

Reducing MSME Tax Rates and Socialization Against Taxpayer Compliance

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ABSTRACT: The purpose of this study was to examine and analyze the effect of reducing MSME tax rates on taxpayer compliance and to examine and analyze the effect of socialization on taxpayer compliance. This type of data uses primary data sourced from a questionnaire sample of 100 taxpayers from a population of 19,877. Data analysis used descriptive analysis and multiple linear regression. The results of the analysis show that the decrease in MSME tax rates has a positive and insignificant effect on taxpayer compliance and tax socialization has a positive and significant effect on taxpayer compliance

Keywords: Tax rate reduction, tax socialization, taxpayer compliance, MSMEs.

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INTRODUCTION

Indonesia as a developing country depends on its largest source of revenue from taxes. The tax revenue is used as much as possible for the benefit of national development and realizing the noble ideals of the nation. National development will take place continuously and continuously in order to increase the independence of the nation and the welfare of the people. One of the business efforts in the independence of the nation in the field of financing is to explore sources of funds originating from within the country in the form of taxes. The role of taxes as a pillar of national development is felt to be increasingly important as evidenced by data from the 2019 State Revenue and Expenditure Budget (APBN) showing state revenues in the taxation sector of Rp. 1,332.06 trillion or equivalent to 84.44% of total state revenue, although in 2020 the government was forced to lowering revenue targets due to pandemic conditions that affect the community's economy but taxes are still the main pillar of state revenue. As the data in Table 1.1 below:

Table.1 Target and Realization of Indonesian Tax Revenue for 2016-2020
(In Trillion Rupiah)

Year	Target	Realization	Achievements	Economic Growth
2016	1355.20	1105.81	81.60 %	5.0
2017	1283.60	1147.50	89.40 %	5.1
2018	1424.00	1315.93	92.41 %	5.2
2019	1577.56	1332.06	84.44 %	5.0
2020	1198.82	1069.98	89.25 %	-2.7

Source : Ministry of Finance, 2020

Based on Table 1, since 2019 there has been a decrease in the achievement of tax revenues by only 84.44%. From 2018 it has reached 92.41%. Whereas in 2020 there was another decline in tax revenue targets. The tax decline indicates a change in economic conditions in the community, both in the ability of taxpayers to pay and taxpayer compliance itself. As previous research that has been done can explain that taxes have a significant effect on economic growth. Romer (2010) finds that an increase in the tax rate by one percent (1%) of Gross Domestic Product will reduce real Gross Domestic Product by three percent (3%) after 2 years. While the OECD (2008) reveals that Corporate Income Tax and Personal Income Tax have the greatest impact on economic growth, followed by taxes on consumption and taxes on property. That means that taxes have an influence on economic growth where a decrease in tax rates will have a positive impact on economic growth. On the one hand, the government wants to increase the target and achievement of tax revenue realization and economic growth, but on the one hand the government must also take into account the ability of the public to pay and various efforts to improve taxpayer compliance.

When viewed from the current Indonesian government's tax policy, it does not only target large-scale taxpayers, but also targets the Small, Micro and Medium Enterprises (MSMEs) sector. Cooperatives and Small and Medium

Enterprises In 2019 the MSME sector in Indonesia has reached 65.5 million and has contributed about 60% of the total Gross Domestic Product (GDP), meaning that the MSME sector is the backbone of the Indonesian economy. The Indonesian government should consider and implement the provision of tax holiday facilities (reduction or elimination of taxes) for Micro, Small and Medium Enterprises (MSMEs) which have absorbed a lot of manpower and are export-oriented, which will have a positive and significant impact on economic growth and increase the country's foreign exchange. it is none other than to increase economic turnover for the community with the Small, Micro and Medium Enterprises (MSMEs) class, provide convenience facilities in taxation to increase state revenue and taxpayer compliance.

