

How Does MSME Tax Compliance Stand In Indonesia

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Abstract

The purpose of this study is to look at MSME taxpayer compliance while using tax socialization as a moderator. This study collects primary data by sending questionnaires to owners of Micro, Small, and Medium Enterprises located in East Java. Using a sampling approach known as convenience sampling, researchers were able to acquire 97 responses from the questionnaire. The data was examined using the SPSS tool, which included multiple linear regression model analysis. According to the results of the tests, tax incentives have no effect on taxpayer compliance; tax understanding has a positive effect on taxpayer compliance; tax socialization strengthens the influence of tax incentives on taxpayer compliance; and tax socialization weakens the influence of tax understanding on taxpayer compliance.

Keywords: MSMEs, Tax Socialization; Taxpayer Compliance.

Introduction

Indonesia, as a growing country, needs to accelerate its economic growth. The review's findings show that all governments impose taxes on their citizens, with the exception of a few countries with abundant natural resources that rely on taxes as their primary source of revenue. Indonesia levies taxes on its residents in order to generate revenue for the government. Taxes are the primary source of revenue for the government.

In order to address threats to the national economy and financial system stability, government rules, in lieu of Law No. 1 of 2020, which was ratified as Law No. 2 of 2020, mandated national economic recovery measures. The PEN Program is a government policy response designed to maintain and avoid further degradation of commercial activity. In addition to maintaining the stability of economic growth, people's purchasing power, and the productivity of certain sectors through the PEN program, the government provides tax incentives to help overcome the impact of the Corona virus.

According to the journal Suryanto et al (2021), socializing is an important component of the goal of expanding the number of taxpayers. This outreach is an endeavor of the Directorate General of Taxes to provide information, guidance, and knowledge to the general public, particularly taxpayers.

In the journal Suryanto et al (2020), tax socialization can be carried out in a variety of methods, including: Socialization occurs through print media, electronic media, online media, face-to-face media, and AR Direct consultations.

Understanding taxes and promoting tax awareness is not simply the responsibility of tax authorities; citizens also play a vital role in raising awareness about paying taxes. Educational institutions and the larger community can both play this role (Yusuf et al, 2020).

Most MSMEs are unable to continue working due to the inability of employees to work, the supply chain is disrupted and results in reduced market demand due to the protracted pandemic, a decline in industrial performance in terms of transformation beginning with the production of goods, demand for new products, and related to employment resulting in many workers. (Sugandi et al., 2021).

The government has implemented a number of tax laws that provide tax breaks for specific industries. During the pandemic, the government has issued tax incentives in the form of Income Tax Article 21 which is borne by the government, Income Tax which is subject to the final rate for MSMEs which is borne by the government, Income Tax which is subject to the final rate which is borne by the government for certain labor-intensive fields, release from the imposition of Income Tax Article 22 on imports, a reduction in the rate of Income Tax Article 24, and an early refund of

Taxpayer compliance is a longstanding tax issue. According to Hana's (2021) research on the compliance ratio, the degree of tax compliance in meeting tax responsibilities has not increased over time. This is based on a comparison of the number of existing taxpayers who do not report their taxes to those who do, and research indicates that many taxpayers are unaware of their rights and responsibilities as taxpayers. And it is the responsibility of the KPP to provide direction, monitoring, and service.

Taxpayers who do not grasp the tax system are less likely to comply. Due to a lack of awareness, taxpayers may fail to meet their tax obligations.

According to Dewi et al (2020), compliance is a program developed by the Directorate General of Taxes at any time, and taxpayers are expected to understand the importance of taxes and their function in a country. According to Suryanto et al. (2019), taxpayer compliance refers to the taxpayer's ability to complete tax responsibilities and exercise their tax rights fairly and in line with existing tax rules and regulations. This explanation leads to the conclusion that taxpayer compliance is the taxpayer's ability to carry out their obligations as a taxpayer by adhering to the applicable laws and regulations, which include obtaining an NPWP, conducting a self-assessment (calculating, collecting, paying, and reporting tax), and checking and providing data.

According to Istiharini et al. (2021), knowing tax is a tax understanding of tax-related regulations that must be utilized while fulfilling tax obligations such as reporting SPT, calculating the amount of tax owed, and paying taxes.

Methods

The data in this study is primary data. According to Kushendar (2020), primary data is data gathered or organized directly from original sources rather than through middlemen. The goal of statistical analysis is to test a specified hypothesis. Primary data for this study will be gathered by distributing questionnaires to MSME taxpayers.

