

SMES TAX AWARE: Analysis of the Obligation to Pay Taxes, Knowledge and Tax Incentives

Irwan Ginting

Universitas Quality Berastagi, Indonesia
gintingirwan2021@gmail.com

Submitted: 25th Sept 2022 | **Edited:** 16th Dec 2022 | **Issued:** 01st January 2023

Cited on: Ginting, I. (2023). SMEs are TAX Aware: Analysis of the Obligation to Pay Taxes, Knowledge, and Tax Incentives. *AKADEMIK: Jurnal Mahasiswa Ekonomi & Bisnis*, 3(1), 18-26.

ABSTRACT

Taxes are still perceived negatively by the public, because paying taxes means losing some of the profits, especially in small and medium scale businesses, the obligation to pay taxes is considered a burden. Therefore, there needs to be a revolution in the application of benefits-based taxes, so that awareness of paying taxes is built. This research was conducted to look at the causal relationship regarding compliance with paying taxes among small and medium enterprises in Karo district, North Sumatra. To test this, quantitative principles based on numerical data are used, so that the research results are easier to explain. The research subjects were 100 small and medium business actors, which were taken using a simple random technique. Data analysis was performed using linear regression statistical methods with partial, simultaneous and determinant tests. The results of the study explain that compliance with paying taxes is caused by many factors. However, in real conditions on the ground, compliance with paying taxes is still influenced by the rules on the obligation to pay taxes. This is confirmed by research findings which show that increased knowledge of the obligations of preparing financial reports can increase awareness of paying taxes. Because in the financial statements it is recorded and calculated how many tax obligations must be paid.

Keywords: Obligation to Pay Taxes, Small and Medium Enterprises, Compliance, Preparation of Financial Statements, Incentives and Tax Knowledge

INTRODUCTION

The Micro, Small and Medium Enterprises (MSMEs) sector has an important role in the economic growth of a region. With the existence of MSMEs, it will increase income, open jobs, increase community welfare and be able to encourage economic growth on a national scale (Zulma, 2020). The government's efforts to encourage the sustainability of MSMEs are by continuing to conduct training related to financial management, improving product quality, accessing national and international markets and so on.

The income generated by MSMEs is one of the revenue streams for the state to finance a country's infrastructure development (Agustina, et al., 2021). With the

increase in people's income, it will increase state tax revenues. Along with the increase in the number of MSMEs and the provision of tax incentives, public awareness in paying taxes should also increase (Amrullah & Yusroni, 2022). But the fact is that taxpayer compliance, especially the MSME sector, is still very minimal. Business actors in Karo Regency are still reluctant to pay their taxes and taxes are still a fear for business actors (Hasibuana & Hardjono, 2021).

According to (Listya & Limajatini, 2022) tax compliance raises international concern for tax authorities and public policy makers because tax evasion seriously threatens the government's ability to increase public revenues.

According to the Head of the North Sumatra Regional Office DGT 2, the incentive policy that was issued in 2016 was that there were still many business actors who had not declared their assets. Therefore, to protect business actors from inspection of assets, the government has made a voluntary disclosure program policy. This program is a form of tax incentive for the public so that the public is aware of their obligations as tax-abiding citizens.

Another encouragement made by the government to make it easier for business actors to obtain capital is by conducting training in preparing financial reports. However, some MSMEs do not apply financial reports in their business. Many financial managers for MSMEs only come to collecting proof of transactions and a small number of them continue to record transactions without preparing financial reports (Walidain, 2021). In this case, business actors are not fully aware of the benefits of preparing financial reports (Darmawati & Oktaviani, 2018).

Knowledge of tax regulations, the function of paying taxes, and the taxation system in Indonesia has an important role in fostering tax compliance behavior because how can taxpayers be told to comply if they don't know about tax regulations (Listya & Limajatini, L. (2022), for example how obligated Taxpayers are required to report their tax return (SPT) on time if they don't know when the SPT submission is due. In addition, many taxpayers still have difficulty filling out SPT sheets. society about the importance of the role of taxes in the life of the nation and state which ultimately makes people reluctant to make proper contributions and causes a low level of taxpayer compliance (Andreansyah & Farina, 2022).

