

FACTORS AFFECTING MSMEs TAXPAYER COMPLIANCE



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Abstract

Tax is the largest source of state revenue in Indonesia. In recent years, MSMEs have made a good contribution to the economy in Indonesia. This has become the focus of the government to explore the tax potential of MSMEs. The purpose of this study is to determine the effect of tax rates, taxpayer awareness, and tax sanctions on MSME taxpayer compliance. There are three independent variables tested, namely tax rates, taxpayer awareness, and tax sanctions. While the dependent variable is MSME taxpayer compliance. The sampling method used is a purposive sample with a sample size of 40 MSME taxpayers. This study uses the Partial Least Square analysis technique assisted by the SmartPLS 3.2.9 application. This research method is quantitative, namely looking for primary data with the object of research being MSME taxpayers registered in Sawahan District, Surabaya City. The results of this study indicate that taxpayer awareness and tax sanctions affect MSME taxpayer compliance. While tax rates do not affect MSME taxpayer compliance.

Keywords: Tax Rates, Taxpayer Awareness, Tax Sanctions, MSME Taxpayer Compliance

INTRODUCTION

Indonesia is considered a developing country to strive to realize development and realize the welfare of its people as stated in the 1945 Constitution. People's welfare can be realized if the people also participate in realizing national development, which of course requires funding sources (Prahara et al, 2023). Income earned by the government to develop the country can come from tax revenues (Damayanti & Karim, 2022). Taxes in Indonesia are often referred to as a supporting means to achieve the goals of the State in obtaining income from the people and then used to finance social development to increase individual prosperity.

To optimize tax revenues, the government has issued regulations related to Income Tax for MSMEs of Harmonized tax policy. Namely, Government Regulations Number 55 of 2022 concerning harmonization of tax revenue policies explains that Non-Taxable Income for Individual Taxpayers of MSMEs is IDR 500 million per year. This means that for Individual MSMEs with income of less than or equal to IDR 500 million per year, not affected by the 0.5% final tax, even if the income is gross of MSME actors exceeds 500 million or equivalent to 4.8M, they are subject to a Final MSME Income Tax rate of 0.5% of gross income. This is a form of government support for the sustainability and progress of MSME actors in Indonesia, and can always contribute to state tax revenues.

The growth of MSMEs in Indonesia has increased every year. The latest data processed by (KemenkopUKM) shows an increase in the population of MSME actors from 2022 there were around 64.2 million MSME actors and in 2023 there were 66 million MSME actors. Based on the growth in 2023 there were approximately 1,800,000 MSMEs that had been built. MSME development per year is capable be said to be very high.

Mandatory tax compliance is impacted through several aspects in the form within the taxpayer himself where this relates to the behavior that will influence him in carrying out his tax obligations. Other factors can be external sources, examples of surrounding scope that influence taxpayers not to need to carry out their tax obligations, or situations that can cause taxpayers to carry out their tax obligations. According to Henriette & Erasashanti, (2023), Taxpayer compliance is very much needed because tax revenue is one of the largest sources

of state revenue. Therefore, if taxpayer compliance is low, it will have an impact on state revenues which will also be low, and this can hinder the development of the country.

In this case, tax sanctions are needed that can ensnare a taxpayer in his obligation to pay taxes. This is because taxes have a coercive nature as stated in tax laws and regulations. Tax penalties are assumed to be an aspect that contributes to tax compliance. This can ensnare anyone's function as an examination of the taxpayer's business Agni & Masripah, (2023). Another factor that can contribute to tax compliance in the form of costs. Tax costs are assumed to be the basis for calculating the tax scale that will later be paid by the taxpayer. The statement put forward by Hasbudin et al., (2022) If the reduction in final income tax costs can support entrepreneurs to contribute to the economic aspect, it can also be found it easier for MSME actors to pay their taxes.

Taxpayer awareness is very important because taxpayer awareness is an aspect that contributes to tax obedience to finance taxes. From assumptions (Wijaya, 2022) Taxpayer awareness is a condition in which a person knows, understands, pays, and reports all income without hiding anything following applicable tax regulations, and fulfills his rights and obligations as a taxpayer. Consciously obeying taxes is interpreted as a condition in which taxpayers make tax payments on time and in the right amount. Tax-abiding people who are aware of this believe in the priority of taxes in boosting the national economy.

This lesson explores MSME tax compliance in the city of Surabaya. Because the city of Surabaya has MSMEs whose growth rate can be said to be high and this makes the city of Surabaya have a high potential for tax collection in the MSME sector. The object of this study is MSME actors in the city of Surabaya, especially in the Sawahan sub-district. The city of Surabaya is one of the largest cities in Indonesia and is also the capital of East Java Province. This certainly affects the development of MSMEs today. Sawahan sub-district itself is located south side of town Surabaya and has 111 MSMEs that have the potential to contribute to tax revenue.