As research conducted by Alfiah (2017) found that taxpayer compliance is an important factor in realizing tax revenue targets. This means that the higher the taxpayer compliance, the higher the tax revenue will be. Andreas' research (2015) also examines taxpayer compliance which finds that the effectiveness of the self-assessment system (a tax payer system on the basis of which taxpayers calculate and deposit their own taxes owed) is highly dependent on the honesty and compliance of taxpayers, but along with it is intentionally misused by taxpayers. then compliance is still a major problem in terms of optimizing tax revenue.

This taxpayer compliance is influenced by the high and low tax rates set (Rahayu, 2017) as well as said by Simanjuntak (2012) that reducing the tax rate to a low level can increase taxpayer compliance. tax debt through tax evasion and smuggling. Therefore, to motivate taxpayers to comply, a driving factor is needed, namely a policy scheme that includes setting appropriate tax rates and taking sides with taxpayers.

The government has tried to maximize tax revenue in the Small, Micro and Medium Enterprises (MSME) sector by issuing a policy package in the form of Government Regulation Number 46 of 2013 which makes it easier for MSME taxpayers to calculate, deposit and report their income tax by calculating Final PPh of one percent (1%) of turnover. The Government's alignment with the MSME sector is also getting more serious attention by President Joko Widodo with the issuance of Government Regulation Number 23 of 2018 which is very significant. The Final PPh rate which was originally 1% was lowered to 0.5%, this policy intends to encourage MSME actors to play a more active role in the economy by providing convenience and simplicity in paying and imposing taxes.

The regulation provides justice to taxpayers who have a certain gross turnover. Research conducted by Putra (2019) and Riris (2019) found that lowering MSME tax rates had a significant effect on MSME taxpayer compliance. When the tax rate gets smaller, taxpayer compliance will increase. The lower tax rates will reduce public spending in paying taxes in the long term which will provide business benefits so that the policy of reducing the final income tax rate is to stimulate MSMEs and increase MSME taxpayer compliance.

Taxpayer compliance is also encouraged by the government with regular and periodic socialization in disseminating information related to tax policies, this socialization can increase taxpayers' knowledge of taxation, including

Government Regulation Number 23 of 2018 concerning the reduction of MSME Final PPh rates, so as to raise awareness and willingness to pay taxes. Tax socialization can increase the perception of business actors about the importance of paying taxes. Lack of socialization has an impact on the public's low knowledge of paying taxes, causing low public awareness to report and pay taxes. Research conducted by Syafiqurrahman (2016) found that tax socialization has an influence on taxpayer compliance. The higher the socialization carried out, the more obedient people pay taxes. On the contrary, research conducted by Wirenungan (2013) found that tax socialization had no effect on taxpayer compliance. So here there is still a research gap in order to see the effectiveness of socialization carried out by the government related to taxation with the level of community compliance in paying taxes.

Likewise, the implementation of Government Regulation through PP Number 46 of 2013 concerning Business Income Tax received or received by taxpayers who have a certain gross turnover and PP Number 23 of 2018 concerning Income Tax on Income from Business received or obtained by Taxpayers who have a certain gross turnover. which has been effective for several years, it is necessary to evaluate the level of success, because according to the data on the number of annual income tax returns (SPT) for the 2019 fiscal year, it was recorded lower than 2018. Based on data from the Directorate General of Taxes (DGT), the number of SPT as of April 1, 2020, only 8.9 million were entered. This number decreased by 21.09% compared to the achievement of the same period in 2018 of 11.3 million (ddtc.com. 2020).

According to 2019 data at the Kendari Pratama Tax Service Office, there were 7,087 taxpayers, but only 2,033 taxpayers reported an SPT or the equivalent of 28%. while in 2019 the number of MSME taxpayers increased by 10,877 taxpayers but the number of taxpayers who reported was only 15% (KPP Pramata Kendari, 2019). so that from these data taxpayer compliance in the city of Kendari is still relatively low, so this is what makes researchers interested in conducting further identification related to this gap.

The purpose of this study is to explain the effect of reducing MSME tax rates and tax socialization on taxpayer compliance. Because previous research has not been able to enter the area of generalization. This research will be conducted in Southeast Sulawesi Province, especially in Kendari City, where the number of MSME taxpayers based on data has increased but has not been in line with the level of compliance in paying and reporting taxes. As for the difference with the previous research, the researcher intends to identify more deeply and re-examine it in order to get an in-depth descriptive understanding of the variable of reducing MSME tax rates and socialization of taxation on taxpayer compliance in the city of Kendari which is useful for decision making and the development of further research.

