

Analysis Of The Implementation Of The Final Income Tax Facilities By The Government On Understanding The Level Of Compliance Of Individual Msme Taxpayers In Dramaga, Bogor Regency

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Abstract

An incentive tax is an offer from the government through tax benefits in a particular activity, such as a contribution of money or assets for quality activities. This study aims to determine the role of final income tax incentives by the government in understanding the calculation and reporting of income tax payable on individual taxpayer compliance. This study uses primary data by distributing questionnaires to MSME taxpayers in Dramaga, Bogor Regency. Data collection methods are done by distributing questionnaires, interviews, and observations. Based on the research results, the authors conclude that understanding the ease of calculating income tax payable and the ease of reporting income tax directly affects the compliance of individual MSME taxpayers. Conversely, tax incentives do not have an impact on taxpayer compliance. This shows that an understanding of the ease of tax calculation and reporting is an important thing to do in tax socialization by the government.

Keywords: *Tax incentives, tax calculation, tax reporting, compliance of individual MSMEs taxpayers*

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1. Introduction

Micro, small and medium enterprises (MSMEs) are trading businesses that individuals manage following the productive economic enterprise's criteria stipulated by Law Number 20 of 2008. The existence of MSMEs has a significant contribution to the Gross Domestic Product (GDP). The development of MSMEs has shown rapid growth, causing more and more people to be interested in starting and owning their businesses. MSMEs have a role that is exceptionally influential on the development of Indonesia's economic movement because it helps to move economic wheels, helps reduce unemployment, and boost people's creativity in making innovative and unique businesses to attract buyers. This could be seen in MSMEs located in the Dramaga area, Bogor Regency, that consist of businesses in various fields such as food, beverages, clothing, accessories, household appliances, and beauty products. The rapid growth of MSMEs in the Dramaga area is primarily due to its strategic location, which is in an environment with traditional markets that facilitate public access to these MSMEs. The contribution of MSME actors in economic movements is only sometimes directly proportional to their mandatory income tax compliance. The tax revenues from the MSME sector still do not represent the large number of MSME actors that are supposed to give a significant contribution to the tax revenues.

The income tax incentive policy for MSMEs is one of the fiscal facilities the government provides for MSME taxpayers to advance MSME sector activities. The tax incentive policy for MSMEs provides tax breaks for MSME taxpayers with a tax deduction of 0.5%. From the business actor perspective, it is hoped that the reduction in new rates will stimulate the emergence of new MSMEs to develop and provide financial space (business opportunity) by reducing the cost burden of MSMEs to be used for business expansion. (Rafika Sari, 2018).

The government encourages micro, small and medium enterprises to comply with their tax obligations with several policies that encourage tax revenue, namely in the form of fixing income tax payment rates for MSMEs. The importance of the role of the micro, small and medium business sector for the Indonesian economy through government regulation Number 46 of 2013, which was updated to become Government Regulation Number 23 of 2018 with changes to tax rates regarding income tax on income from businesses received or earned by taxpayers who have an inevitable gross turnover regulate the imposition of taxes for the micro, small and medium enterprise sector. Micro, small and medium enterprises are subject to a final income

tax of 0.5% if their gross income is less than IDR 4,800,000,000 in one year. Lowering the income tax rate for MSMEs makes it easier for MSME taxpayers to pay income tax.

In the 2020 tax period, income from the sales of Micro, Small and Medium Enterprises decreased due to the Corona Virus Disease 2019 (COVID-19) pandemic with the enactment of large-scale social restrictions to prevent massive transmission of the virus, which impacted people's economic activities due to income has decreased. The government issued PMK No. 44 of 2020 to replace PMK No. 23 of 2020 because PMK No. 23 of 2020 only contains four sectors that receive tax incentives and then updated with PMK No. 44 of 2020 with the addition of one sector, namely MSME, which contains tax incentives for economic sectors affected by COVID-19 to reduce the economic burden on taxpayers by adding business sectors that receive tax incentives.