REVIEW OF LITERATURE

Theory of Planned Behavior

Quoted from Ajzen, (2020) This theory illustrates the desire of each individual to organize something in a place. Ajzen, (2020) classifies several types of beliefs that influence each person's actions: (1) action beliefs, (2) normative beliefs, and (3) control beliefs.

Tax

In Taxation Law Number 28 of 2007, it is explained that tax namely the output required by each country that is owed from each person is regulated from existing policies without receiving direct compensation and is also used for the interests of the state to improve the welfare of the population. Quoting from Sofianti & Wahyudi (2022), it also states that taxes, in general, are levies or social contributions imposed by the state and are mandatory and can be collected directly and not "extortion" or illegal.

MSME

Micro, Small, and Medium Enterprises in the form of a business for anyone who meets the criteria according to Policy 20 of 2008.

MSME Taxpayer Compliance

According to Madjodjo & Baharuddin, (2022), taxpayer compliance requires an understanding of taxation for the taxpayers themselves, so that they continue to maintain their tax obligations and pay their taxes in accordance with tax regulations and provisions. Iftakukhoiri & Bagana, (2024) explain that taxpayer compliance is a taxpayer who has submitted and reported the information required in taxation promptly, correctly filled in the amount of tax owed, and paid taxes without coercion on time.

Tax Rates

Oliviandy et al., (2021) in their research explained that the Tax costs are a reference for determining total tax owed by individual taxpayers or corporate taxpayers, in addition to being a means of justice to determine their tax debts. Putri & Trisnaningsih, (2023) also stated that the tax rate can be said to be a reference in measuring the percentage that will be paid by taxpayers.

Taxpayer Awareness

Adeline & Karina, (2022) In their research, they explained that taxpayer awareness can refer to taxpayers who understand the law of violating taxes and understand the applicable tax regulations. Taxpayer awareness can also be said to be Tax-abiding finances

according to applicable tax laws and regulations with their desires or awareness Rasmon et al., (2023).

Tax Sanctions

According to Wijaya, (2022), the definition of Tax penalties is assumed to be certain if the tax policy guarantee can be adhered to. Tax penalties are interpreted as sanctions imposed on every deviant Yanti & Wijaya, (2023). If there is a penalty, you want to obey your taxes and can carry out their obligations properly Listyowati et al., (2018).

RESEARCH METHOD

This study uses quantitative research methods as the main approach. Quantitative methods are a research approach that collects reports in the form of numbers and from statistical applications (Sugiyono, 2022). This approach is known as a scientific method because it meets the essential criteria in scientific research, such as empirical, objective, measurable, rational, and systematic.

RESULTS AND DISCUSSION

The analysis uses SmartPLS 3.2.9 software. The Partial Least Square (PSL) analysis technique has 3 measurement methods, namely outer model analysis, inner model analysis, and Hypothesis Testing.

Outer Model Analysis

Convergent Validity Test

Table 1
Convergent Validity Test Results

	X1	X2	X3	Y
X1.1	0,878			
X1.2	0,872			
X1.3	0,852			
X1.4	0,879			
X1.5	0,884			

X2.1		0,939		
X2.2		0,750		
X2.3		0,869		
X2.4		0,886		
X3.1			0,735	
X3.2			0,751	
X3.3			0,881	
X3.4			0,873	
X3.5			0,818	
Y1.1				0,819
Y1.2				0,830
Y1.3				0,812
Y1.4				0,834
Y1.5				0,899

Based on the table above, shows that each indicator of the resulting Loading Factor above 0.7 is considered valid because it meets the criteria in > 0.7 (Hardisman, 2021: 6-7).

Table 2
Average Variance Extracted (AVE) Test Results

	Average Variance Extracted (AVE)
X1	0,763
X2	0,746
X3	0,662
Y	0,705

This table generates, the results of the average variance extracted from each research variable indicator showing a value of more than 0.5. Therefore, each variable indicator has met the requirements and is declared valid, namely $AVE > 0.5$ (Hardisman, 2021: 6-7).

