The Influence of Education Level and Understanding of Tax Payment Mechanism on the Taxpayer Compliance in the MSME of the South Jakarta – DKI Jakarta

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Abstract— **This study aims to examine the effect of Education Level and Understanding on Tax Payment Mechanism on Taxpayer Compliance of Small and Medium Enterpreneurs. This research is a kind of quantitative research using primary data. The population of this study was small and medium enterprises registered at the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in South Jakarta – DKI Jakarta. Probability sampling method was used with the total samples of 99 respondents and SPSS 24 application was applied for the statistical analysis. The results of this study show that the level of education has rejected the impact on the Taxpayer Compliance of Small and Medium Enterpreneurs. Understanding of the Tax Payment Mechanism is partially significant to the Taxpayer Compliance of Small and Medium Enterpreneurs. Simultaneously, the variables of Education Level and the taxpayer's understanding on tax payment mechanism have a significant effect on Taxpayer Compliance of Small and Medium Enterpreneur.**

Keywords: education level, understanding of tax payment mechanism, taxpayer compliance, small and medium business enterprises

I. INTRODUCTION

Tax is a financial obligation charged to every citizen based on the provisions of the law that has been determined, the tax is imposed and levied by the state on the basis of applicable legal norms with the aim of financing state expenditure and meeting the needs of public service facilities. So that the state establishes taxes as the embodiment of citizenship and mutual assistance as a form of community participation in financing national development. Indonesia's national development aims to realize a just and prosperous Indonesian society through improving the standard of living, intelligence and welfare of all people.

The tax for the state functions as revenue and regulator. In the revenue function, tax is used as a tool for the government to collect funds from the public (private or entity) to finance the needs of the state. While the regulatory function means that the tax is used as a tool for the government to regulate the achievement of economic balance. Mardiasmo [1] states that taxes are people's contributions to the state treasury based on laws that can be forced by not receiving compensation services, which can be directly shown and are used to pay public expenses. The real form of the tax that we pay can be seen from the development in general such as bridges, schools, hospitals, and police stations where all of that uses money from taxes. Much the same like the function of tax as budgetary or financial function that will regulate sources of income and expenditure items.

The low rate of public participation in compliance with the obligation to pay taxes due to lack of public understanding of the importance of tax benefits. Like the people in the city of Jakarta, where most of the people have income that is quite good compared to other regions in Indonesia. But in fact, there are still many people in Jakarta who are reluctant to pay their taxes, even though their income can be categorized as capable.

For some people who have a higher education background and work in large companies, generally have been subject to company regulations that require all workers to register for ownership of the Taxpayer Identification Number (NPWP), although awareness to meet obligations taxes through NPWP ownership are sometimes assumed to be limited to professional work demands and not because of personal awareness. Some others who also have a higher education background do not even have a TIN. Building awareness of obedience to tax obligations is actually made as a culture in the company of active workers who are determined at all levels of work and occupational levels, both for the field of labor that requires specifications of higher education levels, as well as at the level of labor specifications that do not require high educational levels.

A. Taxpayer Compliance

The dominant factor that greatly influences taxpayer compliance is taxpayer understanding of the tax payment mechanism. The Big Indonesian Dictionary defines understanding as a process or way of understanding. The tax payment mechanism in question is how the taxpayer procedures in calculating, depositing and reporting the amount of payable tax. Taxation knowledge is the most basic thing that the taxpayers must be aware of because without this knowledge, it is difficult for taxpayers to fulfill their tax obligations. The government has made efforts to increase taxpayers' understanding, including through counseling, advertisements in the mass media and electronic media with the aim that taxpayers more easily understand and more quickly obtain tax information. The tax information does not only contain taxpayers' obligations, but also an explanation of the importance of taxes for the life of the nation and state so that at the same time it can raise self-awareness among taxpayers.

The legal consequences if a taxpayer does not fulfill his tax obligations is clearly set out in the tax law, because the tax contains an element of coercion. The legal consequences for disobedience of taxpayers in the tax law explain the imposition of administrative sanctions and criminal sanctions for taxpayers who neglect or knowingly avoid their tax obligations. It aims to provide a deterrent effect for taxpayers so as to create taxpayer compliance in carrying out its tax obligations. The large Indonesian dictionary states that sanctions are dependents (actions, punishments, etc.) to force people to keep agreements or comply with applicable laws. Tax sanctions are made with the aim that taxpayers are reluctant to violate tax laws. Taxpayers will comply with their tax payments if they consider that sanctions will do more harm.

Taxpayer compliance can be influenced by two factors, that is, internal factors and external factors. Internal factors are factors that originate from personal taxpayers and relate to individual characteristics that are triggering in carrying out their tax obligations. In contrast to internal factors, external factors are factors that originate from outside the taxpayer themselves, such as the situation and the environment around taxpayers [2]. The issue of tax compliance has become an important issue, because if taxpayers are not compliant, it can lead to a desire to avoid taxpaying or tax negligence that leads to reduced tax revenue potential that ultimately harms the country.