THEORETICAL REVIEW

Theory of planned behavior (Planned Behavior Theory)

The theory of planned behavior, first put forward by Ajzen in 1991 states that an individual's intention to carry out a behavior is indicated by how strong

a person's desire is to try or how much effort is made to carry out the behavior. According to Toly (2014) There are 3 (three) reasons that influence the actions taken by individuals, namely (1) Attitude (behaviorial belief), (2) Subjective norms (normative belief), and (3) Behavioral control (control belief). The relationship between this theory is that the obedient and disobedient behavior of taxpayers is influenced by the intentions they have. If the taxpayer has the intention to comply, there will be compliance. So that the intention to comply is determined by three factors, namely attitudes, subjective norms and behavioral control that is perceived to be owned by taxpayers.

Taxpayer Compliance

According to the Decree of the Minister of Finance Noor 74/PMK.03/2012 regarding the criteria for obedient taxpayers that tax compliance is an act of taxpayers in fulfilling their tax obligations in accordance with the provisions of laws and regulations and generally accepted tax regulations in a country. According to Rahayu (2017) obedient taxpayers are divided into 2 (two) namely Formal Compliance which includes fulfilling formal obligations according to the provisions of the Law and Material Compliance which includes substantive aspects or essentially fulfilling all material provisions of the content and spirit of the Taxation Law.

Compliance Taxpayer Criteria

Taxpayers comply if they meet the criteria for the Decree of the Minister of Finance Number 74/PMK.03/2012, namely:

1. Timely in submitting the Notification Letter (SPT).
2. Do not have tax arrears for all types of taxes, except tax arrears which are allowed to make installments or delays.
3. Financial statements are audited by a public accountant or government financial supervisory agency.
4. Never been convicted of a crime in the field of taxation based on a court decision.

Tax Rate

According to Mardiasmo (2019) there are 4 (four) types of tax rates:

1. Proportional tax rates, namely rates in the form of a fixed percentage of some amount subject to tax.
2. Fixed tax rates are rates in the form of a fixed (same) amount to whatever amount is taxed so that the tax payable remains the same.
3. Progressive tax rates are rates whose percentages are used the greater the amount charged.
4. Degressive tax rates are rates where the percentage of the rate used is smaller when the amount of tax imposed is greater.

MSME Tax Rate PP No. 46 Year 2013

Income tax regulations for individual taxpayers and corporate taxpayers who have a total cash turnover of less than Rp. 4,800,000,000,- in one tax year subject to final tax of 1% (one percent) of the monthly turnover.

MSME Tax Rates PP No.23 Year 2018

Income tax for taxpayers who have a certain gross turnover within the threshold of Rp. 4,800,000,000 will be subject to a 0.5% tariff within a certain period of time and after the time limit expires, the taxpayer will return to using the rate in accordance with Article 17 of Law Number 36 Year 2008.

Income Tax

According to Siti Official (2017) Income tax is a tax imposed on tax subjects on income received or earned in one tax year.

Income Tax Subject

The subject of income tax is everything that has the potential to earn income and is a target to be subject to income tax in this case:

1. Private Person.
2. Entities, consisting of limited liability companies, limited partnerships, other companies, BUMN/BUMD with any name, firms, joint ventures, cooperatives, pension funds, partnerships, associations, foundations, mass organizations, socio-political organizations, other organizations, institutions, other entities including collective investment contracts.
3. Fixed Business Plan (BUT).

