Analysis of the Effect of Understanding Taxation and Tax Rates on the Compliance of MSME Taxpayers in Simpang Tanjung

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ABSTRACT

The purpose of this study is to determine the effect of understanding taxation, tax rates on taxpayer compliance with MSMEs. This research uses the tax object of MSMEs Simpang Tanjung. The sample in this study consisted of 10 respondents of MSME taxpayers who had an annual sales turnover below Rp 50,000,000,000 in the Simpang Tanjung area. This research is qualitative research. The method of data collection is by field study. Based on the results of research and discussions that have been carried out, it can be concluded that there is an influence of taxation understanding owned by taxpayers on the compliance of MSME Taxpayers in Simpang Tanjung, tax rates affect the compliance of MSME Taxpayers in Simpang Tanjung.

Keywords:
Understanding Taxation; Tax Rates; Taxpayer Compliance;

1. Introduction

Indonesia is a developing country that is trying to carry out development in all fields. There are three sources of state revenue recorded in the State Budget (APBN), namely from the tax sector, non-tax sector, and grants. In Indonesia, taxes are one of the main sources of state cash income used for national development. It is natural that we as Indonesian citizens consciously obey in paying taxes because in the end the availability of public service facilities such as health facilities, transportation facilities, educational facilities, and other facilities and infrastructure that we have felt and enjoyed today is a manifestation of national development. Therefore, the government continues to strive to increase state revenue, especially tax revenue through several economic sectors, one of which is the micro, small and medium enterprises (MSMEs) sector. One of the factors that affect taxpayer compliance is the taxpayer's understanding of the tax payment mechanism. Payment mechanism

Easy and Fast Taxes Make it Easy for Taxpayers to Make Payments taxes owed by him. The second factor that is thought to improve compliance is the tax rate. The tax rate is used as the basis for calculating how much the amount is taxes payable. The level of knowledge and understanding of general provisions and tax procedures by the public is low, due to the lack of socialization from the tax apparatus to be able to provide knowledge to taxpayers related to the regulations and tax systems

currently in force in Indonesia. Taxpayer compliance is an important aspect considering that the Indonesian tax system adheres to the Self Assessment system, which in process 3 absolutely gives confidence to Taxpayers to calculate, pay, and report their own obligations.

Based on the description above, it is necessary to conduct research entitled the effect of understanding taxation, and tax rates on the compliance of MSME taxpayers in Simpang Tanjung.

Taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers in order to contribute to today's development which is expected to be voluntarily provided. Tax knowledge is the process of changing the attitude and behavior of a taxpayer or group of taxpayers in an effort to mature humans through teaching and training efforts. The Tax Rate is the basis for imposing taxes used to determine the amount of tax owed to the state (Ahmad Fauzi et al, 2016). The variables of changes in tax rates in the study were disclosed in the basic indicators of tax imposition, the amount of tax payable and PP No. 23 of 2018 final rate of 0.5% into 6 statement items in the research questionnaire.

In Indonesia, the self-assessment system has an important role in fulfilling taxpayer obligations. Every taxpayer who has an NPWP is also expected to be an active taxpayer in fulfilling their tax obligations. With this system, taxpayers are given the authority, trust, and responsibility to calculate, calculate, pay and report the amount of tax owed. Tax obligations must be carried out in accordance with the applicable Tax Law".

Tax performance in Indonesia grew positively. Indonesia's revenue revenue performance provided positive figures thanks to the support of Indonesia's stable economy. Tax revenue has exceeded the 2023 State Budget target. The realization of state revenue reached IDR 2,774.3 trillion (112.6% of the 2023 State Budget or 105.2% of Presidential Regulation 75/2023) or grew 5.3% compared to the realization in 2022. Of the total state revenue realization, tax revenue realization reached IDR 2,155.4 trillion, exceeding the 2023 State Budget target (106.6% of the State Budget or 101.7% of Presidential Regulation 75/2023), a strong body of 5.9% of the realization in 2022. This figure was achieved amid global economic turmoil that is very dynamic and moderated by commodity prices. The government continues to make changes in both tax administration and tax law for taxpayer compliance so that the 2024 State Budget target can be achieved.

2. Literature Review

Tax

Some experts have the following tax definitions:

Prof. Dr. M.J.H. Smeets, Taxes are achievements to the government that are owed through general norms and that can be imposed in the absence of contraception to finance government spending. (Catharina,2020)

Prof. P.J.A.Adriani, Tax is a contribution to the state (which is forced) owed by those who are obliged to pay it according to regulations, without regain, which can be directly appointed and whose purpose is to finance public expenditures in connection with the duty of the state to administer the government.

