

THE EFFECT OF TAX INCENTIVES, TAX KNOWLEDGE, TAX SOCIALIZATION, ACCOUNTING UNDERSTANDING, AND INCOME LEVEL ON MSME TAXPAYER COMPLIANCE

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ABSTRACT

The existence of Micro, Small and Medium Enterprises (MSME) is one of the most important parts of the Indonesian economy, especially income taxes from businesses received. The essence of the existence of taxes as a solution to the limitations of development funds from a government that has the main goal of improving the welfare of the community. This study aims to analyze how tax incentives, tax knowledge, tax socialization, accounting understanding, and income levels are in fulfilling their tax obligations. This study uses quantitative data with primary data sources obtained through an online questionnaire in the form of Google Form. The sample in this study used a purposive sampling method with as many as 50 MSME taxpayers located throughout the Special Region of Yogyakarta. The data processing process used SPSS 25. The tests carried out in this study consisted of descriptive statistical analysis, data quality test, classical assumption test, multiple regression analysis, coefficient of determination test, F test, and t-test. The results of this study indicate that tax incentives, accounting understanding, and income level have a positive effect on MSME taxpayers' tax compliance. Meanwhile, tax knowledge and tax socialization has a negative effect on MSME taxpayers' tax compliance)

Keywords: Tax Incentives, Tax Knowledge, Tax socialization, Accounting Understanding, Income Level, Tax Compliance,

INTRODUCTION

Every country needs funds to finance the development of its country. State development through this funding is ongoing in order to provide welfare to the people. Taxes make a significant contribution to state revenue, one of which is from MSME taxpayers. According to the National Economic and Industrial Committee (KEIN), the MSME sector has considerable potential for the country's economy. Based on data in 2019 compiled by the Directorate General of Taxes, the Ministry of Finance, the total income for income tax in 2019 was Rp. 711.2 trillion, while the final PPh from MSMEs was Rp. 7.5 trillion. The total final PPh of SMEs is only about 1.1% of the total income of PPh in 2019. Quoted from finance.detik.com, the final income (PPh) aimed at MSME tax incentives will be extended by the Minister of Finance Sri Mulyani Indrawati. The policy is fully borne by the government and

has been drafted in the Law on the Harmonization of Tax Regulations (HPP). In 2020, the Directorate General of Taxes held tax socialization with representatives from the Director General of Taxes, the Deputy for Production and Marketing of the Ministry of Cooperatives and SMEs, the Head of the Digital Economy Division of the Indonesian E-Commerce Association, and the Founder of Little Thoughts Planner holding a virtual seminar with the topic Encouraging MSMEs to Take Advantage of Tax Incentives. Tax socialization has a much needed role to increase awareness and understanding of MSMEs to pay taxes. Kurniawan, Kumadji, and Yaningwati (2014) argue about tax socialization which can be defined as a program implemented by the Directorate General of Taxes to the public with the aim of instilling awareness, understanding, and developing an understanding related to taxation and supporting the implementation of tax

services. Tax knowledge is very important to be understood by taxpayers, especially MSME taxpayers. According to Wijatanti et al (2015:311), knowledge of taxation is a process for taxpayers to be able to understand the various laws that have been set and understand the rules of taxation procedures and apply them when carrying out tax activities. For taxation activities to be carried out correctly, MSME actors must know an understanding of accounting and how to apply it. Salmiah, Indarti, and Siregar (2015) argue that MSMEs are still not good enough in implementing the accounting process and each in the accounting cycle process is not sufficiently organized. Dartini and Jati (2016) argue that a person will have an increase in their willingness to comply with paying taxes if that person can have a very good understanding of accounting. Several things that can indicate the effect on MSME tax compliance are the income earned by MSMEs as long as they set up a business. During the Covid-19 pandemic, income is a very sensitive matter because this event will have a major impact on the entire community, especially MSMEs. Based on a survey from the Central Statistics Agency in 2020, the percentage of MSMEs experiencing obstacles and capital difficulties during the Covid-19 pandemic was around 69.02%.

Based on the background, the problem in the study, namely (1) Do tax incentives have a positive effect on MSME taxpayer compliance (2) Does tax knowledge have a positive effect on MSME taxpayer compliance (3) Does tax socialization have a positive effect on MSME taxpayer compliance (4) Does accounting understanding have a positive effect on MSME taxpayer compliance (5) Does income level have a positive effect on MSME taxpayer compliance. The benefits of this research can be used as a source of information for further researchers related to MSMEs and hopes to be used as a useful reference and contribute to those in need.