Another Indonesian government policy in increasing taxpayer compliance is to provide tax incentives to MSMEs. According to (Rachmawati, et al., 2021) the incentives provided can reduce the tax burden for any party to encourage the growth of MSMEs in investing in certain sectors. Indonesian Government Regulation Number 23 of 2018 which regulates the imposition of Final Income Tax Article 4 Paragraph (2) for taxpayers who have a gross turnover (turnover) of up to 4.8 billion Rupiah in one tax year is subject to a reduced rate from 1% to 0.5% . It is hoped that this rate reduction will allow MSME players to fulfill their tax obligations and comply with tax provisions so that businesses can develop and reduce barriers to obtaining venture capital. In addition, business actors who carry out bookkeeping or financial reports may be subject to income tax rates.

In this case, the taxpayer's knowledge of tax imposition must continue to provide counseling and socialization so that it can increase tax knowledge in the community both through social media, tax training, and seminars appointed by the Directorate General of Taxes (Rahmadini & Cheisviyanny, 2019).

THEORETICAL BASIS

Tax Compliance

Roth defines tax compliance as filing all required tax returns in a timely manner and those returns accurately reporting tax obligations in accordance with tax laws in effect at the time the returns are filed (Musapa, et al., 2021). Tax compliance is synonymous with the willingness of a taxpayer to fulfill his tax regulations. The definition of taxpayer compliance according to (Mandey, et al., 2018) states that: A condition where the taxpayer fulfills all tax obligations and exercises his tax rights.

The scope of tax compliance includes reporting income and paying all taxes in accordance with applicable laws and regulations, and court decisions. (Putra & Fun, 2021) explains that taxpayers need to prepare all relevant information in the Income Tax Form within the given timeframe, and the form must report accurate tax obligations in accordance with the requirements of laws, regulations and court decisions.

MSME Financial Report

The criteria for MSMEs in Indonesia are businesses that have net assets of 50 million classified as micro, businesses with net profits greater than 50 million to 500

million are classified as small businesses, more than 500 million to 10 billion are classified as medium-scale businesses. As well as having a turnover of Rp. 300,000,000 per year (micro), more than Rp. 300,000,000 to Rp. 2,500,000,000 per year (small), and turnover of more than Rp. 2,500,000,000 to Rp.10,000,000,000 per year (medium) (Law of the Republic of Indonesia No. 20 of 2008).

MSME financial accounting standards are financial recording standards aimed at MSMEs. The implementation of this policy in Indonesia is effective as of January 1, 2018 which was previously in the form of SAK ETAP. However, research conducted by (Ningsih & Saragih, 2020) explains that only 36% of MSME owners have ever heard of SAK ETAP.

Tax Incentives

Tax incentives are special treatment given to certain projects (Rahmadhani, et al., 2020). During the Covid-19 period, tax incentives were the government's attempt to stabilize the economy during the pandemic by making donations to employees and businesses so they could survive. Government policy to provide incentives for MSME players is one of the tax facilities to encourage the potential possessed by MSMEs. Final Income Tax incentives are given in the form of taxes borne by the government. These tax incentives are given to taxpayers with a turnover of no more than 4.8 billion in a year or in accordance with PP No. 23 of 2018.

Tax Knowledge

A taxpayer is able to understand tax knowledge besides calculating, calculating, paying and reporting the tax owed himself, it can be seen from the ownership of a NPWP, his rights and obligations as a taxpayer, knowledge of tax sanctions, PTKP, PKP and tax rates, the taxpayer understands taxation through socialization and also the training they follow.

According to (Yulianti, 2022) indicators in measuring the level of tax knowledge are:

1. Taxpayer knowledge of tax regulations.
2. Taxpayer knowledge of the tax function.
3. Taxpayer knowledge of registration as a taxpayer.
4. Taxpayer knowledge of tax sanctions.
5. Knowledge of taxpayers on the procedure for paying taxes.