Prof. Dr.Rochmat Soemitro, S.H., Taxes are people's contributions to the state treasury based on law (which can be enforced) by not getting direct demonstrable counterperformance and which are used to pay public expenses.

Tax Function

There are 2 tax functions, including:
1. Budget Function, Tax serves as a source of funds for the government to finance its expenses.
2. Regular end, Taxes function as a tool to regulate or implement government policies in the social and economic fields.

Tax Collection System

1. Official Assessment System Is a collection system that authorizes the government (fiskus) to determine the amount of tax owed by taxpayers. Its characteristics are the authority to determine the amount of tax owed to the fiscus; taxpayers are passive; Tax debt arises after the issuance of a tax assessment letter by the fiscus.
3. Self Assessment System Is a tax collection system that authorizes taxpayers to determine for themselves the amount of tax owed. Its characteristic feature is that the authority to determine the amount of tax owed lies with the taxpayer himself; active taxpayers, starting 10 from calculating, depositing, and self-reporting taxes owed; The fiscus did not interfere, only supervised.
4. Witholding Tax System Is a tax collection system that authorizes third parties (not the fiscus and not the taxpayer concerned). Its characteristics are the authority to determine the amount of tax owed there are 18 to third parties, parties other than the fiscus and the taxpayer himself.

Taxpayer

MSME taxpayers based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) are defined as follows:
1. Micro Enterprises are productive businesses owned by individuals and individual business entities that meet the criteria as stipulated in the Law.
2. Small Business is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become part either directly or indirectly of medium businesses or large businesses that meet the criteria for small businesses as referred to in the Law.11
3. Medium Enterprises are self-supporting productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or become a part either directly or indirectly with small businesses or large businesses with total net worth or annual sales proceeds as stipulated in the Law.

Table 1. Criteria for Micro, Small and Medium Enterprises

No.	Description	Asset Criteria	Turnover

1.	Micro	Max 50M	Max 300M
2.	Small Business	>50 M to 500 M	>300 M to 2.5 M
3.	Medium Enterprises	>500 M to 10 M	2.5 M to 50 M

Source : Law No. 20 of 2008

The definition of MSME taxpayers has not been clearly described. However, in Government Regulation Number 46 of 2013 concerning Income Tax on Income from Business Received or Obtained by Taxpayers who have certain Gross circulation, it is explained that for individual taxpayers or corporate taxpayers, it does not include permanent establishments that receive income from businesses with gross circulation not exceeding IDR 4,800,000,000.00 in 1 (one) tax year subject to final Income Tax (PPh) at a rate of 1%.

Tax Rate

The tax rate is the percentage used to determine the amount that must be paid by the Taxpayer. MSME tax is charged as in Government Regulation No. 23 of 2018, which is 0.5% of income receipts and gross circulation a year below 4.8 billion. While the previous tariff was one percent. With the reduction in the rate, child taxpayers are more obedient in making tax payments (Machmudah &; Putra, 2020).

Taxpayer Compliance

Tax compliance is a condition that shows taxpayers have the willingness to pay taxes based on applicable regulations (Habu et al., 2021). In other words, Taxpayer Compliance is the behavior of Taxpayers in fulfilling tax obligations. Nurmantu in Ananda, et al (2015) explained that tax compliance is classified into two categories, one of which is formal compliance. Formal compliance is the formal fulfillment of tax obligations based on law.

3. **Results and Discussion**

The subjects of this study are micro, small and medium enterprises operating in Medan City, Simpang Tanjung Village. This research data refers to MSME actors in Sipang Tanjung sub-district, Tomang Elok Complex. Based on the number of MSME business actors who are still active in the Tomang Elok Complex, there are 10 MSME actors. These MSME business actors are not all actors who do their business related to food, but there are those whose business is related to coffee makers who are domiciled in the Tomang Elok Complex. Based on the results of the study, it is known that many MSME actors still do not understand about taxes and obey tax reporting. Some MSMEs already have an NPWP.