Income Tax Object

Tax objects are everything (goods, services, activities or circumstances) that are subject to tax in this case:

1. Reimbursement or remuneration in respect of work or services received or obtained including wages, salaries, allowances, honoraria, commissions, bonuses, gratuities, severance pay, compensation in other forms unless otherwise stipulated in the Law.
2. Prizes from sweepstakes or work/activities, and awards,
3. Operating Profit
4. Profits due to the sale or transfer of property
5. Receipt of tax payments that have been charged as fees and additional payment of tax refunds.
6. Interest includes premiums, discounts, and rewards for debt repayment guarantees
7. Dividends, in any name and form
8. Royalties or rewards for the use of rights
9. Rent and other income in connection with the use of property
10. Receiving or obtaining periodic payments
11. Profits due to debt relief
12. Gain on foreign exchange rates
13. More difference due to asset reassessment

14. Insurance premium
15. Contributions received from member associations
16. Additional net assets originating from income that has not been taxed
17. Income from Sharia-based business
18. Interest reward
19. Bank Indonesia surplus.

Income Tax is Final

Final Income Tax (PPh Final) is a tax imposed at certain rates and tax bases on income received or earned during the current year. According to Sitti Official (2017) Final Income Tax is a tax imposition that is final (expired) so that it cannot be credited (deducted) from the total income tax payable at the end of the tax year.

Micro, Small and Medium Enterprises (MSMEs)

Law Number 20 of 2008 states that Micro Enterprises are productive businesses owned by individuals and/or individual business entities that have micro business criteria. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches that are owned, controlled or become part, either directly or indirectly, of medium or large businesses, Rosnawintang (2021). The criteria for defining MSMEs are net worth or asset value excluding land and buildings, appropriate for business or annual sales proceeds with the following criteria:

- a) Micro-enterprises are business units that have assets of at most Rp. 50 million and annual sales of at most Rp. 300 million.
- b) Small business with an asset value of more than Rp. 50 million up to a maximum of Rp. 500 million and annual sales of more than Rp. 300 million up to a maximum of Rp. 2.5 billion, and.
- c) Medium business is a company with a net worth of more than Rp. 500 million up to a maximum of Rp. 100 billion annual sales of over Rp. 2.5 billion up to a maximum of Rp. 50 billion.

Tax Socialization

Tax socialization is an effort and process of providing tax information to produce changes in knowledge, skills and attitudes of the community, the business world, apparatus, and government and non-government institutions so that they are encouraged to understand, be aware, care and contribute in carrying out tax obligations (SE-98/ PJ/2011). Socialization or tax counseling is carried out in 2 (two) ways, namely directly by interacting directly with taxpayers or prospective taxpayers through tax clinics, seminars, workshops, training and indirectly by interacting a little in the form of newspapers, magazines, tabloids, books. , brochures and so on.

HYPOTHESIS

The decrease in the MSME Final PPh rate from 1% to 0.5% aims to facilitate and motivate taxpayers to fulfill their tax obligations and provide justice for MSME taxpayers to develop capital that is not spent on paying taxes so that it becomes larger. Research conducted by Widodo (2018) and Supartini (2019) found that a decrease in tax rates affects taxpayer compliance.

The theory of planned behavior (Planned Behavior Theory) becomes a belief that affects the attitude of taxpayers in paying taxes, confidence will be formed from the understanding obtained from socialization media or counseling that has been received by taxpayers so that socialization has an influence in providing confidence to be willing to pay taxes obediently. Research conducted by Syafiqurrahman (2017) found that there is a positive influence between tax socialization and taxpayer compliance. So based on this explanation the authors put forward the following hypothesis:

H1. The decrease in MSME tax rates has a significant effect on MSME taxpayer compliance

H2. Tax Socialization has a significant effect on MSME taxpayer compliance

METHODOLOGY

Object of Research

The object of this research is the Effect of Changes in MSME Tax Rates and Socialization on Taxpayer Compliance in Kendari City, Southeast Sulawesi Province.

Types of Research

This type of research is quantitative research by combining the use of data collection techniques (not the method) According to Sugiyono (2010) Data collection techniques the main thing is to use a questionnaire, the data obtained is quantitative data, then to strengthen and check the validity of the data from the questionnaire results, it can be equipped with observations or interviews with respondents who have given the host, or other people who understand the problem under study.

Population and Sample

The population in this study were 10,877 taxpayers in Kendari City, with the Incidental sampling technique using the Slovin formula, a sample of 100 MSME taxpayers was selected.

