Taxpayer Compliance Analysis of Rembang Regency in the Covid-19 Pandemic

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ABSTRACT

The goal of this study is to gather empirical evidence that tax knowledge, MSME income levels, and tax rates can influence MSME taxpayer compliance in Rembang District during the Covid-19 pandemic. This is a quantitative study that employs primary data in the form of a questionnaire. The questions were distributed to respondents directly through Google Forms. Respondents in this study are the owners of Rembang Regency MSMEs. 72 of the 89 questionnaires distributed can be processed. Purposive sampling was performed, and multiple linear regression was used to analyze the data. According to the findings of this study, tax knowledge has a large positive impact on taxpayer compliance, and MSME income levels and tax rates have a positive but negligible impact on MSME taxpayer compliance in Rembang Regency. The determination test results reveal that the variable understanding of taxation, MSME income levels, and tax rates can explain the variable taxpayer compliance of 0.58 or 50.8 percent.

Keywords: Knowledge of Taxation, MSME Income Level, Tax Rate, Taxpayer Compliance

1. INTRODUCTION

Most countries around the world are being hit by the Covid-19 virus. The COVID-19 pandemic is a global epidemic that has an impact on the economy. In overcoming economic problems due to the pandemic, the government has issued a policy. According to data from the Ministry of Finance, Indonesia's economic growth in 2020 is expected to be slower than the previous year. The decline in the rate of economic growth was felt in the second and third quarters [1]. In addition, social distancing as an effort to break the chain of the spread of COVID-19 has resulted in a decline in economic activity and productivity of business actors which has led to a decline in tax revenues [2].

Indonesia is one of the developing countries that has quite good economic growth. The state of Indonesia always strives to develop infrastructure and public facilities to meet the interests of the people [3]. The government's effort for equitable development is to maximize the amount of state revenue, one of which is from the tax sector. Tax is one of the sources of state revenue that is coercive in terms of payment. One of the tax functions is the budgetary function, which is a function used by the government in collecting funds from the public to the state treasury which will be used for various state interests [4].

Micro, Small and Medium Enterprises (MSMEs) in Indonesia are very developed, this can be a consideration for the government in order to increase state revenues. The government applies an income tax rate on Micro, Small and Medium Enterprises (MSMEs) of 0.5% of the total gross turnover. It is regulated in PP number 23 of 2018 the tax application rate is intended for MSMEs, Cooperatives or Firms that have a turnover of less than 4.8 billion in a year. As for the turnover calculation, the 0.5% tariff is the turnover in one month.

According to Wendy in [3] stated that the Directorate General of Taxes (DGT) still focuses on large tax revenues, while tax supervision for the MSME sector is still lacking, so MSME taxpayer compliance is still relatively low. During the Covid-19 pandemic, such as today, many MSMEs have experienced a decline in turnover, and some have even gone bankrupt. The decline in turnover resulted in lower MSME taxpayer compliance.

Tax expertise, MSME income levels, and tax rates all have an impact on MSME taxpayer compliance. According to the findings of [5] tax knowledge has a considerable favorable effect on taxpayer compliance. Meanwhile, [6] discovered that tax knowledge had a considerable detrimental influence on taxpayer compliance. Based on the disparities in prior research

findings, the researchers sought to demonstrate the impact of tax knowledge, MSME income levels, and tax rates on MSME taxpayer compliance in the Rembang area during the Covid-19 pandemic. The purpose of this study is to examine the impact of tax knowledge, MSME income levels, and tax rates on taxpayer compliance with MSMEs in Rembang Regency during the Covid-19 Pandemic.

2. METHOD

This study's population consisted of MSMEs distributed throughout Rembang Regency. This survey had 71 MSMEs as respondents. Data collecting methods via an online questionnaire. Purposive sampling was used in this investigation, and the following criteria were used:

a. MSMEs that have been operating for at least 1 year

b. MSME owners have a NPWP

MSME taxpayer compliance is the dependent variable in this study. This variable is tested using a Likert scale paradigm, which assesses attitudes by agreeing or disagreeing with the items asked and assigning a score of 5 (SS = Strongly Agree); 4 (S=Agree); 3 (C=Sufficiently Agree); 2 (TS=Disagree); and 1 (STS=Strongly Disagree). Indicators employed: Taxpayers who fill out the Notification Letter (SPT) honestly, completely, and correctly according to the regulations and submit the SPT to the Tax Office before the deadline [7].

The independent variables in this research are Tax Knowledge, MSME Income Level and Tax Rates. The measurements or indicators of the independent variables are as follows [8]:

a. Knowledge of Taxation includes Knowledge of, Knowledge of general provisions and taxation procedures, Knowledge of the tax system and payment and reporting deadlines.

b. The level of MSME income which is intended in this study is the MSME category based on the amount of turnover including:

1) Micro business with sales turnover of up to IDR 300,000,000 (Three hundred million rupiah) in one year

2) Small Business with sales turnover of up to Rp. 500,000,000 (Five hundred million rupiah) in one year.

