Analysis of Taxation Knowledge and Taxpayer Compliance of Micro Small and Medium Enterprises in Setu

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Abstract

Indonesia's tax ratio is at a low level, even the lowest among other ASEAN countries. Micro, Small and Medium Enterprises (MSMEs) is one sector that has not been fully utilized but has the potential to increase the tax ratio in Indonesia due to the large number of MSMEs that have been operating. The objectives of this research are (1) to analyze the tax knowledge of Micro, Small and Medium Enterprises (MSMEs) in Setu Village, East Jakarta related to MSME Final Income Tax. (2) to analyze the compliance of taxpayers of Micro, Small and Medium Enterprises (MSMEs) of Setu Village, East Jakarta related to MSME Final Income Tax. This research uses a qualitative approach. Data collection was collected by distributing questionnaires to MSMEs in Setu Village, East Jakarta, interviewing extension workers at the East Jakarta Regional Office of the Directorate General of Taxes and submitting data to the East Jakarta Regional Office of the Directorate General of Taxes. The results showed that the tax knowledge of MSME players in Setu Village, East Jakarta is not optimal yet and the compliance of taxpayers of MSME players in Setu Village, East Jakarta is still low. Several strategies have been carried out by the Directorate General of Taxes to increase the tax compliance of MSME enterprises.

Keyword: Micro, Small and Medium Enterprises; Taxpayer Compliance; Tax Knowledge; Setu Village; MSMEs

1. Introduction

Taxation is one of the practical methods in developing countries to raise revenue to fund government spending on goods and services used by the public (Tanzi & Zee, 2001). Indonesia is one of the most overpopulated developing countries in the world, but the large population does not make Indonesia a country with a high tax payment ratio. Indonesia's tax ratio is at a low level, even the lowest among other ASEAN countries. One of the reasons for the low tax ratio is due to ineffective tax collection, lack of tax compliance optimization, and lack of tax identification number (TIN) ownership. Ineffective tax collection can be due to uneven taxpayer objects that should be taxed but have not been fully reached.

Micro, Small and Medium Enterprises (MSMEs) is one of the sectors that has not been fully reached but has the potential to increase the tax ratio in Indonesia due to the large number of MSMEs that have operated up to more than 66 million units recorded (KADIN Indonesia, 2024). With the large number of MSME units, the MSME sector has been able to contribute to the Gross Domestic Product (GDP) of 61% worth Rp9,580 trillion (Limanseto, 2023), but the large contribution in the composition of GDP does not make MSMEs have a large contribution in tax revenue. The MSME sector that contributes more to tax revenue is the medium and large scale business sector, while the micro and medium scale business sector only contributes less than 5% to tax revenue (Hernowo, 2023).

The government has realized this so that it provides a relief that is expected to increase tax revenue in the MSME sector. The relief that has been provided by the government in the form of incentives for Micro, Small and Medium Enterprises is regulated in Government Regulation Number 23 of 2018. The incentives began in 2018 and were legalized in PP Number 23 of 2018. The incentive policy is a way taken by the government to support MSMEs by reducing the Final Income Tax rate from 1% to 0.5% and exempting Final Income Tax for entrepreneurs with a turnover of up to IDR 500,000,000 per year (Tax Supervisory Committee of the Indonesian Ministry of Finance, 2022).

Several studies that have been conducted show that the tax knowledge and compliance of MSME actors are still low. The low tax knowledge of MSME actors can be due to external and internal factors of MSME actors. DKI Jakarta as the business center and capital city of Indonesia should be the province with the largest contributor to MSME tax revenue in Indonesia. East Jakarta is one of the districts with the largest number of MSMEs in the city of Jakarta.

One of the sub-districts that can assist the DGT in monitoring taxpayer compliance in its area is Cipayung Sub-district. Cipayung Sub-district has great potential because it is one of the sub-districts that has the most urban villages in East Jakarta, namely 8 urban villages. Therefore, it is important to provide effective strategies and supervise MSME taxpayers to create a high level of taxpayer compliance. This research will focus on one of the urban villages in Cipayung District, East Jakarta, namely Setu Urban Village. This area was chosen because there has been no similar research in the area. Although its location is quite far from the sub-district, Kelurahan Setu still has good potential to start a business.