Method of Collecting Data

The data collection methods used in this research are preliminary surveys, literature studies and field studies and interviews with selected informants and are considered to understand the problems studied, as for the techniques:

1. Documentation, namely data collection by recording or copying various reports made by the Kendari City Pratama Tax Service Office

2. Questionnaire method, which is collecting data from a list of questions to respondents to fill in and adjust to the respondent's opinion.
3. Interviews, namely to informants who are selected and considered to understand the problem under study

Data Analysis Method

The research method uses descriptive analysis which aims to interpret the frequency distribution in five categories using a Likert scale. Each scale has a gradation of assessment from very negative to very positive as outlined in the answer choices for the questionnaire. The meaning of the empirical assessment of this research variable adopts the principle of weighting proposed by Solimun et al, (2017). The average value of the weighting or score of respondents' answers is classified into the range of the value category scale as follows:

Table 2. The Average Category Scale of Respondents' Statement Score

No	Average Score Answer	Category Meaning/Interpretation	Score
1.	1 - 1.8	Very Low/Not Good	1
2.	1.8> - 2.6	Low/Not Good	2
3.	2.6> - 3.4	High enough/Enough	3
4.	3.4> - 4.2	Good	4
5.	4.22 >	High/Good Very High/Very Good	5

Source: Solimun et al, 2017

Multiple Liner Regression

Based on the hypothesis that has been proposed, the analytical tool used in this study is multiple linear regression with the help of the IBM Statistical Package for social sciences (SPSS) Statistics version 25 software. This technique is used to test the significance of the effect of Changes in Tariffs and Socialization on Taxpayer Compliance. The relationship between variables is described in the multiple linear regression equation as follows:

$$Y = a + b_1X_1 + b_2X_2 + \epsilon \dots\dots\dots(1)$$

Dimana :

- Y : Taxpayer Compliance
a : Constant Value
X1 : Tax Rate Reduction
X2 : Tax Socialization
b1, b2 : Regression Coefficient of Each Variable
ε : Other Variables Not Studied

RESULTS

Instrument Test Results

Table 3. Validity and Reliability Test Results

Variable	Indicator	Items	Coefisien	Sig .	Description .	Cronbach Alpha	Description
MSME Tax Rate Reduction (X1)	MSME Taxpayers understand the reduction in the Final Income Tax (PPh) rate	X1.1.1	0.965	0.00	Valid	0.924	Reliabel
		X1.1.2	0.966	0.00			
	The decrease in MSME tax rates encourages the desire to pay taxes	X1.2.1	0.930	0.00	Valid	0.905	Reliabel
		X1.2.2	0.916	0.00			
	Lowering MSME tax rates can avoid tax fraud	X1.3.1	0.840	0.00	Valid	0.869	Reliabel
		X1.3.2	0.873	0.00			
	The reduction in the MSME tax rate is very appropriate	X1.4.1	0.869	0.00	Valid	0.854	Reliabel
		X1.4.2	0.913	0.00			
		X1.4.3	0.873	0.00			
Tax Socialization (X2)	Organizing Socialization	X2.1.1	0.807	0.00	Valid	0.837	Reliabel
		X2.1.2	0.801	0.00			
		X2.1.3	0.867	0.00			
	Social Media	X2.2.1	0.771	0.00	Valid	0.817	Reliabel
		X2.2.2	0.815	0.00			
		X2.2.3	0.760	0.00			
	Socialization Benefits	X2.3.1	0.900	0.00	Valid	0.860	Reliabel
		X2.3.2	0.871	0.00			
		X2.3.3	0.907	0.00			
	Taxpayer compliance	Y1.1.1	0.723	0.00	Valid	0.823	Reliabel

Taxpayer Compliance (Y)	in registering with the Tax Office	Y1.1.2	0.806	0.00			
	Taxpayer compliance in calculating and paying taxes owed	Y1.2.1	0.911	0.00	Valid	0.904	Reliabel
		Y1.2.2	0.934	0.00			
	Taxpayer compliance in payment of arrears	Y1.3.1	0.961	0.00	Valid	0.921	Reliabel
		Y1.3.2	0.957	0.00			
	Taxpayer compliance in payment of arrears	Y1.4.1	0.916	0.00	Valid	0.885	Reliabel