THEORETICAL BASIS

Attribution Theory

Attribution theory is a person's observation of the behavior of others and forms to explain whether events that occur are caused internally or externally (Robbins, 2017). This internal behavior is believed to occur as a result of being under personal control itself. Externally induced behavior occurs because of the influence of external situations. The purpose of this theory is to determine whether internal factors such as tax knowledge and income levels affect MSME taxpayer compliance and what external factors such as tax incentives, tax socialization, and accounting understanding affect MSME taxpayer compliance.

Theory of Planned Behavior

The Theory of Planned Behavior describes a person's behavior. According to Ajzen (2005) Theory of Planned Behavior is a motivation formed by a person's interest to do something. According to Bobek, Richard C, and Hatfield (2003), the Theory of Planned Behavior can be used as a reference to determine the behavior of taxpayers and can be used to measure the level of tax compliance with tax regulations. With the motivation and awareness of taxpayers in making tax payments, state revenues will increase (Ermawati, 2017).

HYPOTHESES

Tax Incentives

UNCTAD (United Nations Conference on Trade and Development) defines tax incentives as various solutions to reduce tax burdens so that they can motivate companies to invest. Research conducted by Ropinov and Farah (2020), has the result that the government's role in providing tax incentives will increase their willingness to pay taxes. Another result of research conducted by Siti (2021), states that the final tax incentives borne by the government have a negative effect on MSME taxpayer compliance because they cannot be declared effective as a whole.

H1: Tax incentives have a positive effect on MSME taxpayer compliance

Tax Knowledge

Tax knowledge is basic information that must be understood and obtained by taxpayers to make decisions, act, and determine what attitudes must be implemented with regard to tax rights and obligations (Dewi and Rumiyatun, 2017). The results of research conducted by Afrizal (2020), Riyanto, Saprudin, & Rina (2020), and Gandy (2020), concluded that the tax knowledge variable had a positive effect on the dependent variable of MSME taxpayer compliance. Another research result, according to Anindita (2020), the tax knowledge variable does not have a significant or negative effect on the dependent variable of MSME tax compliance.

H2: Tax knowledge has a positive effect on MSME taxpayer compliance.

Tax Socialization

Tax Socialization is a collection of information, understanding, and guidance carried out by the Director General of Taxes related to the tax system and tax laws and regulations that will be distributed to the entire community (Saragih, 2013). Based on research conducted by Rizky & Muhammad Syafiq (2016), Dilla & Halimatusyadiah (2018), Putu Nadiani & Putu Ery (2019), and Dwi (2019), whose research results state that tax socialization has a positive effect on the level of taxpayer compliance. in paying taxes.

H3 : Tax socialization has a positive effect on MSME taxpayer compliance.

Accounting Understanding

According to the American Accounting Association (AAA), accounting is the process of measuring, identifying, and reporting information that has economic value and can be used to make clear and firm decisions for users of that information. The results of research

conducted by Devin (2014), and Deni and Ayu (2018) whose results in their research state that accounting understanding has a positive influence on taxpayer compliance of micro, small and medium enterprises.

H4: Accounting understanding has a positive effect on MSME taxpayer compliance.

Income Level

According to Statement of Financial Accounting Concept No. 6 revenue is an increasing cash inflow from the sale of goods, service activities, and other activities where these activities are the main thing and take place continuously. The conclusion of the research conducted by Hari & Dian (2020), and Lutfah, Asrofi, & Kridiyawati (2021) whose results in their research state that the level of income has a significant effect on the dependent variable of MSME taxpayer compliance.

H5: Income level has a positive effect on MSME taxpayer compliance.

METHOD

This study includes five independent variables that include tax incentives, tax knowledge, tax socialization, accounting understanding, and income levels, as well as one dependent variable, namely MSME taxpayer compliance. The focus of this research is to find out how big the influence between the variables to be studied is, therefore the researcher uses quantitative methods. This research will be conducted in all areas of Yogyakarta. The data processing in this study uses statistics through the SPSS 25 application. The method that will be used for sampling will use the purposive sampling method. Researchers took primary data by using an online questionnaire using the Google form application. This questionnaire will be measured using a Likert scale.