6. Taxpayer knowledge of tax reporting procedures.

METHOD

This section covers the study population, sample selection, data sources, measurement of variables, data analysis techniques and research models. The population in this study were all SMEs in Karo District. The sample in this study is SMEs which are individual taxpayers in Karo Regency, Indonesia. The sampling technique uses simple and purposive random sampling techniques, so that it is taken based on certain criteria. Some criteria that can be done in sampling, namely:

1. Taxpayers who are active in paying taxes of 0.5% of circulation below IDR 4.8 billion per year
2. Taxpayers have NPWP (Taxpayer Identification Number)
3. Taxpayers whose taxable turnover is below 1% of IDR 4.8 billion per year
4. Willing to fill out the questionnaire

The first part of the questionnaire includes the demographics of the respondents. The second part of the questionnaire includes statements regarding understanding of the preparation of financial statements, tax incentives, and knowledge of taxation and compliance of MSME taxpayers. Tax compliance, the dependent variable, is measured based on three items which include; comply with regulations, calculate, pay and report their own taxes. understanding of the preparation of financial reports as an independent variable is measured by a person's ability to apply financial accounting standards, the ability to collect evidence and record transactions, and prepare financial reports for MSMEs. Tax incentives are measured by the ease of incentives, cost reductions, and incentive tax rates. Tax knowledge is measured by knowledge of law and tax administration without the need for enforcement activities, knowledge of tax rates, and knowledge of reporting.

In the early stages a reliability test was carried out to measure the extent to which the consistency of the instrument and validity test was carried out to measure the level of validity and validity of an instrument. Furthermore, the Normality Test and Classical Assumption Test. In the next stage, a normality test is carried out to find out whether the independent and dependent variables have made a normal contribution or not, while in the classical test, the multicollinearity assumption test, heteroscedasticity test and

autocorrelation test are carried out. To verify the hypothesis, a simple linear regression analysis technique was used.

RESULT

Validity Test

Based on the Pearson correlation test, a validity value is obtained, where each indicator has a good level of significance, which is smaller than 0.05 and has a Pearson value greater than the required criteria (0.30). this explains if the research data, entirely valid.

Reliability Test

The results of data processing show that all research instruments have a Cronbach Alpha value above 0.70 which is greater than the research reliability standard (0.60). so that it can be concluded, that all research questionnaires have a good level of reliability.

Classic Aumsion Test

Before carrying out the regression test, classical assumption testing is first carried out, including:

1. Multicollinearity Test. The results of the multicollinearity test show that there is no independent variable that has a tolerance value of less than 0.1, which means there is no correlation between the independent variables whose value is more than 95%. The results of calculating the variance inflation factor (VIF) value also show the same thing. There is not one independent variable that has a VIF value of more than 10. So it can be concluded that there is no multicollinearity between independent variables in the regression model.
2. Heteroscedasticity Test. The results of the heteroscedasticity test based on the Scatterplot show that the dots spread randomly as well. It can be concluded that there is no heteroscedasticity in the regression model so that the regression model is suitable for use in predicting the independent and dependent variables.
3. Normality Test. The results of the normality test based on the normal P-Plot of Regression test show that the data spreads around the diagonal line and follows the direction. The diagonal line or histogram graph shows a normal distribution pattern, so the regression model meets the assumption of normality.

Partial Test

Based on the regression analysis, it is known that the tcount for the variable understanding of the preparation of financial statements (X1) is 2.790, for the tax incentive variable (X2) is 1.190 and for the knowledge of taxation variable (X3) is 0.032. Based on the criteria for testing the hypothesis, it can be concluded:

1. The tcount value of understanding the preparation of financial statements is 2.790 and the value of ttable is 1.660 so that $tcount > ttable$ ($2.790 > 1.660$) so that it can be concluded that the variable understanding of the preparation of financial statements has a positive and significant effect ($0.006 < 0.05$) partially on MSME taxpayer compliance.
2. The tcount value of tax incentives is 1.190 and the ttable value is 1.660 so that $tcount < ttable$ ($1.190 < 1.660$) so it can be concluded that the tax incentive variable has a positive and insignificant effect ($0.237 > 0.05$) partially on MSME taxpayer compliance.
3. The tcount value of tax knowledge is 0.1194 and the ttable value is 1.660 so that $tcount < ttable$ ($0.1194 < 1.660$) so that it can be concluded that the tax knowledge variable has no effect and is not significant ($0.847 > 0.05$) partially on MSME taxpayer compliance.