3) Medium Enterprises with sales turnover of up to Rp. 10,000,000,000 (Ten Billion rupiahs) in one year.

c. Tax Rates, the tax rate variable in this study is the change in the tax rate from 1% which is calculated from total sales in one month to 0.5%.

In this study, the effect of taxation variables, MSME income levels and tax rates on MSME taxpayer compliance in Rembang Regency will be measured by means of multiple linear regression analysis. The provision for acceptance of the hypothesis is that if the value of t count > t table, it means rejecting H0 and accepting Ha, which means tax knowledge, MSME income levels and tax rates partially or individually affect MSME taxpayer compliance.

3. RESULT AND DISCUSSION

3.1. Results

The instrument was tested in this study to establish the level of reliability and validity of the statement items. The 30 respondents took the instrument test, which included 32 statements or questions about taxpayer compliance, tax understanding, MSME income levels, and tax rates. The test findings are as follows:

3.1.1. Reliability test

This reliability test seeks to evaluate the instrument's dependability so that each question item or statement may be trusted. According to the reliability test results, Cronbach Alpha of 0.702 suggests that the variables in this study are fairly reliable.

3.1.2. Validity test

In the validity test [16], the statement item is valid with a significance level of 0.05 percent. An instrument is considered to be valid if it is computed using the formula for degrees of freedom (df) = n - 2, where n is the number of samples, and the value is positive. According to the findings of the validity test, which included 30 samples, all forming items have a correlation of less than 0.5 percent. As a result, it is possible to conclude that all elements are correct.

3.1.3. Hypothesis Testing

Multiple linear regression was employed in this study to assess hypotheses. The table 1 summarizes the findings of hypothesis testing.

Table 1 Hypothesis Test Result

Variable	β	t Statistic	t Table
(Constant)	1.021	3.446	
PP	.485	4.812	1,994
TP	.073	.701	1,994
TFP	.174	1.499	1,994

According to the findings of hypothesis testing, the tax awareness variable has a substantial positive influence on MSME taxpayer compliance, whereas the MSME income level variable and tax rates have no significant positive effect. The regression equation is as follows:

$$Y = 1.021 + 0{,}485PP_1 + 0{,}073TP_2 + 0{,}174TFP_3 + e$$

Description:
Y   : MSME Taxpayer Compliance
PP   : Tax Knowledge
TP   : Income Level
TFP   : Tax Rate
e   : Standar error

3.2. Discussion

According to the regression results, the variable tax knowledge has a positive and substantial effect on MSME taxpayer compliance in Rembang Regency. This demonstrates that having sufficient tax information, such as general taxation and procedures for paying taxes, taxes, and depositing taxes, will improve MSME taxpayer compliance in paying taxes and reporting their SPT. The findings of this study are consistent with the findings of [9], who found that tax knowledge had a favorable and significant effect on personal taxpayer compliance at KPP Pratama Merauke.

The findings revealed that MSMEs' income level had a positive but minor effect on MSME taxpayer compliance. This suggests that the higher the revenue level of MSMEs, the higher the level of MSME taxpayer compliance, but the effect is minimal or unimportant. This study supports the findings of [10], which found that income has a favorable but minor effect on taxpayer compliance in Padang.

The findings of the experiments demonstrate that the tax rate has no substantial positive influence on MSME taxpayer compliance. The reduction in the tax rate from 1% to 0.50% had a good effect on MSME taxpayer compliance in paying taxes, although the differences were not significant. According to the findings of a study survey, lowering tariffs reduces the tax burden on MSE actors, although this does not apply to MSMEs with low turnover. The findings of this study are consistent with the findings of [11], who found that the tax rate has a marginally favorable and minor influence on the compliance of MSME taxpayers registered in the work area of KPP Pratama Batu.

4. CONCLUSION

Tax knowledge variable has a significant effect on MSME taxpayer compliance in Rembang Regency. The level of understanding or knowledge of MSMEs towards the applicable tax regulations in Indonesia which underlies MSME taxpayers. Then the variable of MSME income level has no significant positive effect on MSME taxpayer compliance in Rembang Regency. MSME

actors who have higher income tend to be willing to pay compared to MSME actors who have low income. This is due to MSME actors who do not feel the need to pay taxes, even to cover production costs, they find it difficult. And tax rate variable has no significant positive effect on MSME taxpayer compliance in Rembang Regency. The decrease in the tax rate from 1% to 0.5% is very helpful for MSME actors, with a smaller tax rate that encourages MSME actors to pay taxes and report SPT so that the level of tax compliance increases, but the increase is not significant. This is because MSME actors whose turnover tends to choose to use their money to increase business capital to pay taxes.

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