2. Literature Review
2.1 Micro, Small and Medium Enterprises (MSMEs)

The definition of MSMEs is in Law Number 20 of 2008 concerning MSMEs. To efficiently regulate and support the development of Micro, Small, and Medium Enterprises (MSMEs), the government has issued Government Regulation Number 7 of 2021, known as Regulation on MSMEs. This regulation has been in effect since February 2021, replacing several provisions in Law Number 20 of 2008 on MSMEs. There are changes to the criteria for MSMEs from Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. The changes are regulated in Government Regulation Number 7 of 2021 concerning the Ease, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. Changes in MSME criteria can be distinguished based on the grouping of criteria, where in Law Number 20 of 2008 the MSME criteria are only based on business capital criteria. Meanwhile, after Government Regulation Number 7 of 2021 was issued, the MSME criteria were grouped into two, namely based on the business capital criteria and the annual sales result criteria. The purpose of this change in MSME criteria is to broaden the basis for fostering and empowering MSMEs.

2.2 Taxpayer Knowledge

Taxpayer knowledge refers to an understanding of the tax regulations and obligations that apply to taxpayers. The understanding of taxpayers is the basis for effective tax compliance for MSME entrepreneurs. Indicators of tax understanding in this study include:
1) Understanding of the basic concepts of taxation.
2) Understanding of taxpayer rights and obligations.
3) Understanding of the types of taxes.
4) Understanding of tax rates
5) Understanding of tax reporting and payment procedures.
6) Understanding of tax sanctions

2.3 Compliance Theory

According to the Big Indonesian Dictionary, obey is the meaning of like to obey, obey, and be disciplined. This meaning is in accordance with the compliance theory coined by Stanley Milgrain in 1963. This theory explains the conditions under which a person obeys an order or rule that has been set. Compliance theory can be aligned with this research because it studies the factors that influence individuals or entities as taxpayers to comply with tax laws and regulations. By understanding these factors, it is possible to develop effective strategies to encourage voluntary compliance with MSME entrepreneurs.

2.4 Taxpayer Compliance

Compliant taxpayers are taxpayers who obediently fulfill tax obligations in accordance with the provisions of the Laws and Regulations. Compliant taxpayers are taxpayers who obediently fulfill tax obligations in accordance with the provisions of the Laws and Regulations. According to (Rahayu, 2017) there are two types of taxpayer compliance, namely Formal Tax Compliance and Material Taxation.

2.5 Final Income Tax for Micro, Small and Medium Enterprises

Government Regulation of the Republic of Indonesia Number 55 of 2022 concerning Adjustment of Regulations in the Income Tax Sector Article 56 paragraph (1) that on income from businesses received or obtained by domestic taxpayers who have a certain gross circulation, subject to final income tax within a certain period. The final income tax rate as referred to in paragraph (1) is 0.5% (zero-point five percent).

3. Material and Method

3.1 Place and Time of Research

The research place is a place to obtain data and information related to research problems. This research was conducted in Setu Village, East Jakarta with a focus on Micro, Small and Medium Business owners. The research time was conducted from July to October 2024.

3.2 Research Design

The research design used in this research is a qualitative approach. In this study, the type of qualitative approach used is case study research.

3.3 Data Sources and Research Samples

The data sources used in this study are primary and secondary data. In this study, the primary data is information obtained directly by researchers through interviews with one of the employees of the East Jakarta Regional Office of the Directorate General of Taxes. In this study, research information is also supported by citing literature materials from previous studies, news, and supporting documents from the Directorate General of Taxes related to MSME taxpayers in Setu Village, East Jakarta. The research sample used in this study is a convenience sampling technique.

3.4 Data Collection Technique

The data collection techniques in this study were interviews, questionnaires, and documentation.

3.5 Data Analysis Technique

The data analysis technique used in this study is based on the Miles and Huberman data analysis model in (Sugiyono, 2021), namely Data Collection, Data Reduction, Data Display, and Conclusion Drawing.

