

Does tax socialization, tax rate change and understanding of taxation effect on taxpayer compliance after the implementation of Indonesian government regulation No. 23 of 2018?

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Abstract

This study aims to prove the effect of tax socialization, Tax Rate Changes and understanding of taxation on MSMEs taxpayer compliance registered at Tax Office Pratama Gianyar, Bali, Indonesia. A sample of 100 method taxpayers Simple Random Sampling which is measured by the formula Slovin. The data analysis technique used is multiple linear regression. The results of this study concluded that tax socialization, Tax Rate Changes and understanding of taxation had a positive and significant effect on MSMEs taxpayer compliance partially and simultaneously.

Keywords: Tax Dissemination; Tax Rate Changes; Tax Understanding; MSMEs Taxpayer Compliance

1. Introduction

In order to improve the understanding and compliance of MSME taxpayers with taxation, the government issued Indonesia Government Regulation Number 23 Year 2018 which regulates the imposition of final Income Tax on business income received or obtained by individual taxpayers who have businesses that meet the criteria of MSMEs. This Government Regulation aims to make it easier for MSME taxpayers to understand and fulfil their tax obligations.

However, even though Government Regulation Number 23 Year 2018 has been implemented, there are still some MSME taxpayers who experience difficulties in understanding and fulfilling their tax obligations. This can be caused by several factors such as lack of effective tax socialisation, ignorance of tariff changes, and lack of understanding of taxation.

Low tax rates followed by tax socialisation and understanding of applicable regulations are important factors in improving taxpayer compliance. Tax socialisation is one of the ways the Directorate General of Taxes (DGT) provides information, understanding, and guidance to the public, especially taxpayers, regarding applicable tax regulations with the aim of producing an attitude of active and effective participation in the community to increase taxpayer compliance (Izza, Amin, and Sari, 2020).

In 2020 taxpayer compliance decreased even almost partially from 2019. The cause of the decline in SPT reporting in 2020 was due to taxpayers' ignorance about the extension of the Annual SPT reporting period for the next month, namely until 30 April 2020 without the imposition of late sanctions. The elimination of face-to-face services at Tax Office Pratama as a measure to prevent the spread of the covid-19 virus is also a cause of the decline in SPT reporting in 2020 (Merdeka.com, accessed 6 April 2023). This happens because some taxpayers do not know how to fill out the Annual Tax Return through e-filing independently. Efforts made by Tax Office Pratama in Indonesia to increase compliance with Annual Tax Return reporting in 2021 are by conducting training on filling out the SPT using e-filing online. This includes Tax Office Pratama Gianyar in Bali Province which conducts annual tax return reporting online.

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This is in accordance with research conducted by Sari (2020), that MSMEs are still reluctant to pay Income Tax, even though the rate has been reduced to 0.5%. The research is also in line with Mariani's research (2020) conducted in Badung. Mariani's research (2020) states that the implementation of Indonesia Government Regulation No. 23 of 2018 is good, but it does not necessarily increase compliance. Taxpayers. The conclusion of the two studies states that there is still low tax compliance for MSMEs, but it has not been explored more deeply regarding the factors that cause the low compliance. Most of Bali's business actors are classified as MSMEs so that there is a link between the low tax compliance of MSMEs in general and MSMEs. Although the development of MSMEs in Gianyar Regency is gradually improving, there are still some MSMEs that are reluctant to register or are not compliant.

The next research was conducted by Carolus, et al (2019) which proved empirically that tax understanding has a positive and significant effect on taxpayer compliance of MSME actors in Makassar. In Grenda's research (2019) proves empirically that tax understanding has a positive and significant effect on MSME taxpayer compliance. In research by Anjani and Yeti (2020) proves empirically that Tax Rate Changes have a positive and significant effect on MSME taxpayer compliance before and after the implementation of Indonesia Government Regulation No. 23 of 2018. Adi and Rheza (2020) proves empirically that Tax Rate Changes have a positive and significant effect on MSME taxpayer compliance.