The Directorate General of Taxes is more focused on large business-type taxpayers. At the same time, supervision of MSME business actors has yet to be carried out optimally, and MSME tax compliance still needs to be improved. In general, the tax collection system applied in Indonesia is a self-assessment system. The self-assessment system is the collection of authorized taxes, the trust and responsibility of the taxpayer to calculate, pay and self-report the taxes that must be paid (Waluyo, 2013). Three aspects support taxpayers to comply in paying taxes, namely calculating, paying and reporting. The taxpayer calculates the income tax that must be paid from the gross income earned multiplied by the rate and reports the tax payable. Therefore, this study tries to analyze to see the role of final tax incentives for MSME taxpayers in understanding the ease of calculating and reporting taxes on the level of compliance of individual MSME taxpayers in Dramaga, Bogor Regency.

II. Literature Review, Research Framework, And Hypotheses Development

Literature Review

MSMEs

Micro, small and medium enterprises (MSMEs) are an essential part of the economy of a country or region. MSMEs assist the government in moving the economy, helping the government in terms of creating jobs and creating new work units. MSMEs have flexibility in carrying out their business activities. The meaning of MSMEs according to law number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) is:

- a. Micro Enterprises are productive businesses owned by individuals or individual business entities that meet the criteria for micro-enterprises as stipulated in this Law.
- b. Small business is a productive economic business that stands alone and is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or becomes part either directly or indirectly of medium-sized businesses or large businesses that meet the criteria for small businesses. as referred to in this Law.
- c. Medium Business is a productive economic business that stands alone and is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with small businesses or large businesses with a total net worth or proceeds annual sales as regulated in this Law

Tax Incentives

A tax incentive is an offer from the government through tax benefits in a particular activity, such as a contribution of money or assets for quality activities (Black Law Dictionary). Incentives The use of taxes is not only to generate government revenue but also to provide impetus towards economic development in specific fields (Winardi, Incentive Taxation, 2011). Providing tax incentives is one of the government's efforts to respond to the declining productivity of business actors due to the decline in the taxpayer's economy due to the COVID-19 outbreak as an effort to attract back the interest of business activists to continue running their businesses activities. During the pandemic, there was one additional incentive in PMK Number 44 of 2020: the 0.5% final PPh borne by the government (DTP) for MSME actors. Thus, MSME taxpayers do not need to pay taxes. Tax withholders or collectors do not deduct or collect taxes when making payments to MSMEs (DDTCNews, 2 May 2020).

The Ease of Tax Calculations

Ease of calculating taxes is one type of tax incentive the government provides to MSME taxpayers. MSME taxpayers can calculate their tax payable. This variable is measured by questions related to taxpayer perceptions regarding the ease of calculating income tax payable for MSME taxpayers.

The Ease of Tax Reporting

The convenience of taxpayers in fulfilling their tax reporting obligations is one-factor affecting tax reporting compliance. Besides that, ease of administration of tax reporting is required in tax reporting.

Tax Compliance

According to the General Indonesian Dictionary, compliance means submission or obedience to teachings, so in taxation, it can be interpreted that tax compliance is obedience, submission, and obedience, and implementing tax provisions. Compliance in taxation is a condition where taxpayers exercise their rights, most notably their obligations, in a disciplined manner according to laws and regulations and applicable tax procedures. According to the Directorate General of Taxes, tax compliance is divided into two: formal and material compliance. Formal compliance is related to compliance with the annual SPT submission, while material compliance is related to the number of taxes taxpayers must pay. One of them is paying taxes on income as a liability. Paying taxes is an effort of taxpayers to assist the government in developing the country. Because taxes are the most significant revenue for the state. Tax compliance consists of three aspects, namely calculating, paying and reporting. The taxpayer's desire to obey is the condition of tending to behave obediently to tax provisions. The tendency is the tendency or personal tendency of taxpayers to comply or not comply in carrying out their tax obligations. The decision is a personal decision chosen by the taxpayer to comply or not comply with tax regulations (Pangestu&Rusmana, 2012).