RESULTS AND DISCUSSION

The results of distributing questionnaires to MSMEs can be obtained by demographic respondents with several

characteristics, namely gender, age, and last education. Characteristics of respondents based on gender totaling 50 people. From the results of these data obtained male respondents, amounting to 24 people with a percentage of 48% and female respondents, amounting to 26 people with a percentage of 52%. Business characteristics based on annual income, each of which can be categorized as micro-enterprises (<Rp300 million), small businesses (Rp300 million – Rp2.5 billion), and medium-sized enterprises (>Rp2.5 billion). From the results of the primary data, it shows that there are 37 respondents in micro-enterprises with a percentage of 74%, then in small businesses there are 12 respondents with a percentage of 24%, and medium-sized enterprises have 1 respondent with a percentage of 2%. In the results of the percentage of annual income, it can be stated that small businesses with an annual income of less than Rp. 300 million have a higher percentage of 74%.

Based on the results of hypothesis testing, it can be explained that Tax incentives have a significance value of $0.004 < 0.05$, so the tax incentive variable has a positive effect on tax compliance. These results support the attribution theory, with tax incentives and support issued by the government can affect the compliance of MSME taxpayers to be able to continue to contribute to taxes. This hypothesis is relevant to the research of Ropinov and Farah (2020), Siti (2021), and Norma, Putu, and Adi (2022). The researcher concludes that this tax incentive is very important and profitable for micro, small and medium enterprise (MSME) taxpayers, because during the Covid-19 pandemic, MSMEs need tax breaks so that their sales results do not decline and can still be stable.

Tax knowledge has a significance value of $0.075 > 0.05$, so the tax knowledge variable has a negative effect on tax compliance. This hypothesis is relevant to Anindita's research (2020). The researcher concludes that some MSME taxpayers do not fully understand taxation and there are

some businesses that have a business duration of less than 5 years. This is due to the lack of knowledge they get about taxes, and they have not been able to understand how the tax system works. This explanation shows that the low tax knowledge in some MSMEs cannot be a calculation that can determine tax compliance.

Tax socialization has a significance value of $0.000 < 0.05$, so the tax socialization variable has a negative effect on tax compliance. This hypothesis is not relevant to the research of Dwi (2019) and Afrizal (2020). The researcher concludes that the tax socialization obtained by MSMEs has not been fulfilled due to their lack of willingness to attend tax-related activities.

Accounting understanding has a significance value of $0.000 < 0.05$, so the accounting understanding variable has a positive effect on tax compliance. These results support the Theory of Planned Behavior which refers to behavioral belief, with a fairly good accounting understanding, users can control their finances and can find out how much tax rates will be borne. This hypothesis is relevant to the research of Deni and Ayu (2018), Nadiatul (2019), and Putri (2021). Based on the process of analyzing research data obtained from primary data in the form of a questionnaire, it can be declared good. This concludes that MSMEs have an understanding of accounting so that they can do calculations, bookkeeping, and write-offs that are quite good.

The level of income has a significance value of $0.001 < 0.05$, so that the income level variable has a positive effect on tax compliance. This hypothesis is relevant to the research of Fitri (2021) and Lutfah, Astofi, and Krisdiyawati (2021). The researcher concludes that the level of income earned by MSMEs is an influence in paying taxes. In accordance with attribution theory, where internal factors can be in the form of income levels. If the level of income received is high enough, the level of compliance will increase, while the

level of income generated according to the willingness to pay taxes will decrease because MSMEs tend to meet basic needs so that the income they produce can be stable.

CONCLUSION

This study can conclude Tax incentives, accounting understanding, and income levels have a positive influence on MSME tax compliance. Meanwhile, tax knowledge and tax socialization have a negative effect on MSME tax compliance.

Researchers want to provide suggestions that are expected to provide benefits and ideas for further research. It is hoped that MSMEs will attend seminars or webinars on MSMEs and training on taxes more often. So that they will gain broader knowledge about how to manage MSMEs that are useful for their business and gain knowledge about taxation that can increase their awareness of paying taxes and the importance of taxes for regional progress. For further research, it is expected to increase the number of respondents in small and medium enterprises and also to add interview methods so as to obtain more in-depth information

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