Furthermore, in the research of Qurratul, et al (2020) which proves empirically that tax rates and tax socialisation have a positive effect on MSME taxpayer compliance after the implementation of Indonesia Government Regulation No. 23 of 2018. Next in Retno's research (2020) which proves empirically that understanding Indonesia Government Regulation No. 23 of 2018 has a negative effect on MSME taxpayer compliance. Next, Hasbudin and Nur's research (2021) provides empirical evidence that reducing tax rates has a positive but insignificant effect on MSME taxpayer compliance and while tax socialisation has a positive and significant effect on MSME taxpayer compliance. Next is Nafidha's research (2022) which proves empirically that tax understanding has a positive and significant effect on MSME taxpayer compliance. Next, the research of Vivi, et al (2022) proves empirically that tax understanding has a significant effect on taxpayer compliance. And in the research of Merry and Fatmawati (2022) which proves empirically that tax understanding has a positive and significant effect on taxpayer compliance.

Meanwhile, research conducted by Fatimatuzuh and Titik (2019) provides empirical evidence that tax socialisation and understanding of taxation have no effect on the level of compliance of MSME taxpayers. In Yosi's research, et al (2020) provide empirical evidence that tax socialisation has no partial effect on MSME taxpayer compliance in Padang City. In Yeni's research, et al (2021) provide empirical evidence that tax understanding has no partial effect on taxpayer compliance of e-commerce merchants. Furthermore, Nafidha's research (2022) provides empirical evidence that tax rates have no effect on MSME taxpayer compliance. Then in research by Vivi, et al (2022) provides empirical evidence that tax rates have no significant effect on taxpayer compliance. Next, Nafidha's research (2022) provides empirical evidence that tax rates have no effect on MSME taxpayer compliance. And in research by Merry and Fatmawati (2022) provides empirical evidence that tax rates have no positive effect on taxpayer compliance.

2. Literature review and hypothesis development

Tax socialisation is an activity carried out by the tax authorities in conveying tax regulations, tax provisions and providing knowledge of the importance of taxes for a country in building the prosperity of its people. Socialisation is an activity carried out by the Directorate General of Taxes in increasing public understanding and knowledge about taxes and to help smooth the implementation of tax services (Made Yastini and Ery Setiawan, 2022).

Previous Empirical studies conducted by Qurratul Aini, Fauzan Misra and Riyadi Aprayuda (2020), show that tax socialisation has an influence on taxpayer compliance. This means that if socialisation is carried out properly and optimally, taxpayers will be more compliant with their obligations.

- H1: Tax socialisation has a positive effect on taxpayer compliance of MSME actors.

The tariff is the amount used to determine the tax liability that must be paid by the taxpayer. Government Regulation No. 23 of 2018 is about business income tax received by taxpayers with gross turnover of not more than IDR 4,800,000,000.00 (four billion eight hundred million rupiah) within one tax year, the rate set at 0.5%. This income tax is specifically for final income tax for MSME taxpayers.

Empirical studies conducted by Anjani Yuliza, and Yeti Apriliawati (2020) show that Tax Rate Changes are one of the influential factors on taxpayer compliance. This means that if the tax rate set can provide justice in accordance with the ability to pay taxes, it will increase tax compliance.

- H2: Tax Rate Changes have a positive effect on MSME taxpayer compliance.

Taxpayer understanding is the way taxpayers understand and know all things related to taxation, including tax benefits, tax regulations, taxpayer rights and obligations, mechanisms for fulfilling rights and obligations and sanctions received for violating tax regulations. Understanding taxpayers is logical when associated with the level of taxpayer compliance. Because this is in accordance with the current taxation system, namely the Self-Assessment System. If taxpayers do not understand tax regulations, it will be difficult to carry out their tax obligations. The level of understanding of taxation is seen from how much the taxpayer understands the applicable tax regulations. The more taxpayers understand tax regulations, the more likely taxpayers are to underestimate.

Empirical studies conducted by Cahyani and Noviari (2019) show that understanding of tax regulations has a significant effect on taxpayer compliance. Furthermore, according to Grenda (2019) understanding of taxation has a positive effect on MSME taxpayer compliance.

- H3: Understanding taxation has a positive effect on MSME taxpayer compliance

3. Methods

The population taken in this study is MSME entrepreneurs registered at Tax Office Pratama Gianyar with an income of less than or not more than IDR 4,800,000,000. The total population registered at Tax Office Pratama Gianyar in 2023 is 170,932 taxpayers. Based on the calculation with the formula, the number of samples to be taken in this study is 170,932 which is rounded up to 100 MSME taxpayers.

