

## ANALYSIS OF TAX COMPLIANCE OF MSME OWNERS AFTER THE TAX HARMONISATION LAW

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### ABSTRACT

Tax is one of the largest sources of state revenue. Tax compliance can increase government revenue and improve the stability of a country's economy. As one of the driving tools of the country's economy, MSMEs are also closely related to taxes. To increase tax awareness among MSME owners, the government has provided a small portion of the income tax rate to MSME owners, equivalent to 0.5% of the company's gross turnover (sales) based on the HPP Law if it exceeds Rp.500,000,000.00. This qualitative study aims to analyze the understanding of MSME tax actors in the South Bangka region by understanding the current tax rates and office of MSME actors. The survey shows that MSME actors' understanding of the reduction in income tax rates and tax administration is still low. Lower income tax rates and poor tax administration performance lead to low tax compliance among MSME actors.

Keywords : Tax Harmonisation Law; MSME Tax; Tax Incentive; Tax Compliance

### ABSTRAK

*Pajak merupakan salah satu sumber penerimaan negara yang terbesar. Kepatuhan perpajakan dapat meningkatkan pendapatan pemerintah dan meningkatkan stabilitas perekonomian suatu negara. Sebagai salah satu alat pendorong perekonomian negara, UMKM juga erat kaitannya dengan pajak. Untuk meningkatkan kesadaran perpajakan di kalangan pelaku UMKM, pemerintah telah memberikan penurunan tarif pajak penghasilan kepada pelaku UMKM setara dengan 0,5% dari peredaran bruto (penjualan) perusahaan berdasarkan UU HPP jika peredaran bruto melebihi Rp. 500.000.000,00. Penelitian ini bersifat kualitatif yang bertujuan untuk menganalisis pemahaman pelaku pajak UMKM di wilayah Bangka Selatan dalam memahami tarif pajak terkini dan tata cara perpajakan pelaku UMKM. Survei menunjukkan pemahaman para pemilik UMKM terhadap penurunan tarif pajak penghasilan dan administrasi perpajakan masih rendah. Kurangnya pemahaman tarif pajak terbaru dan pemahaman yang tidak cukup tentang administrasi perpajakan menyebabkan rendahnya pemenuhan pajak di kalangan pelaku UMKM.*

*Kata Kunci : UU HPP; Pajak UMKM; Insentif Pajak; Kepatuhan Pajak*

### INTRODUCTION

Tax is an obligation and must be paid by all eligible citizens. Indonesian citizens who earn income are obliged to report their income and carry out their responsibilities by paying taxes according to the tax regulations that already apply in Indonesia. In this case, the greater the tax revenue received, the greater the ability of a country to support its development.

Micro, small, and medium enterprises (MSMEs) are one of the sectors that support economic growth. In Indonesia itself, the number of MSMEs continues to increase every year. According to the Ministry of Cooperatives and MSMEs of the Republic of Indonesia, in 2022, there will be approximately 8.71 million business units. The contribution of MSMEs to national GDP reached 60.5%. This certainly makes MSMEs a source of tax revenue potential. In Bangka and Belitung Islands, the number of MSMEs recorded in 2023 (mid-August) 43,518 units.

The government, through Direktorat Jendral pajak (DJP), continues to make efforts to maximize tax revenue from MSMEs, as evidenced by the issuance of PP 46/2013 by the government in 2013. MSMEs that do not conduct bookkeeping can calculate taxes using a rate multiplied by turnover. Based on the PP, MSME entrepreneurs with a business turnover of less than 4.8 billion will be subject to a final income tax (PPh) rate of 1%. In this case, the response from entrepreneurs to the ease of tax compliance through the final tax rate has been very positive, as evidenced by the increase in the number of registered MSME entrepreneurs and the continuous increase in tax revenue in the MSME Area. In 2018, the Indonesian government again provided incentives in the form of reduced tax rates to MSME entrepreneurs by reducing the final tax rate from 1% to 0.5% through PP 23/2018. The policy was given to increase tax compliance for taxpayers and the business development of taxpayers by micro, small, and medium enterprises.

