

ANALYSIS OF TAX COMPLIANCE LEVELS OF MSME TAXPAYERS IN PALANGKARAYA CITY 2022-2023

Erin¹⁾, Iis Solihat²⁾

^{1,2)}Accounting Study Program, Universitas Terbuka, Indonesia

Corresponding author: erinerin299@gmail.com

Abstract

This research analyzes the level of tax compliance of MSMEs in Palangkaraya City in 2022-2023. MSME tax compliance is influenced by awareness of paying taxes, understanding of taxation, and fines. This research analyzes MSME tax compliance in Palangkaraya City using a descriptive quantitative approach. A sample of 100 MSMEs was selected using accidental sampling based on the Slovin formula (5% tolerance). Multiple linear regression analysis shows that tax awareness, understanding of taxation, and fines have a significant effect on tax compliance. The research results show that these three variables have a significant contribution to tax compliance of 72.2%, with a strong relationship (correlation coefficient 0.784). Tax awareness and understanding factors have the greatest influence, while fines have a smaller contribution. However, 27.8% of other factors, such as access to technology and administrative perceptions, also influence tax compliance. This research recommends increasing tax education, simplifying administrative systems, and utilizing digital technology to support increasing MSME tax compliance.

Keywords: Tax Compliance, MSMEs, Awareness of Paying Taxes, Understanding Taxation, Fines

Introduction

Taxes are one of the main sources of income for the state which is used to finance various developments and public services. Therefore, every citizen who meets the requirements is required to pay taxes in accordance with applicable regulations. In the context of the Indonesian economy, Micro, Small and Medium Enterprises (MSMEs) play an important role. MSMEs not only contribute to the regional economy, but also create jobs and encourage inclusive economic growth. However, despite their significant contribution, the level of tax compliance among MSMEs is still a challenge for many regions, including Palangkaraya City.

Tax itself, according to Simon (2018), is defined as a financial obligation imposed by the government on individuals or economic entities to fund public services and infrastructure that cannot be provided by the private sector. Tax is an obligation levied by the government from individuals or legal entities based on law, without direct equal reciprocity from the government, the aim of which is to fund public services (Due in Yunus et al, 2021).

In Indonesia, even though there are many programs designed to encourage tax compliance, there are still a number of obstacles that prevent the majority of MSMEs from fulfilling their tax obligations properly. Tax compliance in MSMEs really depends on various factors, such as understanding tax regulations, the administration system used, and perceptions of the benefits of paying taxes. Apart from that, other obstacles such as limited time, minimal tax knowledge, and complicated administrative processes also become obstacles in increasing MSME tax compliance.

Palangkaraya City, as the capital of Central Kalimantan Province, has a lot of potential for MSMEs that can make a significant contribution to the regional economy. However, in recent years, local governments have faced big challenges in increasing tax compliance, especially from MSMEs. This raises questions about what factors influence the level of tax compliance among MSMEs in Palangkaraya City, as well as what steps need to be taken to increase this compliance.

Table 1 Data on MSME actors in Palangkaraya 2021-2023

Year	Amount
2021	9.478
2022	9.504
Table 1 (continue)	
2023	27.928

Source: <https://diskopukm.kalteng.go.id/dataukm>, 2024

Tax regulations in Indonesia have undergone significant changes and improvements, especially for the MSME sector. One of the policies that has an impact on MSMEs is providing convenience in reporting and

paying taxes through an online system and simplifying tax forms to measure the level of tax compliance. However, even though there are various policies aimed at making things easier for MSMEs, not all MSMEs take full advantage of this convenience. This can be caused by various reasons, such as lack of information, limited access to technology, and lack of understanding in carrying out tax obligations.

Lestari (2018) said that tax compliance is the extent to which taxpayers fulfill their tax obligations, both in terms of reporting, payments, and submitting correct and complete information to the tax authority. Tax compliance is influenced by internal and external factors that can motivate or inhibit taxpayer behavior. Tax compliance is the behavior shown by taxpayers in fulfilling their tax obligations which is driven by awareness of the benefits of taxes for the development and stability of the country. This compliance also includes compliance with tax administrative regulations (Gustafson and Rasmusen, 2020).

Hikmah et al (2020) stated that morals, fairness and tax complexity themselves have a significant influence on tax compliance intentions. If the community's intention to comply increases, tax compliance will increase and vice versa. Wijaya et al (2022) said that taxpayer compliance with MSME entrepreneurs has a quite significant influence on tax revenues on a national scale.

MSMEs in Palangkaraya City, like in other cities, have their own challenges in terms of tax administration. It is not only limited to ignorance about tax procedures, but also to negative perceptions of the tax system which is considered complicated and burdensome. Therefore, it is important to carry out an in-depth analysis of the factors that influence the level of MSME tax compliance, both from the internal side of the MSME itself and from the external side, namely the policies and facilities provided by the government.