Differences in views and perceptions greatly affect the level of taxpayer compliance. Taxpayers who consider the criteria for compliance taxpayers to be too difficult and disproportionate to the rewards or benefits obtained by the taxpayers, the answers given by many respondents indicate that many taxpayers are ignorant of the regulations that have been stipulated. Tax knowledge possessed by individual taxpayers is not too broad, changes in regulations are quickly complicated and tax sanctions imposed create different views for each taxpayer, this requires taxpayers to learn many things related to taxation, however it is not easy for taxpayers because the desire to learn self-taxation must arise from the taxpayers themselves.

Tax authorities must be able to motivate taxpayers to report their tax obligations by increasing socialization, as well as transparency in the distribution of tax funds so that taxpayers can trust and will report their taxes properly. Socialization and counseling must be able to increase tax knowledge in the community through social media, tax training, and seminars appointed by the Directorate General of Taxes, involving public

and private universities. Not only do citizens have difficulty understanding tax laws, they also display poor knowledge of tax rates and basic tax concepts.

Simultaneous Test

Based on the regression analysis, it is known that the results of the f test are $4.314 > 2.70$ with a sig value of $0.007 < 0.05$. So it can be concluded that H_0 is rejected and H_a is accepted, which means that the variables of understanding the preparation of financial reports, tax incentives, and tax knowledge together have a positive and significant influence on MSME taxpayer compliance.

Determination Test

The results of the regression analysis showed that the R value was 0.345 and the Adjusted R Square (R^2) was 0.091 or 9.1%. The coefficient of determination or Adjusted R Square (R^2) of 0.091 means that 9.1% of MSME tax compliance can be explained by the variable understanding of preparing financial reports, tax incentives and tax knowledge, while 90.9% is explained by other variables not included in the regression model. This. So it can be concluded that there is another factor of 90.9% which can be explained by other variables that affect MSME tax compliance.

CONCLUSION

Based on the results of data analysis and discussion, it can be concluded that the variable understanding of the preparation of financial reports and tax incentives has an effect on MSME taxpayer compliance. However, tax knowledge has no effect on the compliance of the UMKM taxpayers in Karo Regency. This confirms that emotionally the taxpayers from the Karo District MSMEs are aware of the importance of paying taxes, but in practice, it is strongly influenced by an understanding of financial reports and the amount of tax incentives. This needs to be a concern of the Kabanjahe Pratama Tax Service Office to conduct counseling and outreach to Karo Regency MSME taxpayers so that they are more aware and obedient in fulfilling tax obligations.

REFERENCESS

Agustina, Y., Rahman, A., & Filianti, F. (2021). Insentif Pajak: Solusi Tepat bagi UMKM di Masa Pandemi Covid-19. *Wikrama Parahita: Jurnal Pengabdian Masyarakat*, 5(2), 149-155.