To support the growth of MSMEs so as not to burden the taxes that must be paid by MSME owners, on October 29, 2021, the government finally passed tax regulations through Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP). The HPP Law uses the omnibus law method, which means that it combines several regulatory materials in the field of taxation into one law (Shalmon, 2022). In the HPP Law, the government sets a lower limit of income that is not subject to final tax for MSME owners, called the gross turnover limit, which is not subject to income tax. This is regulated in addition to Article 7 paragraph (2a) of the Income Tax Law: Individual taxpayers with an inevitable gross turnover are not subject to income tax on the portion of gross turnover up to IDR 500,000,000 in one tax year. With this provision, individual taxpayers will only be subject to final income tax on the quantity of turnover above Rp500,000,000 in one tax year, which means that the amount of income that is the basis

for calculating final income tax is the total gross turnover minus Rp500,000,000 (Total Gross Turnover minus Rp500,000,000).

As cited in Shalmon (2022), tax reform is carried out so that fair, healthy, effective, and accountable tax regulations can be realized in the medium and long term with the aim of: (1) Encouraging economic growth and acceleration in Indonesia (2) Optimizing state revenue through taxes, (3) Creating a fair tax system and having legal certainty (4) Implementing administrative reform, (5) Increasing taxpayer compliance.

MSME owners do not widely know the latest MSME tax rate law. According to Meliandari & Utomo (2022), although the tax rate has been reduced, the government's hope to increase tax compliance has not been maximally achieved. According to Ningsih & Saragih (2020), unfamiliarity with general tax regulations and provisions is one of the factors that affect the level of taxpayer compliance. Many taxpayers and MSME owners do not know the latest tax rates or how to report their taxes. South Bangka is a district in the Bangka Belitung Islands Province with the most significant number of MSMEs. However, due to the location far from the Tax Service Office, many taxpayers and MSMEs receive socialization of tax regulations and provisions.

This study aims to analyze the level of tax compliance of MSME owners after Law Number 7 of 2021 on Harmonization of Tax Regulations was enacted. The goal is to provide insight into how taxpayers' knowledge and understanding can affect their level of compliance. The location of this research is in South Bangka Regency. According to data from the website [data-umkm.babelprov.go.id](http://data-umkm.babelprov.go.id), the number of registered MSMEs in South Bangka Regency is 11,011. It is the most significant number of MSMEs in the Bangka Belitung islands Province (29% of the total MSMEs In the Bangka Belitung Islands Province).

### **LITERATURE REVIEW AND STUDY FOCUS COMPLIANCE THEORY**

According to Purba and Pura (2022), the theory of obedience or compliance is defined as a specific condition under which a person will comply when a regulation is issued; in this case, everyone will abide by the law. However, according to Kunarti (2019), Purba & Pura (2022) define obedience related to taxation as a commitment to God through his representatives found in the tax authorities, and citizens as taxpayers are expected to carry out their obligations. Taxpayer obedience is marked by behavior based on a person's awareness of their duties based on regulations issued by the government.

### **Theory of Planned Behavior**

According to Hartono in Afuan & Bin Osman (2019), the Theory of Planned Behavior (TPB) is a theory that can be used to predict a person's intention to take specific actions. TPB is a development of the previous theory, namely the Theory of Reasoned Action (TRA), which can be used to predict behavior that individuals can fully control. In contrast, the TPB is used to predict behaviors that only partially controllable by individuals because not all actions can be fully controlled by themselves, and factors such as barriers or difficulties may affect the implementation of such activities. Therefore, the TPB includes an additional structure called perceptual behavioral control, which provides attitudes toward behavior, subjective norms, and perceived behavioral control that influence the intention to perform specific actions (Machrus & Purwono, 2010; Afuan & Bin Osman, 2019).

According to Bobek & Hatfield in Meliandari & Utomo (2022), in addition to these three factors, four other factors can influence non-compliance with tax obligations, namely moral obligations. These factors include:

#### **a. Attitude**

It is an expression of feelings that show support or non-support for something being assessed. In this context, taxpayer attitudes are also related to taxpayers' views on tax regulations, taxpayers' views on tax policies, and taxpayers' views on the tax administration system. For example, the Attitude of taxpayers who do not support a reduction in tax rates is caused by the perception that the amount of tax to be paid is still too high (Meliandari & Utomo, 2022).