The respondents who were successfully collected in this study in accordance with the predetermined sampling criteria were 10 MSME actors. In part one, the discussion focused on business profiles, and activity profiles of MSME actors in general. The discussion of the first part is intended to explore the first research question, namely the profile of MSMEs classification of

handicraft products in the Medan City area, Simpang Tanjung Village. The discussion of the second part is aimed at answering and exploring the second question, namely about the various problems faced by MSME actors related to the tax system they do. While the third discussion is about the efforts that have been made by MSME actors in answering or finding solutions to the problems they face.

Table 2. The description of respondent profiles based on business type can be presented as follows:

Effort	Sum	Percentage
Culinary	6	60%
Service	3	30%
Fashion	1	10%
Total	10	100%

Based on table 2 above, it can be seen that respondents who have a culinary business as many as 6 people or 60%, respondents who have a service business as many as 3 people or 30% and respondents who have a fashion business as many as 1 person or 10%.

Table 3. MSME Respondents by Business Type

No.	Business Type	Sum	Percentage
1.	Personal Business	9	90%
2.	Business Entity (CV, Firm, etc.)	1	10%
	Sum	10	100%

From table 3. Above obtained information that the majority of respondents, namely 9 respondents or 90% have a personal business while the remaining 1 respondent or 10% run a business in the form of a business entity (CV, firm, etc.).

Table 4. MSME respondents based on income per year

No.	Length of Business	Sum	Percentage
1.	<250 Million	7	70%
2.	250-500 Million	2	20%
3.	>500 Million	0	0
4.	2 M - 4.8M	1	10%
5.	>4.8 M	0	0
	Sum	10	100%

From table 4. The above shows that respondents whose length of business is one to five years amounting to 6 respondents or 60%, six to ten years amounting to 2 respondents or 20%, and above fifteen years amounting to 2 respondents or 20%.

Table 5. Data List of Micro, Small and Medium Enterprises

No.	Name of MSME	Product Type	Year of Business	Income
1.	Tomang Durian	Frozen Food Durian	2018	IDR 20,000,000
2.	Feels Good coffe Roastery	coffee	2022	IDR 12,000,000
3.	Tomang Coffee	coffee	2016	IDR 3,000,000
4.	Tomang Bakery	Bread	2022	IDR 3,000,000
5.	Premium Coffee Puskud Sumut	Processed Coffee	2020	IDR 25,000,000
6.	Widuri Ban	Motor Workshop	1992	IDR 30,000,000
7.	United Motor	Motor Workshop	1993	IDR 25,000,000
8.	Bu Sri Food Shop	Food	2013	IDR 8,000,000
9.	Jaya Motor Workshop	Motor Workshop	2019	IDR 10,000,000
10.	Kingdomshop	Clothes	2020	IDR 5,000,000

The respondent data in this study is the number of Micro, Small and Medium Enterprises that do not yet or already have an NPWP in the Medan City area, Tomang Elok Complex. The study was conducted from November 2023 to January 2024. The questionnaires distributed amounted to 10 questionnaires. When distributing questionnaires, sometimes MSME owners are not in the showroom so that they will take data another day. Researchers sought the questionnaire by the MSME owners themselves. This is done so that the filling of the questionnaire can be maximized and only filled in by the owner of the MSME.

The questionnaire can be used entirely because the researcher strives for MSME owners to fill out the questionnaire correctly. The questionnaires were distributed as many as 20 questionnaires distributed to Micro, Small and Medium Enterprises located in the Medan City Area, Tomang Elok Complex. The questionnaire that is distributed is very limited because MSME actors maintain the confidentiality of their data so that there are still many people who are afraid to fill out questionnaires related to MSME taxes. The questionnaire that must be filled out by respondents is 18 questions, 6 questions regarding Taxpayer Understanding, 6 questions regarding Tax Rates, and 6 questions regarding Taxpayer Compliance.

4. Conclusion

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

1. From the results of the analysis that has been conducted by researchers, it can be seen that the compliance behavior of MSME Taxpayers in Medan City, especially the Tomang Elok complex, is still good. However, more understanding of taxation is needed for MSME actors who are still minimal about taxes.
2. There are still many MSME actors who have not made NPWP and reported their tax obligations. It is understandable that NPWP can be used as a condition for obtaining services from other parties. In addition, there are many uses of NPWP, as well as benefits that can be obtained. However, there are still many MSME actors who have not been educated about this matter so they are lazy or reluctant to make an NPWP. When asked about taxation, many MSMEs do not want to tell the truth when asked by filling out questionnaires.
3. MSME actors' lack of understanding of tax obligations and limited human resources to take care of taxation are also obstacles for them in complying with tax payment obligations

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