



THE EFFECT OF MSME TAX REDUCTION AND TAX SANCTIONS ON TAXPAYER COMPLIANCE FOR MSMES IN SHOES CAMPOENG IN SIDOARJO

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ABSTRACT

The government has completed the revision of Government Regulation Number 46 of 2013 which is the legal basis for imposing tariffs for taxpayers (WP) micro, small and medium enterprises (MSMEs), which is 0.5 percent per year. Previously, the MSME tax rate was set at 1 percent per year. The new MSME tax rate is one of the four tax incentive policies set by the government. Since taxes are one of the largest state revenues and MSMEs are one of the great potentials in state revenue, in this case, based on the background described, the purpose of this research is to determine the Effect of Tax Reduction on MSMEs and Tax Sanctions on Compliance with Tax Obligations for MSMEs in Kampong Shoes in Sidoarjo. The population of this study are all Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes Sidoarjo who have registered and have business permits. The population consists of 133 MSMEs. In this study, multiple linear regression analysis was used because in this study there was one dependent variable and more than one independent variable. Based on the discussion that has been carried out in the previous chapter, the following conclusions are drawn: Reduction of MSME taxes has a positive and significant impact on the level of taxpayer compliance of Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes, Sidoarjo. Tax sanctions have a positive and significant impact on the level of compliance of taxpayers with Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes Sidoarjo.

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1. Introduction

Sidoarjo is a city with productive human resources, many small industries are developing quite well there. It is not surprising that industry is one of the main economic sectors in Sidoarjo besides fisheries. Small industries that are developing in Sidoarjo include the sandal and shoe industry center in Waru, the suitcase and bag industry center in Tanggulangin, the cracker industry center in Tulangan, the Shoe Village in Krian and others. Many of these small industries are based on the creativity of the craftsmen. So, it can be said as a result of the creative economy in the form of a creative industry.

Creative economy is the creation of added value based on ideas or innovations that arise from human creativity. Innovation is born through creativity, so the creative economy becomes very important in the future because it comes from ideas or creativity which are renewable resources. It is not only related to the creation of added value economically, but also the creation of added value culturally, socially, and environmentally. (Alfi, 2019 : 2)

One of the ongoing programs is the development of MSME centers as industrial tourism villages. One of them is the Kampong Sandals Sandals Krian Shoes Center. The reason for making Kampong Shoes Sandal Krian as one of the industrial tourism centers is because Sidoarjo Regency needs a new footwear-based industrial center outside Tanggulangin which is far from the Porong area. From an economic point of



view, Kampoeng Sandals is a very potential area. Because almost the entire population produces sandals in bulk. Many activities have been carried out by the government to create industrial tourism villages in the Krian packaged sandal shoes.

Currently, the Sidoarjo Regency Government will focus on physical development, both facilities and infrastructure. The government has built a cooperative for craftsmen called the Sandal Shoes Palace as a showroom for the sandals they have made. However, according to the management, the development of the cooperative is not optimal, so the craftsmen prefer to display their products in a number of showrooms in the homes of each craftsman. Therefore, there is a need for craftsmen to make shoe centers for them, which are centralized in one place and each craftsman has his own showroom. Based on this, a new center was created which was located in the area where the craftsmen lived as a center of activity,

Kampoeng Sandal Krian Shoes is one of the tourist attractions located in Masangan village, Krian sub-district, Sidoarjo district, East Java province, Indonesia. Kampoeng Sandal Krian Shoes is a bustling tourist spot with tourists on weekdays and holidays. This place is very beautiful and can give a different sensation to our daily activities. Kampoeng Krian Sandals Shoes are perfect for filling your holiday activities, especially during long holidays such as national holidays, or other holidays.