#### **b. Subjective norm**

Subjective norms are a function of the expectations felt by individuals. Based on subjective norms, individuals are influenced by the approval and encouragement of certain behaviors from people around them, such as family, coworkers, and friends, to obey them (Ajzen, 1991; Meliandari & Utomo, 2022).

#### **c. Perceived behavioral control**

According to Ajzen (1991), in a study by Meliandari and Utomo (2022), behavioral control affects individual intentions. The basic assumption is that a person's perceived behavioral control will affect this level of motivation. Perceived behavioral control is an individual's perception of his ability to carry out a behavior.

d. Moral obligation

According to Bobek & Hatfield, research conducted by Meliandari and Utomo (2022) outlines that tax compliance behavior can vary between individuals, and one of the influencing factors is feelings of guilt. This is referred to as a moral obligation. In this study, taxpayers who have complied with their tax obligations usually have moral obligations.

### **Tax Compliance**

Indonesia's tax system is based on a self-assessment system, meaning taxpayers calculate, pay, and report taxes without waiting for the focus determination. This system requires taxpayers to consciously fulfill their tax obligations (Sukma & Kuncoro, 2022). The reality is that many taxpayers still have not complied with their tax obligations. According to previous research, taxpayer ignorance is the main factor in non-compliance. Apart from ignorance, there are other factors affecting taxpayer compliance, namely differences in tax officials' understanding of a policy (Ulfa & Aribowo, 2021).

Indonesia is one of the countries whose tax compliance ratio can be classified as not optimal. Several factors usually influence the non-compliance of taxpayers. Tax compliance affects the amount of tax received by the state. Non-optimal tax revenue will affect economic growth.

In 2019, according to APBN data, the government's planned taxpayer compliance ratio target was 85%, but the realization was only 73%. Then, in 2020, at the beginning of the pandemic, the government decided to reduce the target taxpayer compliance ratio to 80%, and the realization was 78%. In tax realization, there is an active role for MSME taxpayers through final income tax. Based on the Directorate General of Taxes' annual financial report for 2018, it is stated that the government reduced the final tax rate from 1% to 0.5% so that every MSME business actor can be more compliant in paying taxes. However, this policy has not been carried out by all MSMEs, as evidenced by the SPT reported in 2019. According to the DGT, the number of MSME owners who complied with paying taxes increased by 23% from 2018. Although it increased, it can be said that the trend showed a slowdown because the increase was not as significant as in 2018, which was 27.8% (Purwanto & Kholis, 2022).

According to Siti Kurnia Rahayu in Florentia and Nugroho (2021), there are two types of tax compliance. Formal compliance is when taxpayers fulfill their obligations

formally by tax legislation, such as reporting tax returns on time. On the other hand, material compliance is when taxpayers comply with all material provisions of taxation, including formal compliance. For example, in addition to formally reporting the tax return correctly, the tax calculation and the content of the tax return must also match the data that should be reported.

### **Micro, Small, and Medium Enterprises**

Law No. 20/2008 on Micro, Small, and Medium Enterprises (MSMEs) uses specific criteria to explain the definition and requirements of micro, small, and medium enterprises. Microenterprises are productive enterprises owned by individuals or business entities that have generated annual revenue of Rp300,000,000 and has a net worth (without land/building) of no more than Rp50,000,000. Meanwhile, Small Enterprises are independent, productive economic businesses run by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or incorporated directly or indirectly by medium or large enterprises. Small enterprises generate annual revenue between Rp300,000,000 to Rp2,500,000,000 with net worth ranging from Rp50,000,000 to Rp500,000,000. The last criterion refers to medium-sized enterprises, productive economic businesses owned and operated by individuals or business entities, not subsidiaries or branches of companies owned, controlled, or incorporated directly or indirectly by small or large enterprises. Medium-sized enterprises generate annual revenue ranging from IDR 2,500,000,000 to IDR 50,000,000,000 and have a net worth of more than IDR 500,000,000.