B. Tax Compliance for Micro, Small and Medium Enterprises (SMEs)

Indonesian economy is dominated by business activities based on micro, small and medium enterprises (MSMEs), from year to year the number of SMEs continues to increase. The growth in the number of MSMEs is certainly expanding the government's opportunity to target this sector in an effort to optimize the increase in tax revenue. However, this effort is not easy because it is possible for various interpretations of MSME actors in taxation, such as the lack of MSMEs who understand the taxation mechanism, especially regarding their awareness of tax obligations and sanctions will be received if they violate

or avoid taxation, while also giving rise to negative assumptions about the obligation to pay taxes, because it is seen as not providing real benefits for business continuity or even reducing their sales turnover. There are many cases of tax evasion carried out by the employees in the Tax Agency themselves also incised black ink for tax-savvy people, as well as adding negative perceptions about the use of taxes that should be allocated to fulfill public service facilities.

Law of the Republic of Indonesia Number 20 of 2008 concerning Business, Micro, Small and Medium Enterprises (MSMEs) Article 1 "Small and medium businesses are productive businesses that are independently 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" [3]. Micro, small and medium enterprises (MSMEs) aim at growing and developing their businesses in building a national economy based on a just economic democracy.

Micro, small and medium enterprises (MSMEs) in developing countries, such as Indonesia, are often associated with domestic economic and social problems such as high poverty, unemployment, unequal distribution of income, uneven development processes between urban and rural areas, and problems urbanization. So that the growth and development of micro small and medium enterprises (MSMEs) is expected to contribute positively and give solutions to the efforts to overcome the problems mentioned earlier.

C. Government Regulation on Income Tax (PPh)

On July 1, 2018, the Government established Government Regulation (PP) Number 23 Year 2018 regarding Income Tax (PPh) on Income from Businesses Received or Obtained by Taxpayers with Certain Gross Circulations. This rule is a substitute for PP Number 46 of 2013. The provision regulates the imposition of Final Income Tax (Final Income Tax) for taxpayers with a gross turnover of up to Rp 4.8 billion in one year, which is a change in the tax imposition provisions Previous Final (PP 46 of 2013) [4].

The main points of the change are:

1) Reducing the final PPh rate from 1 percent to 0.5 percent of the turnover, which must be paid every month;

2) Set the time period for the final 0.5 percent PPh tariff to be as follows:

- For individual taxpayers for 7 years;

- For corporate taxpayers in the form of cooperatives, limited partnership or firms for 4 years;

- For taxpayers in the form of Limited Liability Companies for 3 years.

The enactment of the Act aims to make it easier for MSMEs to fulfill their tax obligations, the application of new tariffs helps SMEs to obtain a smaller tax burden so that

MSMEs are expected to have greater economic capacity especially to develop businesses and investments. However, the phenomenon that occurs in the community that negative perceptions about liabilities or tax burdens are felt to be less able to provide benefits to business continuity and even reduce their sales turnover. In addition to the reciprocity of the tax, the benefits cannot be felt directly by the entrepreneur, then the assumption that the absence of government openness to the use of tax money, plus criminal cases about taxation add to the suspicion and distrust of taxpayers about the benefits that might be felt directly after the mandatory taxes pay taxes, so that in the end the effort to build trust in taxpayers is not easy. It takes time and energy for taxpayers to trust and comply with the taxation system.

The above statement is expected to be able to provide an overview and understanding for micro, small and medium enterprises (MSMEs) especially to build awareness of carrying out their tax obligations, as mandated through Government Regulation (PP) Number 46 of 2018. Based on the description of the background, the writer has the aim to explore information in the case, including: (1) Testing the effect of education level on the level of tax compliance. (2) Test the effect of understanding of the tax payment mechanism on the level of compliance of MSME taxpayers (3). Test the effect of education level and understanding of the tax payment mechanism on the level of compliance of MSME taxpayers simultaneously.

The conceptual framework is a very important process in compiling a study, because in this process the reader can know what the researcher will do, and how the sequence of the research is carried out. According to Sugiyono [5] the framework of thinking is a synthesis of relationships between variables composed of various theories that have been described. The conceptual framework is expected to provide an overview and direct assumptions regarding the variables to be studied. Conceptual framework provides guidance to researchers in formulating research problems. The researcher will use the conceptual framework that has been prepared to determine which questions the research must answer and what empirical procedures are used as a tool to find answers to these questions. Following is the draft of Conceptual Framework:
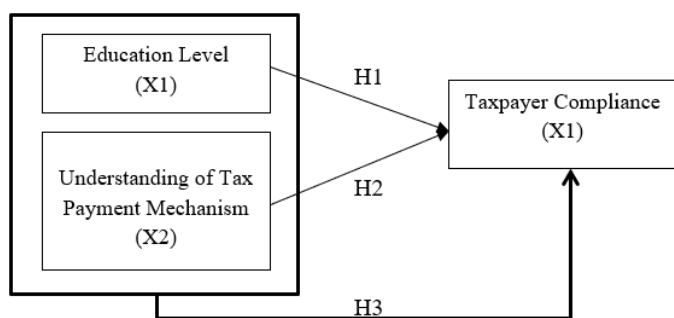

Fig. 1. Conceptual framework model.