The Indonesian shoe industry is in the top 10 in the fourth world. So that the government is also focusing on the growing industry. (Ministry of Industry and Trade, 2019). The government's main concern is how to encourage Micro, Small and Medium Enterprises (MSMEs) to have quality and access to raw materials, including encouraging access to capital, one of which is through the People's Business Credit (KUR) program. Several programs have been intensified starting from training, access to designs and equipment, as well as capabilities for business development (Republika, 2017). MSMEs have a very important role in economic development and growth, not only in developing countries such as Indonesia but in developed countries, so this can help Indonesia to continue to develop MSMEs. Although small in terms of the number of workers, turnover, and assets, if the number is large enough then the role of MSMEs is very important in supporting the country's economy. MSMEs in Indonesia play a role in development and economic growth, and play a role in overcoming the problem of unemployment. The development of MSMEs is a source of growth in employment and income opportunities. By absorbing a lot of workers, MSMEs have a strategic role in efforts to assist the government in fighting poverty and unemployment in Indonesia (tissorindonesia, 2017). The development of MSMEs is a source of growth in employment and income opportunities. By absorbing a lot of workers, MSMEs have a strategic role in efforts to assist the government in fighting poverty and unemployment in Indonesia (tissorindonesia, 2017). The development of MSMEs is a source of growth in employment and income opportunities. By absorbing a lot of workers, MSMEs have a strategic role in efforts to assist the government in fighting poverty and unemployment in Indonesia (tissorindonesia, 2017).

The rapid growth of SMEs in Sidoarjo fosters competitiveness among SMEs to survive in their business. In this regard, MSMEs have an important role in improving the economic sector in Indonesia, especially as taxpayers in state income (Kumaratih & Ispriyarsa, 2020). Taxes are people's contributions to the state treasury based on law (which can be forced) without getting lead services (contrapretations) that can be directly shown and which are used to pay for general expenses (Mardiasmo 2006:1) (Audiah Umairah, 2019).

One of the government's ways to maximize tax revenue is by implementing self-assessment to replace the previous system, namely the official assessment system. Self-assessment system is a tax collection system that gives authority, trust, and responsibility to taxpayers to calculate, calculate, pay, and self-report the amount of tax that must be paid (Waluyo, 2014: 18). With the enactment of a system like this, it demands an active role from the community in fulfilling obligations in paying taxes and compliance or obedience is required by taxpayers in fulfilling tax obligations (Adiman & Miftha, 2020).

According to Ilhamsyah et al (2016), taxpayer compliance is where taxpayers fulfill their tax obligations and carry out their tax rights properly and correctly in accordance with applicable tax laws and regulations (Wardani & Rumiyyatun, 2017). Tax compliance is a condition where the taxpayer fulfills all tax obligations and exercises his tax rights, while tax non-compliance can be interpreted as a condition where the taxpayer does not fulfill all tax obligations and tax rights (Jiyanto, 2010).

According to Haryo (2003) one of the things that affects the low compliance in paying taxes is the tax rate. Tax rates are one of the factors that affect the low compliance of taxpayers in paying taxes. According to Sri (2003:9) the tax rate is defined as a certain number that is used as the basis for calculating taxes. Thus,



it can be understood that the tax rate is a percentage to measure or calculate the amount of tax rate that must be paid by the taxpayer.

Another factor that can affect taxpayer compliance is tax sanctions. Taxpayer compliance can be realized by enforcing sanctions (Budhiarsana et al. 2016). Tax sanctions will provide assurance that tax regulations will be complied with. Taxpayers will comply (because of pressure) to their tax obligations if the tax sanctions will be more burdensome or detrimental. The legal consequences for violating taxes include administrative sanctions and criminal sanctions (Perdana & Dwirandra, 2020).

In this study, researchers conducted interviews with 10 (Ten) SMEs in Kampoeng Shoes Sidoarjo. Of the 10 (Ten) respondents who have been interviewed, there are 6 (Six) taxpayer respondents who said that they still do not know about the change in government regulations regarding MSME tax rates with the tax imposition from 1% now to 0.5% of the turnover of income tax calculations. Meanwhile, regarding tax sanctions, there are 5 (five) respondents who do not know about the legal witness in Indonesia. In this case, 8 (eight) of them do not have a NPWP and are reluctant to pay taxes because their income is already low, especially if they have to pay taxes. Meanwhile, out of 10 (ten) respondents, only 2 taxpayers already have a NPWP and deposit their tax obligations.