### **Tax Incentives**

The 0.5% tax rate and final nature provide various opinions from taxpayers. Some taxpayers welcome it because it is easier and simpler to calculate and does not require bookkeeping (Wijaya & Arumningtias, 2021). However, some taxpayers feel the tax rate is burdensome because it does not distinguish between types of businesses with different profit levels; the tax rate is directly calculated from turnover. Even when experiencing losses, they are subject to tax (Wardana, 2021). This Final Income Tax calculation is an option for MSME actors. If MSMEs choose not to do bookkeeping, they are taxed at a rate of 0.5% of gross turnover/omset after deducting non-taxable gross turnover/omset, but MSMEs that choose to do bookkeeping are subject to income tax rates in general.

According to Juniarti Anggrahini (2020), the reduction in tax rates in PP No. 23 of 2018 has a positive influence on the tax compliance of MSME actors. This is in line with Novikasaria's research (2021) that lowering tax rates positively influences tax compliance.

### **Understanding of Taxpayer Tax Administration**

In its understanding, tax regulations for taxpayers are defined as a way for taxpayers to know and understand tax regulations. Understanding taxes includes calculating the correct tax and rate, paying taxes, filling out tax returns, and tax sanctions if you do not fulfill tax obligations. According to the opinion conveyed by Suharsimi Arikunto (2009: 119) in Rahmadhani (2020) explains that understanding (comprehension) is how someone confirms, distinguishes, estimates, explains, expands, summarises, generalizes, gives examples, and rewrites. This means that someone who has an understanding related to something can be concluded or explained again related to the understanding it knows. For this reason, understanding taxation is everything related to taxation that taxpayers understand entirely and accurately so that they can translate and implement the understanding they have.

According to Ningsih & Saragih (2020), some taxpayers already have a business permit and NPWP but do not know and understand the tax provisions for MSMEs in PP No. 46 of 2013 and its amendment in PP No. 23 of 2018 concerning a reduction in tax rates for MSMEs, and others only know the rates without clearly understanding the contents of the tax regulations for MSMEs.

### **RESEARCH METHODS**

Method is a method of work that can be used to obtain something. While the research method can be interpreted as a work procedure in the research process, both in searching for data or disclosing existing phenomena (Zulkarnaen, W., et al., 2020:229). In this research, we applied the qualitative approach with the phenomenological method. This concept refers to the views described by Sugiyono (2018), who explains that qualitative research is a research approach based on the philosophy of postpositivism or interpretivism. This method is used to investigate natural object conditions. In this research, the researcher acts as the main instrument, and data is collected through a triangulation approach that includes observation, interviews, and documentation. The data obtained tends to be qualitative, and data analysis is carried out inductively and

qualitatively. The results of this qualitative research are used to understand meaning, explore uniqueness, construct phenomena, and find relevant hypotheses.

This research also relies on primary data obtained through distributing questionnaires directly by researchers, conducting interviews, observations, and documentation from the researcher. What has been done?

The population in this study were all MSME owners in the South Bangka Regency. According to data from the Office of Cooperatives and MSMEs in South Bangka Regency, there are currently 11,011 units. As in this study we are using purposive sampling.

### **RESEARCH RESULTS AND DISCUSSION**

To find out the taxpayer compliance of MSME owners in South Bangka, the author has interviewed 35 MSME owners. The interview questions were about taxation knowledge, the latest MSME tax rate according to the Taxation Harmonisation Law, and tax compliance. Interviews were conducted face-to-face.

Table 2 above shows that in the profile of MSMEs in terms of NPWP ownership, 22 MSMEs already have an NPWP, and 13 MSMEs do not have an NPWP. Based on interviews, there are several reasons why MSMEs make a TIN. Most MSMEs make an NPWP for tax purposes (paying and reporting income tax). However, some MSMEs make NPWP a requirement in receiving loans from banks. Some MSMEs make an NPWP a condition for registering their business and selling in government-owned e-commerce, namely E-Catalogue. One MSME revealed that the reason for making an NPWP is to be prioritized by the government when distributing capital assistance to MSMEs.

When viewed as simple recording in daily or monthly turnover, 17 MSMEs already have simple records, and 18 MSMEs have not made simple records. Simple records are needed in calculating income tax for MSMEs. The HPP Law calculates the 0.5% tax rate based on turnover (gross circulation). If MSMEs do not keep simple records, it will be difficult to calculate the tax that must be paid to the state.