Research Framework

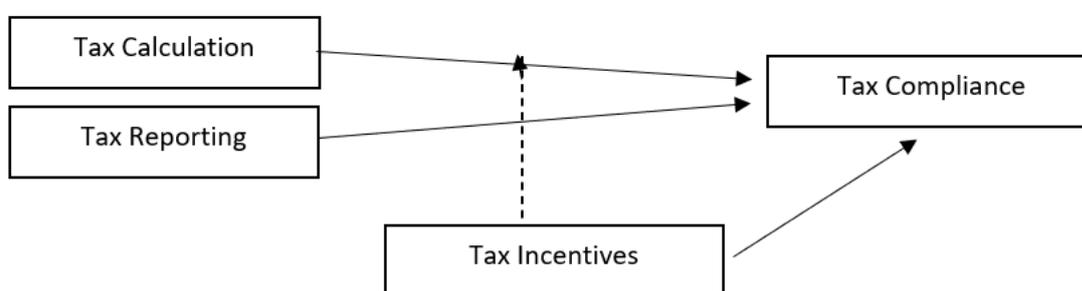


Figure 1: Research Model

Hypotheses Development

Based on the theoretical basis and theoretical framework that has been described previously. Then the hypothesis proposed in this study is:

- H1 : The Ease of calculating income tax payable affects taxpayer compliance
- H2 : The ease of reporting income tax payable affects taxpayer compliance
- H3 : Income tax incentives in the form of final income tax borne by the government affect taxpayer compliance
- H4 : Tax incentives strengthen the effect of ease of calculating income tax payable on taxpayer compliance
- H5 : Tax incentives strengthen the effect of ease of reporting income tax payable on taxpayer compliance

III. Research Methodology

The sampling technique used in this study is purposive sampling, where the sample unit is selected based on specific considerations to obtain a sample unit with certain criteria. This research aims to analyze the effect of implementing the 0.5% final income tax (borne by the government) facility on the reporting compliance of PMK No.44/2020 realization letter at Dramaga UMKM, Bogor Regency. The criteria used in this study are:

1. Respondents are MSME taxpayers in the Dramaga area, Bogor Regency.
2. The income of MSME taxpayers is less than 4.8 billion Rupiah in one year.
3. Taxpayers have reported their SPT and paid taxes at least once, so they have experience calculating, reporting and paying taxes.

Variable Operationalization

Tax Compliance

The following indicators measure tax compliance variables:

- The taxpayer registered as a taxpayer from his own will and awareness.
- The taxpayer fills out the tax form completely and clearly.
- The taxpayer reports the SPT on time every month.
- The taxpayer performs tax calculations carefully and thoroughly.

Tax Incentives

Tax incentives are one of the fiscal facilities the government provides to MSME taxpayers to advance MSME sector activities. The following indicators measure the tax incentive variable: the implementation of tax incentives provides increased compliance for MSME taxpayers, the implementation of tax incentives provides benefits in the form of convenience in reporting SPT for MSME actors, ease of applying for PMK No.44/2020 incentives through the www.pajak.go.id website, MSME taxpayers' understanding in submitting PMK No.44/2020 incentive realization report.

Tax Calculation

The following indicators measure the income tax calculation variable: the MSME taxpayer can calculate the income tax payable, and the MSME taxpayer knows the MSME income tax rate of 0.5%.

Tax Reporting

The following indicators measure the income tax reporting variable: MSME taxpayers report SPT on time, MSME taxpayers must submit a realization report to the Directorate General of Taxes and apply for government income tax incentives through www.pajak.go.id