Data collected by questionnaire. The questionnaire in this study was distributing questionnaires to all respondents who were registered at Tax Office Pratama Gianyar. Questionnaires are an efficient technique or way of collecting data if the researcher knows with certainty the variable to be measured. The questionnaire used in this study is closed by using an interval measurement scale, namely the Likert model. Testing the hypothesis in this study uses a multiple linear regression analysis.

4. Results and discussion

4.1. Multiple Linear Regression Test Results

Table 1 Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	9.224	1.431		6.450	0.000
	Tax Socialization	0.285	0.086	0.207	2.074	0.026
	Tax Rate Changes	0.293	0.108	0.343	2.678	0.009
	Understanding Taxation	0.224	0.108	0.235	2.065	0.030

Primary Data, 2023

4.2. Tax Socialization on MSME Taxpayer Compliance

The first hypothesis proposed in this study is tax socialization with a beta coefficient of unstandardized tax socialization variable of 0.292 and a significant t value of 0.026. Based on the results of the analysis, it shows that the tax socialization variable has a positive effect on MSME taxpayer compliance. This means that tax socialization is in line with taxpayer compliance, the more often tax socialization is carried out, the better the level of taxpayer compliance, especially MSME taxpayers, thus the first hypothesis is accepted.

Tax socialization is obtained by business actor taxpayers either directly or indirectly through print and electronic media. However, the socialization carried out by the tax authorities through counselling or seminars has not been equally received by MSMEs in the Gianyar area. This has resulted in some business actors not knowing in detail the changes in regulations related to MSME taxes, on average they only know about reduced rates, while the rules regarding turnover

and time limits are not well understood. Therefore, in the future it is highly expected that there will be counselling activities evenly from the tax authorities so that they can provide knowledge, understanding, and guidance directly to the public in general and taxpayers regarding everything related to tax regulations. With good and maximum socialization, of course, it can increase the understanding of taxpayers, to be able to encourage taxpayers or potential MSME taxpayers to contribute to paying taxes voluntarily which will be able to increase the amount of MSME tax revenue.

The results of this study indicate that tax socialization will affect MSME taxpayer compliance, because tax socialization that describes or explains tax laws and regulations and tax procedures will affect the amount of tax payable and will certainly increase taxpayer compliance. This research supports the research results of Qurratul, Fauzan and Riyadi (2020) which concludes that tax socialization affects MSME taxpayer compliance and is supported by research by Ode, et al (2021) and Widyanti, et al (2021) tax socialization affects MSME taxpayer compliance, and rejects the results of research conducted by Yulia, et al (2020) and Afriani, et al (2022) that the tax socialization variable has no effect on MSME taxpayer compliance.

4.3. Tax Rate Changes on MSME Taxpayer Compliance

The second hypothesis proposed in the study is a change in tax rates with an unstandardized beta coefficient of 0.291 and a significant value of 0.009. Based on the results of the analysis of Tax Rate Changes affecting MSME taxpayer compliance. The fairer the tax rate imposed on income, the more compliant behaviour it will be to pay taxes. Thus, the second hypothesis is accepted.

The rate is the amount used to determine the tax liability that must be paid by the taxpayer. Setting high tax rates will encourage taxpayers to try to reduce the amount of their tax debt, either through tax evasion or smuggling (Rahayu, 2020). The government's policy of lowering tax rates is because the government sided with the taxpayer by looking at the ability of the taxpayer. Where the determination of a fair tax rate, in proportion to the ability to pay taxes and not burdensome for the taxpayer. So that it is expected to encourage the intention of taxpayers to contribute in paying taxes voluntarily.

This study supports the results of Anjani and Apriliawati's research (2020) and Qurratul's research, et al (2020) which concluded Tax Rate Changes had a positive and significant effect on MSME taxpayer compliance and were supported by Kurnia and Rheza's research (2020) Tax Rate Changes had an effect on compliance MSME taxpayers and reject the research results of Afriani, et al (2022), Intan, et al (2022) and Anis's research (2022) which concluded Tax Rate Changes had no effect on MSME taxpayer compliance.