This survey included MSME traders and street sellers from East Java Province. Meanwhile, the sample for this study consists of individual taxpayers who conduct business activities. This study used a convenience sampling strategy.

According to Bahri (2017), convenience sampling is an et al technique for picking samples solely by chance; components of the public that researchers encounter and are willing to become respondents will be used as samples.

According to the description above, the samples for this study were MSME traders and street vendors in the East Java area who were approached by the researchers and agreed to participate.

Results and Discussion

Hypothesis Test Results

Table 4.1
Model Summary

Model	Adjusted R Square
1	.452

a. Predictors: (Constant), PP.SP, IP, PP, IP.SP

In table 4.1 above, the Adjusted R Square figure of 0.452 shows that 45.2% of the dependent variable (taxpayer compliance) can be explained by the independent variable (tax incentives and tax socialization) which is moderated by the moderating variable (tax socialization) and the remaining 44, 8% is influenced by other factors.

Table 4.2
Coefficients^a
 Unstandardized
 Coefficients

Model		B	Std. Error
1	(Constant)	4.117	1.244
	IP	-.495	.427
	PP	1.177	.576
	IP.SP	.079	.047
	PP.SP	-.049	.054

a. Dependent Variable: KWP

Understanding Tax has a good impact on taxpayer compliance.

The experiments conducted shown that tax comprehension of PMK No. 76 of 2020 has a beneficial influence on taxpayer compliance in the midst of the Covid-19 outbreak. These findings are consistent with those of Syaputra (2019), who found that tax understanding improves MSME taxpayer compliance. According to the results of the questionnaire, as many as 67.0% of MSMEs know the facilities provided for tax incentives, 47.5% understand the rates that must be adhered to in delivering Covid-19 tax incentives, 70.6% understand the consequences of reporting their taxes late, and 62.1% understand the validity period of the Covid-19 tax incentive. This demonstrates that the greater MSMEs' tax understanding of PMK No. 76 of 2020, the higher taxpayer compliance in making tax payments and reporting because they understand the purpose of tax, the perceived convenience of the tax incentives provided, and the sanctions and fines borne by taxpayers if they fail to pay and report taxes, among other things

Tax Socialization Increases the Impact of Tax Incentives on Taxpayer Compliance

According to the results of the testing, tax socialization does not reduce the tax incentives for taxpayer compliance under PMK No. 76 of 2020 during the Covid-19 pandemic. However, if a significance level of 0.1 is chosen, tax socialization amplifies the impact of PMK No. 76 of 2020 on taxpayer compliance during the Covid-19 epidemic. This demonstrates that the more frequently the government conducts tax outreach to taxpayers, particularly MSMEs, the stronger the tax incentive policy PMK No. 76 of 2020 provided by the government to MSMEs, resulting in increased taxpayer compliance with tax reporting.

Tax Socialization Reduces the Impact of Tax Understanding on Taxpayer Compliance

The experiments conducted revealed that tax socialization does not moderate tax comprehension of PMK No. 76 of 2020 regarding taxpayer compliance in the midst of the Covid-19 pandemic. However, at a significant level of 0.1, tax socialization reduces the impact of tax understanding on taxpayer compliance during the Covid-19 pandemic. This result is consistent with Suryanto's (2019) research, which found that tax socialization does not improve MSME taxpayer compliance. The government's numerous tax outreach initiatives have failed to boost the impact of MSME tax understanding in East Java on MSME taxpayer compliance. One of the reasons why tax socialization weakens the influence of tax understanding on taxpayer compliance is that MSMEs have different levels of education, therefore they do not understand the tax socialization supplied by the government.

Conclusion

This study sought to identify MSME taxpayer compliance using tax socialization as a moderating variable. This quantitative study collects primary data by delivering questionnaires to street vendors in East Java. The researchers gathered 97 responses by convenience sampling.

The received data was processed using SPSS software. Following testing and data analysis, we can derive the following conclusions:

Tax incentives have no impact on taxpayer compliance.

Tax understanding improves taxpayer compliance.

Tax socialization does not reduce incentives to comply with necessary taxes. However, if a significance level of 0.1 is utilized, tax socialization enhances the impact of tax incentives on taxpayer compliance.

Tax socialization does not improve taxpayer compliance. However, if a significance level of 0.1 is employed, then tax socialization diminishes the effect of tax understanding on taxpayer compliance..

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