Classic Assumption Test Results

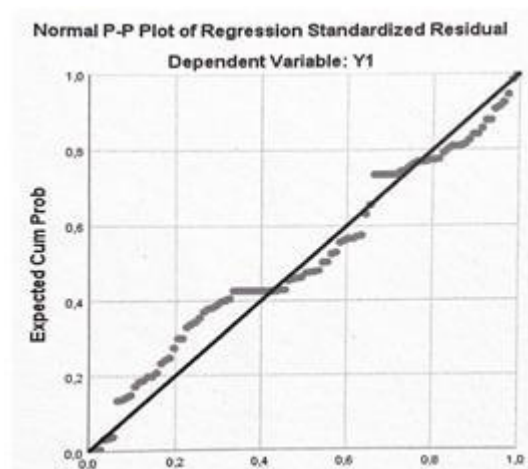


Figure 1. Normality Test - Probability Plot

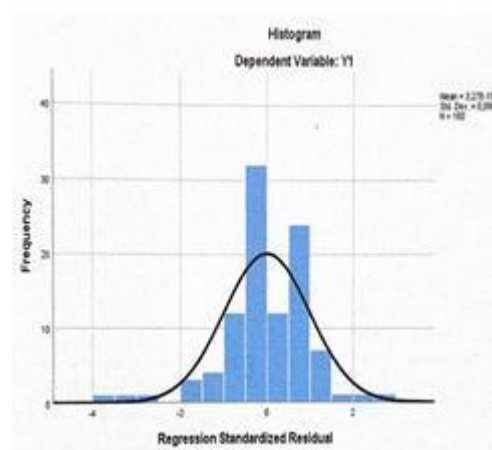


Figure 2. Normality Test - Histogram

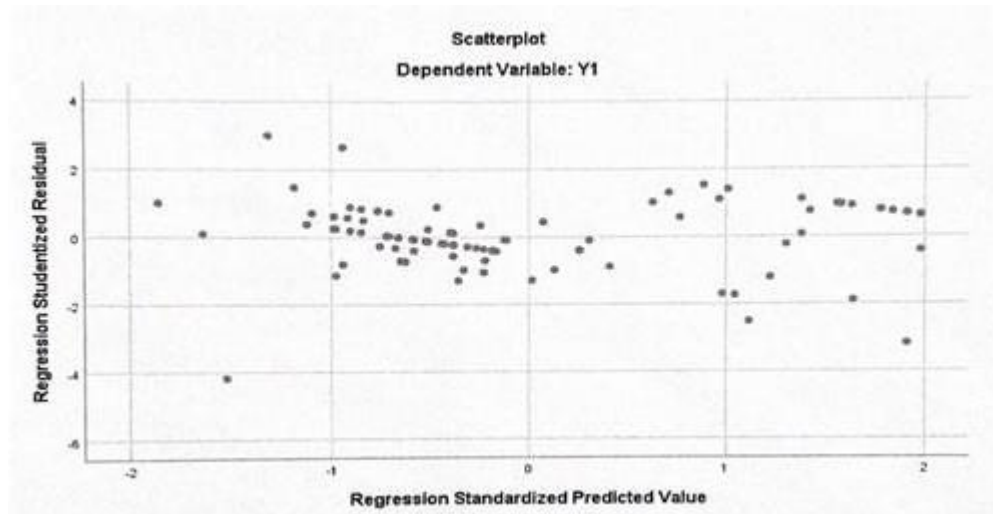


Figure 3. Heteroscedasticity Test - Scatter Plot

Multiple Linear Regression Analysis

Table 4. Equation of Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1,293	,364		3,555	,001		
X1	,164	,090	,189	1,824	,071	,579	1,727
X2	,533	,112	,494	4,775	,000	,579	1,727