Regarding accounting records, 9 MSMEs already have accounting records, and 26 others have not yet made accounting records. Accounting records are currently not required if MSMEs have not become taxable entrepreneurs (PKP). A simple recording of gross income is sufficient to calculate the final MSME tax. However, the tax also allows

entrepreneurs with accounting records to calculate tax from taxable profits. In some cases, if the company has a significant loss or expense, the tax payable can be smaller when compared to the calculation based on turnover. However, because the government realizes that accounting records are difficult to implement for MSMEs, the COGS Law makes it easy for MSMEs to calculate their tax based on turnover (gross income). This study proves that only 30% of MSMEs have accounting records.

Regarding orderly tax administration, out of 22 MSMEs with NPWP, only 16 MSMEs routinely pay and report their taxes monthly. Six more MSMEs do not routinely report their tax obligations.

### **Understanding of Tax Incentives**

Before the existence of the HPP Law for MSMEs, tax calculations were based on PP No. 23/2018, and there was no minimum limit on turnover subject to tax. With the HPP Law's existence, MSMEs have a turnover below Rp. Five hundred million are not subject to tax but must report to the Tax Office. This certainly greatly relieves MSME owners who have an income below Rp. 500,000,000 because they do not need to pay and tax. Moreover, for MSMEs that have income above Rp. 500,000,000, there is also a reduction in non-taxable turnover; for example, if MSMEs have a turnover of Rp. 550,000,000, the tax calculation is as follows:  $0.5\% \times (\text{Rp. } 550,000,000 - \text{Rp. } 500,000,000) = \text{IDR } 250,000$ .

The author asks 35 MSMEs whether they are aware of tax incentives in the form of a 0.5% rate reduction, and there is a calculation of non-taxable turnover of Rp. 500,000,000. Of the 35 MSMEs interviewed, 13 are aware of the latest MSME tax rates, and 22 others are unaware of the latest rates. This shows that the socialization of tax rates has not been delivered optimally.

The author also asked the opinions of MSME owners regarding the latest tax rates. All MSMEs welcomed the tax rate and were willing to pay taxes if they had a turnover of IDR 500,000,000. Some of the reasons obtained by researchers include, *“Yes, I want to pay taxes because it is quite light and can help the government develop my area.”*

Another respondent answered, *“Yes, I want to pay because by paying taxes, I can get various facilities in my business administration.”*

Other MSMEs said, *“Yes, I want to because taxes are a source of state revenue and will return to the people.”*

Another respondent answered, *“Yes, I will pay tax because I already had an NPWP; if I do not pay then I will be fined.”*

Respondents' answers show that most MSMEs do not know about tax rates. Only some MSMEs are aware of the latest tax rates. The results of this study also show a positive response from all MSME actors to the tariff reduction; they agree that the tariff reduction is beneficial for their business and not burdensome. MSME owners who have not yet reached a turnover of Rp. Five hundred million are also willing to pay taxes if they have reached the turnover determined by the government to pay taxes.

### **Understanding of Tax Administration**

To find out the tax understanding of MSME actors in South Bangka Regency, researchers made indicators of whether MSME actors have understood tax administration, namely Knowing how to fill out a tax return (SPT), Knowing how to pay income tax through a Tax Payment Slip (SSP), Knowing the date of tax payment and reporting, Knowing the tax sanctions if they are late in paying or reporting taxes.

The following are the results of interviews with 35 respondents about understanding tax administration :

The results showed that out of 35 MSMEs, only 11 knew how to fill out tax returns. Individual taxpayers are obligated to report personal annual tax returns every year per the provisions stipulated in the Law No. 6 of 1982 has undergone several amendments, and the latest is Law No. 7 of 2021 or the Law on Harmonisation of Tax Regulations. The Law affirms that taxpayers must fill in and submit tax returns carefully, thoroughly, and clearly and provide a valid signature. Currently, SPT reporting can be done online through the DGT Online platform. However, an understanding of digital literacy and the ability to use devices are required to report SPT online.

The research shows that 16 out of 35 MSME owners know how to pay taxes. This is because it is easy to pay taxes; just come to the state treasury office/bank appointed by the government, then taxpayers can be directed by employees there. Likewise, with the pay and reporting date limits, many MSMEs know, even though not all MSMEs know. This is because the government's socialization of pay and reporting

dates has been carried out quite often. Cash offices and banks have also socialized these dates.