4. Result

To answer the first research question regarding the taxation knowledge of MSME actors, this study used a questionnaire as a data collection instrument. The data presented is in the form of descriptions of respondents and answers to respondents' questionnaires regarding taxation knowledge related to MSMEs in general. To answer the second research question, this study uses interviews and secondary data as a measurement of taxpayer compliance of MSME actors in Setu Village, East Jakarta. Secondary data was obtained from the East Jakarta Regional Office of the Directorate General of Taxes. The data analyzed includes three main compliance indicators in taxation, namely:

1) Registering to obtain a Taxpayer Identification Number (TIN)

Name of Sub-District	Number of MSME taxpayers who are registered/have a TIN					
	2019	2020	2021	2022	2023	2024*
Setu	313	334	97	81	65	43

Column 2024 until July 2024

Source: Kanwil DJP Jakarta Timur (2024)

2) On time in submitting Annual Tax Return (SPT)

Name of Sub-District	Number of MSME Taxpayers who have Submitted Annual Tax Return					
	2019	2020	2021	2022	2023	2024*
Setu	3	3	2	2	2	0

Column 2024 until July 2024

Source: Kanwil DJP Jakarta Timur (2024)

3) No Tax Overdue

Name of Sub-District	Number of MSME Taxpayers with Tax Overdue					
	2019	2020	2019	2022	2019	Tahun 2024*
Setu	161	177	65	35	29	18

Column 2024 until July 2024

Source: Kanwil DJP Jakarta Timur (2024)

5. Discussion

The taxation knowledge of MSME players in Setu Village, East Jakarta is measured based on a questionnaire which contains taxation questions related to MSMEs. Based on the results of respondents' answers to all questions, the tax knowledge of MSME taxpayers in Setu Village, East Jakarta still needs to be improved. MSME actors said several reasons that made taxation knowledge not optimal. These reasons are because MSME actors feel that there is a lack of socialization or counseling provided by the government, a difficult tax collection system, a large tax rate, and a lack of awareness or initiative from MSME entrepreneurs to find out about MSME Final Income Tax independently.

Tax knowledge can have a positive impact on increasing taxpayer compliance. The higher the knowledge, the higher the compliance. In this study, the measurement of taxpayer compliance is measured based on three main compliance indicators, namely registering to obtain a Taxpayer Identification Number (TIN), submitting tax returns in a timely manner, and not having tax arrears. Looking at these three indicators based on data from the East Jakarta DGT Regional Office, the taxpayer compliance of MSME players in Setu Village, East Jakarta is still low.

In the first indicator, it can be concluded that taxpayer compliance of MSMEs in Setu Village, East Jakarta is high in the indicator of registering to obtain an NPWP because there are more MSMEs that have an NPWP when compared to the number of recorded MSMEs. The second indicator is low due to the low number of taxpayers who do not pay taxes and report tax returns, if it has been 2 consecutive years it can become ineffective and 5 years later it can

be deleted. The third indicator is still low because of the reduction in taxpayers who have arrears every year, but if it is compared to all MSME taxpayers in Setu Village, East Jakarta who have a TIN, it cannot be said to be compliant.

6. Conclusion, Implication, and Recommendation
6.1 Conclusion
1) The conclusion of the analysis of taxation knowledge of MSME actors in Setu Village, East Jakarta shows that the knowledge of MSME actors in Setu Village, East Jakarta is not optimal and needs to be improved. The reason for the non-optimal taxation knowledge of MSME actors in Setu Village, East Jakarta is due to the lack of socialization or counseling, a difficult tax collection system, high tax rates, and lack of initiative from MSME entrepreneurs.
2) The conclusion of the analysis of taxpayer compliance of MSME players in Setu Village, East Jakarta shows that the level of taxpayer compliance of Setu Village MSME players is still low. Of the three indicators that measure MSME taxpayer compliance, only one indicator with a high level of compliance is the number of MSME taxpayers who have an NPWP.

6.2 Implication
1) **Theoretical Implications**
   This research is expected to be a reference or comparison material for future researchers who will take the same topic. By providing empirical data and in-depth analysis, this research contributes to the improvement of compliance theory.
2) **Practical Implications**
   This research is useful for analysing tax knowledge and taxpayer compliance of MSME entrepreneurs. The practical implication in this study is that there is a gap between the strategies and facilities that have been implemented by the Directorate General of Taxes and the answers to the questionnaire of Setu Village MSME players. The DGT is obliged to expand the area of socialization or counselling evenly, because if it relies on the awareness of MSME actors alone, it will not be optimal. MSME players need to be reminded regularly so that they feel well served by the government.

6.3 Recommendation
1) Expand the area to conduct research in places where there are many MSME taxpayers with a high level of compliance so that it can be a comparison with areas with low levels of tax knowledge and compliance.
2) Add sources from the DGT to gain more insight into the knowledge and tax compliance of MSME actors in the area.

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