Based on Table 4. The regression model formed is:

$$Y = 1,293 + 0,164 X1 + 0,533 X2 + \epsilon \dots\dots\dots (2)$$

So it can be explained based on the regression equation as follows:

1. The constant value in this study is 1.293 which explains that if the Change in Tax Rates and Tax Socialization does not change or is equal to zero, then Taxpayer Compliance will be constant at 1.293.
2. Variable Changes in MSME Tax Rates (X1) has a positive and not significant effect because the significance value is 0.071 > from alpha 0.05 while the coefficient value is 0.164, meaning that if the rate change increases by 1 (one) unit, taxpayer compliance will increase by 0.164.
3. The Tax Socialization Variable (X2) has a positive and significant effect because the significance value is 0.000 < alpha 0.05 while the coefficient value is 0.533, meaning that if the change in rates increases by 1 (one) unit, taxpayer compliance will increase by 0.533.

Hypothesis Test Results

Table 4. Equation of t-test results, F-test, and coefficient of determination

Variable	t-count	t-table	Sig.	F-count	F-table	Sig	R-Square
X1	1.624	1.661	0.071	32.323	3.09	0.000	0.400
X2	4.774	1.661	0.000				

So that it can be explained based on the Hypothesis Testing as follows:
The results of hypothesis testing were carried out by comparing the t-count and the t-sig value. then the first hypothesis is t-count or t-sig > 0.05 , then reject H1 and accept H0. On the other hand, the second hypothesis where t-count $>$ t-table or t-sig < 0.05 , then accept H1 and accept H0.

The value of the coefficient of determination (R²) based on the estimation results in table 4 is 0.400 with a percentage of 40%. This shows that the variation of changes to the Taxpayer Compliance variable (Y) which is explained by the Variable Changes in Tax Rates and Tax Socialization is 40% while the other 60% is from other variables not included in this research model.

DISCUSSION

The government's policy of changing tax rates is appropriate in stimulating the progress of MSMEs in the long term to pay taxes even though it has no significant effect on taxpayer compliance. This study obtained different results from those of Simanjuntak (2012), Rahayu (2017) and Tambun (2019). The results of this study are in line with Laffer's theory which states the need for lower tax rates because if they are high, they will cause a contraction in the economy.

Tax socialization carried out by the Directorate General of Taxes in expanding information related to tax facilities provided by the government is good, this is in line with research conducted by Syafiqurrahman (2016), although this is in contrast to the research of Winerungan (2013) which found an insignificant effect between socialization and mandatory compliance. taxes are caused by different methods and public dissatisfaction with the services provided by the tax authorities.

The results of this study generally support the Planned Behavior Theory which places intention, as the center in carrying out tax obligations (paying and reporting taxes) in order to realize MSME taxpayer compliance driven by attitudes, subjective norms, and behavioral control. These three factors are perceived to be owned by taxpayers

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the results of research and discussion, the following conclusions can be drawn:

1. The decrease in MSME tax rates has a positive and insignificant effect on taxpayer compliance. This means that the higher the decrease in tax rates,

- the compliance of MSME taxpayers in Kendari City increases even though the increase is not significant or contributes relatively little to compliance.
2. Tax socialization has a positive and significant effect on MSME taxpayer compliance. This means that the higher the intensity of tax socialization carried out, the higher the compliance of MSME taxpayers in Kendari City.

Recommendations

Although this study and this study have provided sufficient descriptions regarding the reduction of tax rates and socialization of taxation, there are still limitations, namely the coverage of respondents and a more detailed secondary data analysis that only covers the city of Kendari, Southeast Sulawesi Province. It is recommended for further research to be able to observe extensively in every condition of the Tax Service Office of each Unit of the Directorate General of Taxes with wider national data so that this research can be generalized for macro-state decision making.

While the weakness in the discussion of this paper is that it has not been able to see and compare taxpayer compliance as seen from before the decline in rates for PP 46/2013 and PP 23/2018. Data testing uses only perception data to show the level of public understanding regarding tariff reductions and compliance. So it is recommended for further researchers to create a compliance model before reducing tariffs and data analysis techniques using secondary data analysis that are more adequate.

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