Discriminant Validity Test

Table 3
Discriminant Validity Test Results

	X1	X2	X3	Y
X1.1	0,878	0,745	0,754	0,706
X1.2	0,872	0,774	0,805	0,684
X1.3	0,852	0,734	0,731	0,636
X1.4	0,879	0,847	0,829	0,734
X1.5	0,884	0,850	0,786	0,751
X2.1	0,902	0,939	0,875	0,824
X2.2	0,585	0,750	0,627	0,623
X2.3	0,753	0,869	0,678	0,702
X2.4	0,861	0,886	0,857	0,719
X3.1	0,627	0,580	0,735	0,565
X3.2	0,596	0,653	0,751	0,708
X3.3	0,794	0,744	0,881	0,694
X3.4	0,836	0,835	0,873	0,723
X3.5	0,774	0,765	0,818	0,713
Y1.1	0,726	0,755	0,712	0,819
Y1.2	0,680	0,634	0,751	0,830
Y1.3	0,674	0,726	0,669	0,812
Y1.4	0,605	0,692	0,667	0,834
Y1.5	0,692	0,693	0,728	0,899

This table generates, the cross-loading value of each variable exceeds the threshold of 0.7. This can be interpreted that each measurement instrument used can be said to be valid because it has the ability to distinguish and measure each variable (Hardisman, 2021: 7).

Reliability Test

Table 4
Reliability Test Results

	Cronbach's Alpha	Composite Reliability
X1	0,922	0,941
X2	0,884	0,921
X3	0,871	0,907
Y	0,895	0,923

This table generates the measurement that can be declared valid because each construct has a Cronbach's Alpha value and a Composite Reliability value > 0.7. This proves that the processed data is reliable so that it can then be used to observe the determination, consistency, and accuracy of research indicators (Hardisman, 2021: 7)

Inner Model Analysis

R-Square Test

Table 5
R-Square Results

	R Square	R Square Adjusted
Y	0,745	0,724

The table yields the significance of Y as a dependent variable is 0.745. This shows X1, X2, and X3 as independent variables on the MSMES Taxpayer Compliance influence 0.745 or 74.5%, and the remaining 25.5% impacted by variables outside of learning.

Hypothesis Test

Table 6
Hypothesis Test Results

	T Statistics (O/STDEV)	P Values
X1 -> Y	0,204	0,839
X2 -> Y	2,033	0,043
X3 -> Y	2,256	0,025

This table can be concluded if:

1. For x_1 , the total t-statistic value is $0.204 < 1.96$ and the total p-value is $0.839 > 0.05$ which means that H_1 is rejected. The result is significant tax costs for MSMEs.
2. For X_2 , the t-statistic value is $2.033 > 1.96$ and the total p-value is $0.043 < 0.05$ which means that H_2 is accepted. Summary of realizing optimal tax participation in MSMEs.
3. The tax sanction variable (X_3) has a t-statistics value of $2.256 > 1.96$ and a p-value of $0.025 < 0.05$, so H_3 is accepted. In conclusion, tax sanctions affect the compliance of MSME taxpayers.

The Effect of Tax Rates on MSME Taxpayer Compliance

Learning that results in tax compliance does not contribute to MSME tax compliance. The Theory of Planned Behavior illustrates the percentage of taxes that are linked to normative beliefs that are demanding in nature. because compliance with taxes that are financed, especially in the Sawahan area, is not influenced by the scale of the costs. The learning is the same (Putri & Trisnaningsih, 2023) and (Kellyn & Tipa, 2024) which results in fees not affecting tax compliance.

The Influence of Taxpayer Awareness on MSME Taxpayer Compliance

The study found that tax awareness affected MSME compliance. Taxpayer awareness is related to behavioral beliefs that explain the attitude of individuals in acting because they know the results of their actions, whether the results of their actions will be beneficial or not, and from that comes a person's intention to take action. Taxpayer awareness can be said to be a taxpayer who complies with and pays his taxes through existing policies with his desires or awareness Rasmon et al., (2023). The learning is the same (Madjodjo & Baharuddin, 2022) and (Iftakukhoiri & Bagana, 2024) resulting in awareness of the obligation to contribute well to MSMEs.

The Effect of Tax Sanctions on Taxpayer Compliance of MSMEs

The study found that punishment contributed to the obedience of MSME actors. The punishment is closely related to management which illustrates each person's beliefs as an aspect of constraints and motivation for their attitudes. From this, the implementation of strict penalties is desired to prevent tax irregularities in any form. The results are the same as those (Septian & Yogantara, 2020) and (Maili, 2022) produce optimal contribution tax penalties.

CONCLUSION

Based on the results of the discussion on the factors that influence taxpayer compliance of MSMEs, in summary, if the tax costs do not contribute to the compliance of verified MSMEs in the learning area, to realize that the tax does contribute to the compliance of MSMEs registered in Sawahan District, Surabaya City. The tax sanction variable affects the taxpayer compliance of MSMEs registered in Sawahan District, Surabaya City.

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