The government has completed the revision of Government Regulation Number 46 of 2013 which is the legal basis for imposing tariffs for taxpayers (WP) micro, small and medium enterprises (MSMEs), which is 0.5 percent per year. Previously, the MSME tax rate was set at 1 percent per year. The new MSME tax rate is one of four tax incentive policies set by the government. The other three policies are the revision of the tax holiday rules, tax allowances, and income tax incentives for companies that carry out research and vocational activities. The tax incentives are given in order to boost investment value and encourage business activities to develop even more this year.

Because taxes are one of the largest state revenues and MSMEs are one of the great potentials in state revenues, in this case, based on the background described above, the researcher is interested in conducting research on tax rates and sanctions with the title "The Effect of Tax Reduction on MSMEs and Tax Sanctions Against Taxpayer Compliance for MSMEs in Kampoeng Shoes in Sidoarjo.

2. Research Methods

This research uses quantitative research method with survey research type. Quantitative research is a method for testing certain theories by examining the relationship between variables. These variables are measured (usually with research instruments) so that data consisting of numbers can be analyzed based on statistical procedures.

2.1 Population and Sample

2.1.1 Population

According to Arikunto (2013: 173) the population is the whole of the research subject. So what is meant by the population is individuals who have the same characteristics even though the percentage of similarity is small, or in other words all individuals who will be used as research objects. Meanwhile, Sugiyono (2013: 117) population is a generalization consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions.

From the problem to be investigated, the population of this study are all Micro, Small and Medium Enterprises (UMKM) actors in Kampoeng Shoes Sidoarjo who have registered and have business permits. The population consists of 133 MSMEs.

2.1.2 Sample

Arikunto (2013: 174) argues that the sample is part or representative of the population being studied. Meanwhile, according to Sugiyono (2013: 118) the sample is part of the number and characteristics possessed by the population.

This sampling method uses incidental sampling. Incidental sampling is taken by chance, that is, anyone who coincidentally meets with the researcher can be used as a data sample if it is deemed that the person met is suitable as a data source. The size of the research sample in Kampoeng Shoes Sidoarjo was determined using the Slovin formula as follows:

$$n = \frac{N}{1+Ne^2} \quad (1)$$

n = Number of samples N = Number of Population



e = Error tolerance, Error tolerance in this study is 5%

Based on the formula contained above, the samples of this study are:

= 39.88

= 40 Samples

$$n = \frac{133}{1+133 \times 0,5^2}$$

2.2 Data analysis technique

Data analysis is the process of collecting, modeling and transforming data with the aim of obtaining useful information, providing suggestions, conclusions and supporting decision making.

2.2.1 Multiple Linear Regression Analysis

Basically, regression aims to test the effect of one variable with another variable. In this study, multiple linear regression analysis was used because in this study there was one dependent variable and more than one independent variable. In general, the formulation of multiple regression can be written as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \quad (2)$$

Information:

Y = Auditor performance

a = Intercept value/constant

b_1, b_2, b_3 = regression coefficient of each variable

X_1 = time budget pressure

X_2 = locus of control

X_3 = auditor's dysfunctional behavior e = error

2.2.2 Partial Test (T Test)

The t-test is intended to see the significance of the influence of the independent variables individually on the dependent variable by assuming the other variables are constant. According to Sugiono (2014: 250), using the formula:

$$t = \frac{r\sqrt{n-2}}{1-r^2} \quad (3)$$

Information:

= Distribution t

r = Partial correlation coefficient

2 = Coefficient of determination

n = Number of data

If the significance probability value is less than 0.05 (5%) then one independent variable has a significant effect on the dependent variable. The hypothesis is accepted if the significant level is < 0.05 and the hypothesis is rejected if the significant level is > 0.05 . The criteria for hypothesis testing are if t count $> t$ table, then H_0 is rejected and H_a is accepted and if t count $< t$ table, then H_0 is accepted and H_a is rejected.