24 out of 35 MSMEs are aware of tax sanctions if they are late paying and reporting their taxes. This indicator is the most known administrative understanding of MSME actors; they will be subject to sanctions/fines if they do not pay and report taxes on time.

This shows that the understanding of tax administration of MSME actors is uneven; more MSMEs do not know how to fill out tax returns. MSMEs only understand the consequences of sanctions/fines if they do not carry out tax obligations promptly. With the HPP Law, MSME owners can calculate their taxes conveniently. However, a low understanding of tax administration can lead to low compliance and tax revenue targets. The results of this study are by Rahmadhani's research (2020) that the lack of knowledge of MSME actors or taxpayers regarding taxation is one of the obstacles for the government to optimize tax revenue. Socializing tax regulations is essential so MSME actors know their tax obligations and comply with tax administration.

#### **Socialisation of the HPP Law**

To determine the level of understanding of taxation, the author also asked about the socialization of the HPP Law, especially regarding the latest tax rates and tax administration for MSME actors in the South Bangka Regency.

According to respondents there are still fewer MSMEs that have received socialization than those that have not. The number of MSMEs that only 40% of the remaining 60 have not received socialisation. This can cause a low understanding and level of tax compliance for MSME actors, which results in low tax revenue.

Tax officers visited only 23% of MSMEs because they already had NPWP that routinely reports tax obligations and are potential taxpayers. The limited number of tax officers in Bangka also contributes to the low level of tax socialization. The Tax Office currently serves several districts in the Bangka Belitung Islands Province and is located in Bangka Regency, which is quite far from South Bangka Regency.

#### **CONCLUSIONS**

The HPP Law was made to facilitate tax administration for MSME owners. However, from the results of this study, most MSMEs do not know the incentives for reducing tax rates per the HPP Law and do not understand the tax administration that

must be carried out as taxpayers. Many MSMEs still do not yet have an NPWP; in the future, the NPWP will be replaced by an Employment Identification Number, and inevitably, MSME owners must understand the taxation provisions that must be fulfilled. Even though they do not know the latest tax rates, MSME actors welcome the HPP Law tax rate because it eases the obligations they must pay if they have fulfilled a turnover above Rp. 500,000,000. The low understanding of taxation among MSME actors is due to the low level of socialization they receive regarding tax regulations and provisions.

Based on the results of the research, the author suggests that the Bangka Tax Office cooperate with the South Bangka Regency Government to work together in socializing the HPP Law for MSME actors, considering that the number of MSMEs in South Bangka Regency is the highest compared to other districts in the Bangka Belitung Islands Province. Socialization can be done when MSMEs make a Business Identification Number (NIB) so that MSME owners know the tax provisions when starting their business. The author hopes that through the socialization of MSMEs, the compliance of MSME owners in fulfilling their obligations as taxpayers can increase so that it has an impact on increasing the amount of state treasury revenue from the tax sector.

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### PICTURES, GRAPHS AND TABLES

Table 1. Types of MSMEs according to Law No 20 Year 2008

Business Type	Net Worth	Business Circulation (Turnover)
Micro Business	50 Million	<300 Million
Small Business	> 50 Million to 500 Million	>300 million - 2.5 Billion

Medium Enterprises	>500 Million to 10 Billion	> 2.5 Billion - Billion
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Table 2. General profile of MSMEs

Description	Yes	No	Total
Have NPWP	22	13	35
Simple Bookkeeping Records	17	18	35
Performing Accounting Records	9	26	35
Pay and Report Taxes Every Month	16	19	35

Table 3. Understanding of Tax Administration

No.	Indicators	Yes	No
1	I understand how to fill out an income tax return	11	24
2	I know how to pay income tax	16	19
3	I am aware of the tax payment/reporting deadline Income	16	19
4	I know that if I am late in paying/reporting my tax, I will be fined.	24	11

Table 4. Socialisation of the HPP Law

No.	Indicators	Yes	No
1	I have received tax socialisation from the Service Office Tax/Government	14	21
2	I have been approached by a tax officer regarding the latest tax rate in accordance with HPP Law	8	27