IV. Results And Discussion

Outer Model

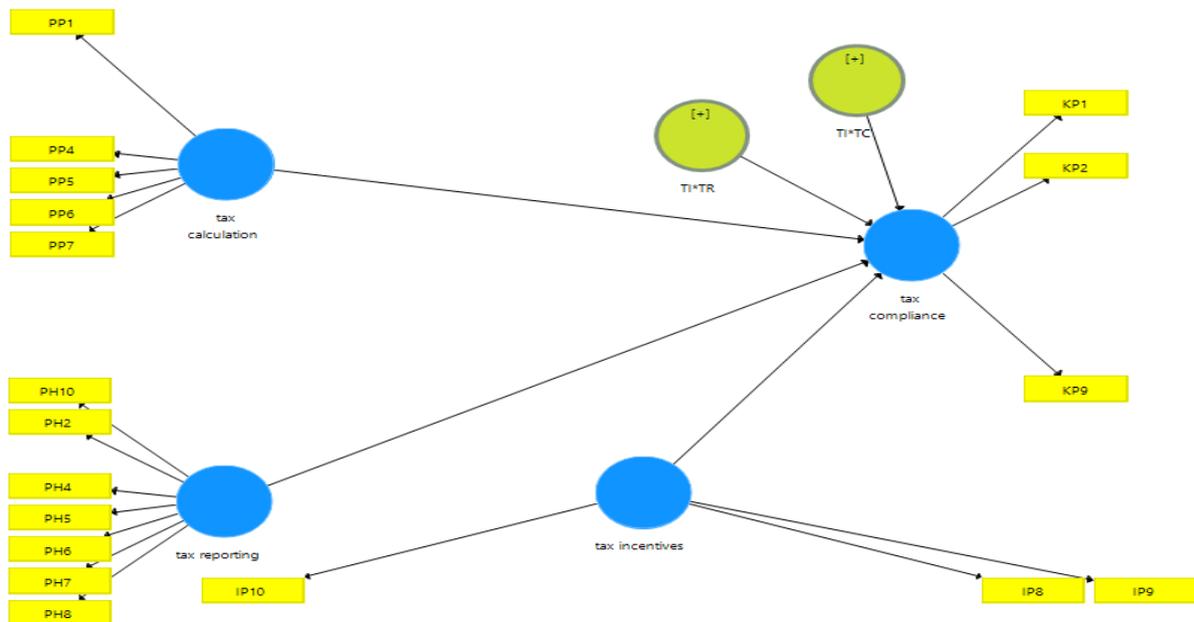


Figure 2: Outer Model
Source: Processed Results of Questionnaire Data (2022)

From the collected data, the validity test was carried out by looking at the loading factor value, which is the output of SmartPLS. Several indicators in the questionnaire were invalid and excluded from the measurement. Ghozali (2008) states that a measurement scale with a loading value of 0.7 is considered sufficient.

Table1 :Outer Loading

Variabel	Indicator	Loading Factor	Validity
Tax Calculation	PP1	0,768	VALID
	PP4	0,757	VALID
	PP5	0,758	VALID
	PP6	0,794	VALID
	PP7	0,795	VALID
Tx Reporting	PH2	0,813	VALID
	PH4	0,775	VALID
	PH5	0,795	VALID

	PH6	0,842	VALID
	PH7	0,711	VALID
	PH8	0,736	VALID
	PH10	0,760	VALID
Tax Incentives	IP8	0,856	VALID
	IP9	0,858	VALID
	IP10	0,875	VALID
Tax Compliance	KP1	0,832	VALID
	KP2	0,861	VALID
	KP9	0,823	VALID

Source: Data processed using SMARTPLS

Reliability Test. According to (Ghozali&Latan, 2015), composite reliability is used to test the reliability value of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value of more than 0.600. A reliability test with composite reliability can be strengthened by using Cronbach's alpha value. A variable can be declared reliable or fulfills Cronbach's alpha if it has a Cronbach's alpha value of more than 0.700 (Adhimah&Ekawati, 2020). Composite reliability testing was carried out to prove the instrument's accuracy, consistency, and accuracy in measuring the construct. There are two ways to test the construct to be declared reliable: Cronbach's alpha value and composite reliability value of more than 0.700.

Table 2. Composite Reliability and Cronbach's Alpha

Construct	CompositeReliability	Cronbach's Alpha	Description
Tax Calculation	0,833	0,882	Reliable
Tax Reporting	0,890	0,914	Reliable
Tax Incentives	0,830	0,897	Reliable
Tax Compliance	0,790	0,877	Reliable

Source: Data processed using SMARTPLS

Table 2 shows that the results of the calculations on composite reliability and Cronbach's Alpha for all constructs have a value of more than 0.700. This shows that respondents are consistent in answering questions, so it can be concluded that all constructs have a good level of reliability.