2.2.3 Smultan Test (F Test)

The statistical f test was used to prove that there was an effect between the independent variables on the dependent variable simultaneously. The criteria for the simultaneous test are as follows: (1) If F Count $> F$ table, then H_0 is rejected and H_a is accepted. (2) If F count $< F$ table, then H_0 is accepted and H_a is rejected:

3. Results and Discussion

3.1 Result

3.1.1 Multiple Linear Regression Analysis

Multiple linear regression analysis in this study was carried out using three independent variables consisting of the reduction of MSME taxes, tax sanctions and one dependent variable, namely the level of taxpayer compliance. The following are the results of data testing using multiple linear regression:



TABLE 1
MULTIPLE LINEAR REGRESSION ANALYSIS RESULTS
COEFFICIENTS^A

Model	UnstandardizedCoefficients		StandardizedCoefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-11,675	4.890		-2.387	.022
MSME tax reduction	.261	.176	.195	2,452	.016
Tax sanctions	.618	.140	.580	4.420	.000

a. Dependent Variable: Taxpayer Compliance Level

The regression equation is as follows:

$$Y = a + b1X1 + b2X2 + e \quad (4)$$

$$Y = -11,675 + 0,261X1 + 0,618X2 + e \quad (5)$$

The regression equation above can be explained as follows: (1) The constant is -11.675, this shows that the MSME tax reduction variable and tax sanctions are considered 0, so the value of the taxpayer compliance level is -11.675. (2) The coefficient of the MSME tax reduction variable is 0.261, meaning that if there is an increase in the value of the MSME tax reduction variable by 1 point, it will reduce the level of taxpayer compliance by 0.261. (3) The coefficient of the tax sanctions variable is 0.618, meaning that if there is an increase in the value of the tax sanctions variable by 1 point, the level of taxpayer compliance will increase by 0.618.

3.1.2 T . Statistical Test

The t-test is intended to see the significance of the influence of the independent variable by assuming the other variables are constant. The results of the t-test in this study can be seen in the table below:

TABLE 2
PERSONAL TEST RESULT (T TEST)
COEFFICIENTS^A

Model	UnstandardizedCoefficients		StandardizedCoefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-11,675	4.890		-2.387	.022
MSME tax reduction	.261	.176	.195	2,452	.016
Tax sanctions	.618	.140	.580	4.420	.000

a. Dependent Variable: Taxpayer Compliance Level

Based on the results of the partial test (t test) above, it can be concluded that: (1) The effect of tax reduction on SMEs. Based on the partial test of the effect of the MSME tax reduction on the compliance level of MSME taxpayers using the SPSS version 23 program, the t-count is 2.452 while the t-table is 2.026 with a significance value of 0.016. Because the value of t count is greater than t table and significance < 0.05, it can be concluded that H1 is accepted. This shows that the MSME tax reduction has a significant effect on the MSME taxpayer compliance level. (2) The effect of tax sanctions. Based on the partial test of the effect of tax sanctions on the level of taxpayer compliance using the SPSS version 23 program, the t count is 4,420 while the t table is 2, 026 with a significance value of 0.000. Because the value of t count is greater than t table and significance < 0.05, it can be concluded that H2 is accepted. This shows that tax sanctions have a significant effect on the level of compliance of MSME taxpayers.

3.1.3 F Statistic Test

The f statistic test is used to prove there is an effect between the independent variables on the dependent variable simultaneously. The results of the f test can be seen in the table from SPSS below:

TABLE 3 F . TEST RESULTS
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	149,854	2	74.927	15,956	.000b
Residual	173.746	37	4.696		
Total	323,600	39			

a. Dependent Variable: Taxpayer Compliance Level

b. Predictors: (Constant), Tax sanctions, MSME tax reduction

The results of the *f* test obtained that *f* arithmetic is 15.956 with a significance value of $0.000 < 0.05$ so it can be concluded that H_0 is rejected and the *f* arithmetic value $> f$ table is $15.956 > 3.24$ which means there is a simultaneous effect of reducing MSME taxes and tax sanctions on the level of compliance MSME taxpayers.