Based on the theory and conceptual framework above (figure 1), the hypotheses of this study are:

- Hypothesis 1: Education level affects the compliance of MSME taxpayers.

- Hypothesis 2: Understanding of tax payments mechanism affects the compliance of MSME taxpayers.

- Hypothesis 3: Education level and understanding of tax payment mechanism influences the compliance of MSME taxpayers simultaneously.

II. RESEARCH METHODS

The method used in this study was a quantitative method that emphasized the objective aspect of measurement of social phenomena, namely the community of SMES. Primary and secondary data were used for data collection. Primary data was obtained through direct interviews using a questionnaire to the parties involved as SMES. Secondary data were obtained by conducting a literature study from various available sources.

The main purpose of this research was to find out the general picture of the population through the selected samples. The population referred in this study were the members of SMES registered in the Ministry of Koperasi and SMES of the Republic of Indonesia. While the samples taken in this study were 114 people who were taken with certain criteria. The data collection method used primary data. The statistical method used to test hypotheses is to use multiple regression with the help of SPSS software version 24, after all the data in the study has been collected, then the data analysis is performed which includes a test of data quality that is the validity and reliability of the data, then proceed with the classical assumption test which consists of tests of data normality, multicollinearity, and heteroscedastasis. The effect of multiple analysis variables which are then observed for goodness of fit are the determinant coefficient, hypothesis test (t test) and model feasibility test (F test).

III. RESULTS AND DISCUSSION

Samples with certain criteria taken in this study were 114 people. In the process of distributing questionnaires, 112 questionnaires could be processed and 2 were incomplete. The demographic data of the respondents in the table below presents general information about the condition of the respondents. Based on the education level, respondents with SD level of education were 3.57%, SMP 29.46%, SMA 63.4%, S1 3,57%, and other levels of education were 0.0%. Meanwhile, based on the business turnover, the respondents with a business turnover of <600 million were 12.5%, 600 million - 1 billion were 50%, 1 M - 4.5 billion were 27.5%, and >4.5 billion were 0.0%.

After considering the profile of respondents, we are now in position to show the hypotheses results with the explanation (See Table 1).

TABLE I.   T-TEST (PARTIAL TEST)

Path	Path Coefficient	t	T table	Conclusion
Education Level ➔ Taxpayer Compliance SMES	0,098	0,732	1.660	Not significant (Hypothesis rejected)
Understanding of Payment Mechanisms ➔ Taxpayer Compliance SMES	0,576	5.565	1.660	Significant (Hypothesis accepted)

Based on the results of the t-test or partial tests above, we can conclude that:

- Level of Education (X1) in t-test or partial test shown that the t-count (0.732) < t-table (1.660) and the value of sig. 0.446 > 0.05. Thus, Ha is rejected. So, we can conclude that the level of education does not affect the compliance of MSME taxpayers.

- Understanding of tax payment mechanism (X2) in the tests shown that the t-count (5,565)> t-table (1,660) and the value of sig. 0.000 <0.05, thus Ha is accepted. Then we can conclude that understanding the mechanism of tax payments has a positive effect on tax compliance of SMES.

TABLE II.   SIMULTANT TEST (F)

Path	F	F table	Conclusion
Education level and Understanding of Payment Mechanisms ➔ Taxpayer Compliance SMES	30,379	3,09	Significant (Hypothesis accepted)

- Based on the F-Test results (see table 2), it can be indicated that the calculated F value of 30.379 with a significance of 0,000. The table's F value at α = 0.05 is 3.09. so, F Calculate (30,379)> F Table (3.09), thus it can be concluded that the regression model (level of education and understanding of the tax payment mechanism) simultaneously affects the SMES taxpayers compliance.

IV. CONCLUSIONS

Based on the results of statistic analysis, conclusions can be drawn as follows:

- Education level does not affect the level of compliance of SMEs taxpayers registered at the Office of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2018 indicated by the value of t-count smaller than the value of t-table (0.732 <1.66088) and the significance value greater than the significance value of 5% (0.466> 0.005).

- Understanding of Tax Payment Mechanism has a positive and significant effect on the Compliance Level of SMES Taxpayers registered at the Office of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2018 indicated by the value of t-count greater than the value of t-table (5,565> 1, 66088) and the significance value is smaller than the significance value of 5% (0,000 <0.005).

- Education Level and Understanding Level of Tax Payment Mechanism have a positive and significant effect on Compliance Level of SMEs Taxpayers registered at the Office of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2018. The calculated F value is greater than the F table value (5,540> 1,66088) and a significance value that is smaller than the significance value of 5% (0,000 <0.005).

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