Hypothesis Testing

After testing the convergent validity, discriminant validity, and reliability, the next test is testing the hypothesis. The path coefficient value or the inner model shows the significance level in hypothesis testing. The significance test uses the Bootstrapping method (Hudin& Riana, 2016). The following table 8 is a table of coefficients for each hypothetical path (Path Coefficients) and the T-Statistics values obtained from the results of the SmartPLS bootstrapping output:

Table 3. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Result
TC->TComp	0,269	0,254	0,120	2,237	0,026	Accepted
TR ->TComp	0,536	0,555	0,125	4,302	0,000	Accepted
TI ->TComp	0,117	0,119	0,108	1,084	0,279	Rejected
TI*TC ->TComp	-0,115	-0,060	0,148	0,775	0,438	Rejected
TI*TR ->TComp	0,143	0,082	0,158	0,900	0,368	Rejected

Source: Processed Results of Questionnaire Data (2022)

Hypothesis H1 showed that the relationship between taxcalculating with tax compliance has a t-statistic result of $2,237 > 1,96$, which means that tax calculation has a direct positive effect on tax compliance. This study's results align with the results of previous research conducted by Nurul Aisyah Rachmawati and Rizka Ramayanti (2016), which states that the calculation variable positively affects taxpayer reporting compliance.

Hypothesis H2 showed that the relationship between taxreporting with tax compliance has a t-statistic result of $4,302 > 1,96$, which means that tax reporting has a direct positive effect on tax compliance. The results of this study are also in line with previous research conducted by Nurul Aisyah Rachmawati and Rizka Ramayanti (2016), which states that the reporting variable positively affects taxpayers reporting compliance.

Hypothesis H3 showed that the relationship between tax calculation with tax compliance has a t-statistic result of $1,084 < 1,96$, which means that the income tax incentives in the form of taxes borne by the government have no direct positive effect on tax compliance. This could be because few MSME actors in Dramaga use this tax incentive facility. One of the underlying factors is that MSME taxpayers do not have any information about tax incentives in the form of taxes borne by the government, and the lack of socialization from the government to MSME taxpayers is one of the targets of the PMK No.44/2020 policy.

Hypotheses H4 and H5 show that the relationship between the moderation of tax incentives on the ease of calculating and reporting taxes with the level of taxpayer compliance has a t-statistic of 0.775 and 0.900, both of which are smaller than 1.96, which means that the moderated tax incentives with tax calculation and tax reporting have no direct positive effect on tax compliance. The same reason with H3 could be that only some MSME actors in Dramaga use this tax incentive facility. One of the underlying factors is that MSME taxpayers do not have any information about tax incentives in the form of taxes borne by the government, and the lack of socialization from the government to MSME taxpayers is one of the targets of the PMK No.44/2020 policy.

V. Conclusion

The ease of calculating taxes for MSME actors has a direct and positive effect on tax compliance. Finally, the ease of tax reporting for MSM taxpayers directly and positively affects tax compliance. Conversely, tax incentives do not affect the taxpayer compliance of MSME entrepreneurs. One of the underlying factors is that MSME taxpayers do not have any information about tax incentives in the form of taxes borne by the government, and the lack of socialization from the government to MSME actors is one of the targets of the PMK No.44/2020 policy. Based on the results and conclusions of the above study, several suggestions that can be given to the subsequent researchers are as follows: (1) new variables may be added that could represent other factors that affect compliance with reporting PMK No.44/2020. (2) Research areas may be expanded into other areas. (3) New references may be chosen for the questionnaires, such as the latest questions or statements relevant to the situation and economic conditions. (4) Respondents' knowledge of PMK no.44/2020 may be added. (5) Different characteristics of MSME actors may be highlighted, so there is no bias in filling out questionnaires. (6) Business fields of MSME actors may be specified and explored further

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