3.2 Discussion

3.2.1 The Effect of Tax Reduction on MSMEs on Taxpayer Compliance Levels for Micro, Small and Medium Enterprises (MSMEs)

Based on the results of multiple linear regression calculations for the variable of the effect of tax reduction on MSMEs, the *t*-count value is 2.452 while the *t*-table is 2.026 with a significance value of 0.016. Because the *t*-count value is greater than *t*-table and the significance value is $0.016 < 0.05$, it can be concluded that H_1 is accepted. Where the results of this study support the first hypothesis which states that the reduction of MSME tax has an effect on the level of compliance of MSME taxpayers in Kampoeng Shoes Sidoarjo.

The independent variable of MSME tax reduction has a significant effect because the MSME tax reduction variable does not occur multicollinearity with a tolerance value of 0.844 more than 0.10 (tolerance limit value). While the VIF has a value of 1.185 where the value is smaller than 10 (the limit for the VIF value).

Government Regulation Number 23 of 2018 basically regulates the imposition of Final Income Tax Article 4 Paragraph (2) for taxpayers who have a gross turnover below 4.8 billion per tax year. The main points of change include a reduction in the tax rate from 1% to 0.5% of gross turnover. Final PPh must be paid every month before the 15th of the following month at a rate according to the size of the turnover or income of MSMEs.

Based on the Theory of Planned Behavior or (TPB) Theory Of Planned Behavior proposed by Ajzen and Fishbein (1989), and updated with the theory of planned behavior by Ajzen (1991) (Mahyarni, 2013). Ajzen's theory of attitudes towards behavior refers to the degree to which a person has a favorable or unfavorable evaluation of behavior in a question (Ajzen, 1991), the theory consists of attitudes (Behavioral Belief), subjective norms (Normative Belief) and behavioral control (Control). Belief (Mahyarni, 2013). MSME tax reduction is related to (normative belief) subjective norms which are the perceived expectations of one or more people to approve a behavior and motivate someone to comply with their obligations. The tax rate is the percentage that is used as the basis for calculating the tax payable to be paid. The current final rate for MSMEs is 0.5%, this rate reduction aims to motivate taxpayers to fulfill their obligations in paying taxes.

Ahmad Faisal (2019) conducted a study entitled the effect of reducing tax rates, taxpayer awareness and modernization of the tax administration system on the level of MSME taxpayer compliance in Sawahan District, Surabaya City. The study found that MSME tax reduction, taxpayer awareness and modernization of the administrative system had a significant influence in increasing MSME taxpayer compliance in Sawahan District, Surabaya City.

3.2.2 The Effect of Tax Sanctions on the Compliance Level of Taxpayers for Micro, Small and Medium Enterprises (MSMEs)

Based on the results of multiple linear regression calculations for the variable of the effect of tax reduction on MSMEs, the *t*-count value is 2.452 while the *t*-table is 2.026 with a significance value of 0.016. Because the *t*-count value is greater than *t*-table and the significance value is $0.016 < 0.05$, it can be concluded that H_1 is accepted. Where the results of this study support the first hypothesis which states that the reduction of MSME tax has an effect on the level of compliance of MSME taxpayers in Kampoeng Shoes Sidoarjo.

The independent variable of MSME tax reduction has a significant effect because the MSME tax reduction variable does not occur multicollinearity with a tolerance value of 0.844 more than 0.10 (tolerance limit value). While the VIF has a value of 1.185 where the value is smaller than 10 (the limit for the VIF value).