- Amrullah, M. N. S., & Yusroni, N. (2022). Analisis Program Insentif Pajak Sektor UMKM Masa Pandemi Covid-19 di Ungaran Tahun 2020-2021. *AKSES: Jurnal Ekonomi dan Bisnis*, 17(1).
- Andreansyah, F., & Farina, K. (2022). Analisis pengaruh insentif pajak, sanksi pajak dan pelayanan pajak terhadap kepatuhan wajib pajak UMKM. *Jesya (Jurnal Ekonomi dan Ekonomi Syariah)*, 5(2), 2097-2104.
- Darmawati, D., & Oktaviani, A. A. (2018, October). Pengaruh penerapan akuntansi umkm terhadap kepatuhan wajib pajak UMKM e-commerce. In *prosiding seminar nasional cendekiawan* (pp. 919-925).
- Hasibuana, I. W., & Hardjono, T. D. (2021). Pengaruh Pemberian Insentif Pajak Bagi Wajib Pajak Terdampak Pandemi Covid-19, Pengetahuan Perpajakan, Dan Tax Awareness Terhadap Kepatuhan Pelaporan Wajib Pajak UMKM Di Kecamatan Tebet Tahun 2020. *Jurnal Ilmu Administrasi Publik*, 1(6), 617-630.
- Listya, T. I., & Limajatini, L. (2022). Pengaruh Pengetahuan Pajak, Sosialisasi Pajak, dan Insentif Pajak Terhadap Kepatuhan Wajib Pajak Penggiat UMKM di Kecamatan Periuk. *Prosiding: Ekonomi dan Bisnis*, 2(1), 930-938.
- Mandey, M. J., Saerang, D. P., & Pusung, R. J. (2018). Studi kualitatif tentang manfaat dan kerugian dalam penyusunan laporan keuangan pada UD Mitra Pelita. *Going Concern: Jurnal Riset Akuntansi*, 13(02).
- Musapa, M., Amelia, R., & Faturrohman, T. F. (2021, June). Keuangan Dan Pengetahuan Akuntansi Serta Pengaruh Kualitas Laporan Keuangan Pada UMKM Di Sukabumi. In *SENMABIS: Conference Series* (pp. 64-71).
- Ningsih, S. S., & Saragih, F. (2020). Pemahaman wajib pajak pelaku UMKM mengenai Peraturan Pemerintah tentang PP No. 23 Tahun 2018 tentang Ketentuan Pajak UMKM. *Jurnal Riset Akuntansi dan Bisnis*, 20(1), 38-44.
- Putra, A. T. L., & Asyik, N. F. (2021). Evaluasi Kepatuhan Pembayaran Pajak dalam Meningkatkan Penerimaan Negara Pasca Penerbitan PP 23 Tahun 2018 Pada Pelaku UMKM di Kota Madiun. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 10(3).
- Rachmawati, N. A., Ramayanti, R., & Setiawan, R. (2021). Tingkat Kesadaran dan Kesiapan Pelaku Umkm Dalam Menyusun Laporan Keuangan dan Pajak. *Jurnal Akuntansi dan Bisnis*, 21(2), 138-150.
- Rahmadhani, S. R., Cheisviyanny, C., & Mulyani, E. (2020). Analisis kepatuhan pajak pelaku umkm pasca penerbitan peraturan pemerintah nomor 23 tahun 2018. *Jurnal Eksplorasi Akuntansi*, 2(1), 2537-2553.
- Rahmadini, E., & Cheisviyanny, C. (2019). Analisis persepsi wajib pajak umkm terhadap peraturan pemerintah no. 23 tahun 2018. *Jurnal Eksplorasi Akuntansi*, 1(4), 1687-1704.
- Walidain, M. B. (2021). Pengaruh insentif pajak, sosialisasi pajak dan self assesment system terhadap kepatuhan wajib pajak UMKM saat pandemi covid-19. *Syntax Literate; Jurnal Ilmiah Indonesia*, 6(2), 118-1132.
- Yulianti, L. N. (2022). Pengaruh Sosialisasi Perpajakan, Kesadaran Wajib Pajak, dan Pemahaman Insentif Pajak terhadap Kepatuhan Wajib Pajak UMKM pada masa Pandemi Covid-19. *MANAJEMEN*, 2(1), 46-53.
- Zulma, G. W. M. (2020). Pengaruh Pengetahuan Wajib Pajak, Administrasi Pajak, Tarif Pajak dan Sanksi Perpajakan terhadap Kepatuhan Pajak Pada Pelaku Usaha UMKM di Indonesia. *Ekonomis: Journal of Economics and Business*, 4(2), 288-294.