4.4. Taxation Understanding on MSME Taxpayer Compliance

The third hypothesis proposed in this study is the tax understanding variable with an unstandardized beta coefficient of 0.215 and a significant value of 0.030. Based on the results of the analysis of understanding of taxation has a positive effect on MSME taxpayer compliance. This shows that the better the taxpayer's understanding of taxation about taxes because the higher the level of knowledge and understanding of the taxpayer on taxation, the less likely the taxpayer is to violate it so that the level of compliance is higher and will have a good effect on the level of taxpayer compliance. Thus the second hypothesis is accepted. By understanding taxation, taxpayers will obey to carry out their obligations, namely by paying taxes to the state. Taxes paid to the state have no other benefits, they will return to the community and be used for the construction of facilities such as public facilities, health, education, etc.

As the results of research conducted by Listyaningsih, et al (2019), Askikarno, et al (2019) and Grenda (2019) explain that understanding taxation has a positive effect on MSME taxpayer compliance. However, he rejected the results of research conducted by Widyanti, Erlansyah, Dewi and Narulita (2021) which concluded that understanding taxation had no effect on MSME taxpayer compliance. The level of understanding of taxation is seen from how much the taxpayer understands the applicable tax regulations. The more the taxpayer understands the tax regulations, the more likely the taxpayer is to underestimate them. Taxpayer understanding is logical when it is associated with the level of taxpayer compliance. If the taxpayer does not understand the tax regulations and applicable tax provisions, it will be difficult to carry out their tax obligations.

4.5. F-test

Based on the F test from the table above, in the multiple linear regression test, the Fcount results are 3.568 with a significant level of 0.017 which is less than 0.05. Where F value is 3.568 more than F table of 2.70 (100 - 3 - 1), it can be

said that H0 is rejected, and Ha is accepted. So, it can be concluded that the variables of tax socialization, changes in tax rates, and understanding of taxation jointly affect taxpayer compliance.

Table 2 F-test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.745	3	12.915	3.568	.017 ^b
	Residual	347.445	96	3.619		
	Total	386.190	99			

4.6. Determination Coefficient (R²)

Table 3 Determination Coefficient (R²)

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.317 ^a	.100	.072	1.902	1.942	

Primary Data, 2023

From the test results above the value of R² (Adjusted R Square) is 0.072, it can be said that 72% indicates that taxpayer compliance is influenced by the variables of tax socialization, changes in tax rates, and understanding of taxation. The remaining 28% is influenced by other variables that have not been studied in this study.

5. Conclusion

Based on the analysis that has been done, it shows that tax socialization has a positive and significant effect on MSME taxpayer compliance after the implementation of Indonesia Government Regulation No. 23 of 2018 both partially and simultaneously. This means that the more often the tax socialization is carried out, the taxpayer compliance will increase. This is evidenced by the value of the t test results where t-value is 2.074 > t-value 1.985 and sig. 0.026 < α 0.05, then H1 which states the effect of tax socialization on MSME taxpayer compliance is accepted.

Based on the analysis that has been done, it shows that changes in tax rates have a positive and significant effect on MSME taxpayer compliance after the implementation of Indonesia Government Regulation No. 23 of 2018 both partially and simultaneously. This means that the fairer the tax rate by looking at the ability of the taxpayer, it will further increase taxpayer compliance. This is evidenced by the value of the t test results where t-value is 2.678 > t-value 1.985 and sig. 0.009 < α 0.05, then H1 which states the effect of changes in tax rates on MSME taxpayer compliance is accepted.

Based on the analysis that has been done, it shows that understanding of taxation has a positive and significant effect on MSME taxpayer compliance after the implementation of Indonesia Government Regulation No. 23 of 2018 both partially and simultaneously. This means that the better the taxpayer's understanding of taxation, the more tax compliance will increase. This is evidenced by the value of the t test results where t-value is 2.065 > t-value 1.985 and sig. 0.030 < α 0.05, then H1 which states the effect of understanding taxation on MSME taxpayer compliance is accepted.

For the government, it should be more able to optimize tax socialization regarding knowledge and understanding of taxation for MSME taxpayers, especially procedures for registering and how to obtain NPWP, how to calculate and deposit, pay and report SPT, the latest tax provisions and regulations to MSME entrepreneurs.

For universities and readers to expand research by considering other variables that influence MSME taxpayer compliance such as tax incentives, tax sanctions, tax perceptions and others. And for future researchers it is hoped that it will be used as a data source or reference and expand the object of further research.

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