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3.2.3 The Effect of Tax Reduction on MSMEs and Tax Sanctions on the Compliance Level of Taxpayers for Micro, Small and Medium Enterprises (MSMEs)

Based on the tests that have been carried out, it can be seen from the f test that the f count is 15.956 which is greater than the f table, namely 3.4 with a significance of $0.000 < 0.05$. So it is concluded that H3 can be accepted. Where it proves that there is a simultaneous significant effect between the independent variables on the dependent variable. It can be interpreted that the reduction of MSME taxes and tax sanctions can simultaneously affect the level of taxpayer compliance of MSME actors in Kampong Shoes Sidoarjo.

Based on the Theory of Planned Behavior, MSME tax reduction and tax sanctions with (Behavioral Belief) attitude, explains that individual attitudes will affect individual desires in acting by knowing the results of the actions taken by the individual. This theory has the effect of reducing MSME taxes and tax sanctions on their intention to fulfill their tax obligations. The higher the level of their knowledge about changes and tax sanctions, over time it will increase taxpayer compliance.

This is in line with the research conducted by Manurung (2019) in his research entitled Effect of Knowledge, Awareness, Education Level, Tax Sanctions and Trif Changes in Government Regulation no. 23 of 2018 Against MSME Taxpayer Compliance. Where the results of the study indicate that the MSME tax reduction and tax sanctions have a positive effect on the level of compliance of MSME taxpayers. This proves that the MSME tax reduction, which was originally 1%, has now changed to 0.5%, which is able to ease MSME business actors in paying their tax obligations and the existing tax sanctions are getting tougher. So that taxpayers will be more obedient to fulfill their obligations in paying taxes.

4. Conclusion

The purpose of this study was to test whether the MSME tax reduction and tax sanctions affect the level of taxpayer compliance of MSME actors in Kampong Shoes Sidoarjo by using SPSS Version 23 as a data processing tool used in this study. Based on the discussion that has been carried out in the previous chapter, the conclusions are as follows: (1) The tax reduction of MSMEs has a positive and significant effect on the level of taxpayer compliance of Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes, Sidoarjo. The results of partial hypothesis testing show that the calculated t value for the MSME tax reduction variable is 2.452 and the t table with $\alpha = 5\%$ is known to be 2.026. Thus, t count is greater than t table and the significance value is $0.016 < 0.05$, it can be concluded that H1 is accepted. Based on the results of this study, this shows that the reduction of MSME taxes has an effect on the level of compliance of MSME taxpayers in Kampong Shoes, Sidoarjo, Dei Serdang Regency. (2) Tax sanctions have a positive and significant impact on the level of compliance of taxpayers with Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes Sidoarjo. The results of partial hypothesis testing show that the t value for the tax penalty variable is 4.420 and the t table with $\alpha = 5\%$ is known to be 2.026. Thus, t count is greater than t table and a significant value of $0.000 < 0.005$, it can be concluded that H2 is accepted. Based on the results of this study, this shows that tax sanctions affect the level of compliance of MSME taxpayers in Kampong Shoes Sidoarjo. (3) The reduction of MSME taxes and tax sanctions simultaneously have a significant effect on the level of taxpayer compliance of Micro, Small and Medium Enterprises (MSMEs) in Kampong Shoes Sidoarjo. This shows that the two variables are able to increase the compliance of MSME taxpayers. The



results of the study in the simultaneous test (f test) obtained that the calculated f is 15.956, which is greater than the f table, which is 3.24 with a significance of $0.000 < 0.05$, it can be concluded that there is a simultaneous influence between the independent variables on the dependent variable.

Based on the research that has been done by the researcher, the researcher gives the following suggestions: (1) For MSME taxpayers, because along with the development of technology, it is hoped that taxpayers will be more obedient in paying their taxes with the existence of technological facilities, which can make it easier for taxpayers, especially MSME actors, to deposit their tax obligations. (2) For further research, it is expected to add variables that affect the level of taxpayer compliance, especially MSME taxpayers. Because the MSME tax is one of the largest tax revenues in Indonesia. (3) It is hoped that related parties will carry out socialization of tax understanding for MSMEs regarding tariffs and the ease of paying taxes. So that along with frequent outreach actions.

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