Madurese people depend on their teacher's path, brother. If the teacher doesn't require them to pay taxes, their students will follow him."

The philosophy of *bhapa' bhabhu' ghuru rato* prioritizes the Kyai over obedience to the leader. In the Madurese view, the Kyai's path, whether right or wrong, will always be followed. The belief in *atoro' ghuru* serves as justification even for the wrong path. Even if it's bad, there's still a blessing in obeying the Kyai. The local wisdom of the Madurese community, *bhapa' bhabhu' ghuru rato*, prioritizes obedience to the Kyai (*ghuru*) over the leader (*rato*). Therefore, differences in opinion regarding whether taxes are mandatory or not depend on the Kyai's advice to his students. MSMEs who have teachers who believe taxes are not mandatory influence their students to disobey tax regulations. The belief that obedience to the Kyai (*atoro' ghuru*) will bring blessings to the Madurese community.

### **Types of MSME Tax Non-Compliance**

Tax non-compliance by MSMEs in Madura occurs across various MSME taxation mechanisms. MSMEs are not making a Taxpayer Identification Number (NPWP) despite regulations requiring them to do so. This phenomenon aligns with the experience of an MSME owner in Sumenep (INF1), who never registered as a taxpayer, either as an individual or as a corporate taxpayer, for his business. INF1 stated as follows:

"I don't file taxes, brother, and I don't pay them either (with a smile). I've never had an NPWP, even though my friends suggested I get one, but I felt like the administrative hassle would be too much."

Based on this statement, tax compliance for MSMEs, such as obtaining an NPWP, is considered a burden, as they are busy with various tax administration requirements. According to INF1, having an NPWP is a mandatory requirement for subsequent tax compliance, such as collecting and depositing taxes and reporting tax activities.

Echoing INF1's statement, an MSME owner in Sampang (INF3) stated that having an NPWP would expose his business to surveillance by tax officials and that he found the monthly tax reporting to the tax office cumbersome. INF3 declares as follows:

"... if I have an NPWP, I will be spied on by tax officials, brother. It's better this way, I don't need to have a taxpayer identity, I don't need to be complicated with tax payments and reports either."

INF3 felt threatened by the surveillance of their businesses by tax officials if they registered as business owners. MSME owners would feel uneasy developing their firms under the shadow of tax officials, who could enforce their tax laws at any time. Furthermore, the obligation to report taxes also contributed to MSMEs' reluctance to register as NPWP holders. Having an NPWP further burdened MSMEs with the responsibility to collect and pay taxes, both monthly and annually.

According to a Madurese community leader (INF5), Madurese people tend not to interfere with the lives of others. Still, they will not be afraid if disturbed by others (*ta nyarea moso, keng ta' kera buru mon tatemmo moso*). This character is what causes Madurese people to tend to avoid administratively complicated things. For MSMEs in Madura, issues that cause complications will be addressed, and those that may cause hostility will be avoided. Here is a statement from INF5:

"...Madurese people tend to prefer simple and easy things, avoiding complicated administrative matters. For MSMEs, taxes are considered a hassle for their businesses."

Complex tax administration leads to tax non-compliance among MSMEs. By Madurese socio-cultural norms, anything complicated will be ignored, leading to tax non-compliance. Tax officials also frequently receive complaints from MSMEs. They complain about the complexities

of tax administration, ranging from tax collection and remittance obligations to reporting mechanisms. The following is a statement from a tax official (INF7) regarding MSME complaints about complicated tax administration:

"...we received a lot of complaints, brother, generally the complaints are the same, taxes are complicated, so people are reluctant to pay taxes."

Based on this statement, complicated taxation is a factor in MSMEs' reluctance to comply with tax regulations. Consequently, MSMEs, who are required by tax regulations to have an NPWP, collect and deposit taxes, and report taxes, are not complying. Consequently, in line with Madurese customs, MSMEs are reluctant to comply.

Tax non-compliance by MSMEs typically involves failing to register as taxpayers, as evidenced by the absence of an NPWP, and failing to fulfill their tax collection and remittance obligations despite regulatory requirements. Further non-compliance involves failing to report the taxes collected and remitted by MSMEs. The following is a statement from a tax official (INF7):

"... tax non-compliance among MSMEs here usually occurs when MSMEs do not apply for an NPWP, do not collect and pay taxes, and do not report their tax activities."

Based on a statement from INF7, a series of tax obligations that MSMEs must fulfill include registering themselves as taxpayers, which is indicated by having an NPWP, followed by collecting and paying taxes according to the regulations that govern them, and reporting their tax activities to the tax office.

Based on the description above, the diversity of tax non-compliance by MSME actors includes not registering themselves as taxpayers, failing to carry out tax collection and payment obligations, and not reporting the tax activities of the MSMEs they manage.

## CONCLUSION

The local wisdom of the Madurese community provides positive socio-cultural values in community life. However, from a different perspective, this local wisdom can lead to tax non-compliance among MSMEs. Madurese people uphold togetherness and cooperation to create shared prosperity. However, due to the unfair benefits experienced by the Madurese community, MSMEs are skeptical about tax benefits. The local wisdom of *song osong lombung* to create *rampa' naong beringin korong* disappeared instantly, causing tax non-compliance by MSME actors. The local wisdom of *atoro' ghuru* can be a double-edged sword. The advice and actions of the *Kyai*, as a teacher to the Madurese community, are always followed by his students. The differing views between the *Kyai* and the government regarding tax law make the community more obedient to the *Kyai's* orders. Because the *Kyai's* hierarchical order takes precedence over that of the government. The choice of compliance or non-compliance with MSME taxation stems from differences in views on tax law between the *Kyai* and the leader. The philosophy of *bhapa' bhabhu' ghuru rato* leads to tax non-compliance by MSMEs.

Various forms of tax non-compliance committed by MSMEs include failing to register as taxpayers despite conducting business activities through the MSMEs they manage, and failing to collect and remit taxes as required by tax regulations. Finally, another form of tax non-compliance is failing to file monthly and annual tax reports.

This research is limited to the perspective of the Madurese community's local wisdom in interpreting tax non-compliance by MSMEs. The Madurese community's local wisdom, crystallized from the community's socio-cultural life, can be applied in various aspects. In future research, researchers can interpret MSME tax compliance from the perspective of Madurese local wisdom, extending beyond the discussion presented in this study. In addition to providing a reference for further research, the findings of this study serve as a technical foundation for tax policymakers to cultivate the local wisdom of the Madurese community and achieve tax compliance.

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