Apart from that, social and economic changes after the COVID-19 pandemic have also had an impact on the behavior and tax compliance of MSME players. The pandemic has changed many aspects of life, including the way business is done and tax policies. Some MSME players may feel stressed by the unstable economic situation and are more focused on business continuity rather than tax obligations. Therefore, it is very important to know to what extent the pandemic has affected the level of tax compliance among MSMEs in Palangkaraya City.

The problem formulation in this research is what is the level of tax compliance for MSMEs in Palangkaraya City during 2022-2023. The aim of this research is to find out whether to provide a clearer picture of the factors that influence MSME tax compliance in Palangkaraya City.

Methods

The method in this research uses a descriptive quantitative approach. The population in this study was 130 MSMEs in Palangkaraya City. The sampling technique in this research uses the method *accidental sampling* where the samples are used or used based on chance when researchers carry out research in the field. The number of samples in this study was determined using the Slovin formulation

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

where the tolerance value limit was 0.05.

$$n = \frac{130}{1 + 130(0,05)^2}$$

$$n = 98$$

With the sample size based on the Slovin 98 formula, the researchers rounded the sample size to 100 people. The analysis technique in this research uses multiple regression analysis assisted by the SPSS application for windows version 24. This research was conducted from February to March 2024 in Palangkaraya City. The analysis in this research was carried out by applying tests of validity, reliability, normality, t-test, and coefficient of determination. Variables in this research that fall into the independent variable category include the level of awareness of tax payments (X1), understanding taxation (X2), and fines (X3). The dependent variable in this research is the level of tax payment compliance (Y).

Results and Discussions

From the results of the questionnaire distributed to respondents, the number of MSME entrepreneurs in Palangkaraya alone was 100 people. With the following data:

Table 2 Gender Distribution of Respondents

Gender	Amount	Information
Man	58	58%
Women	42	42%
Total	100	100%

Source: Primary data processed, 2024

In accordance with table two above, the distribution of MSME actors in Palangkaraya itself is mostly male at 58 people or 58%, and female at 42 people or 42%. Apart from the employee age range, the next respondent data based on educational background includes:

Table 3 Age of Respondents

Age	Amount	Information
Under 28 years old	16	16%
28 to 33 years old	20	20%
34 to 39 years old	39	39%
Over 39 years	25	25%
Total	100	100%

Source: Primary data processed, 2024

In accordance with table three above, the age range of MSMEs in Palangkaraya itself is mostly in the age range of 34 to 39 years as many as 39 people or 39%, the age range of more than 39 years is 25 people or 25%, the age range is 28 to 33 years as many 20%, and at least 16 people aged less than 28 years or 16%.

Before distributing the questionnaire, the researcher also carried out a validity test from 100 MSMEs in Palangkaraya where the tolerance value set was 0.05. With the formulation $df = N-2$, the r table value obtained is 0.369. The validity test results obtained for each variable are:

Table 4 Validity Test Results for the Awareness of Tax Paying Variable (X₁)

Question	r in the table	r calculation results	Status
1	0,369	0,387	Valid
2	0,369	0,424	Valid
3	0,369	0,413	Valid
4	0,369	0,408	Valid
5	0,369	0,439	Valid
6	0,369	0,422	Valid
7	0,369	0,416	Valid
8	0,369	0,406	Valid
9	0,369	0,475	Valid
10	0,369	0,396	Valid
11	0,369	0,433	Valid

Source: Primary data processed, 2024

In accordance with table four above, the results of the validity test on the variable awareness of paying taxes (X₁) has a valid value because the r value obtained is greater than the value in the r table. Researchers also tested the validity of the tax understanding variable (X₂) with the following results:

Table 5 Validity Test Results for the Tax Understanding Variable (X₁)

Question	r in the table	r calculation results	Status
1	0,369	0,375	Valid
2	0,369	0,414	Valid
3	0,369	0,407	Valid

Table 5 (continue)

4	0,369	0,386	Valid
5	0,369	0,411	Valid
6	0,369	0,405	Valid
7	0,369	0,399	Valid
8	0,369	0,408	Valid

9	0,369	0,419	Valid
---	-------	-------	-------

Source: Primary data processed, 2024

In accordance with table five above, the validity test results on the tax understanding variable (X_2) has a valid value because the r value obtained is greater than the value in the r table. Researchers also tested the validity of the sanctions and fines variables (X_3) with the following results:

Table 6 Validity Test Results for Sanction and Fine Variables (X_3)

Question	r in the table	r calculation results	Status
1	0,369	0,384	Valid
2	0,369	0,382	Valid
3	0,369	0,454	Valid
4	0,369	0,397	Valid
5	0,369	0,408	Valid
6	0,369	0,411	Valid
7	0,369	0,389	Valid
8	0,369	0,403	Valid
9	0,369	0,422	Valid

Source: Primary data processed, 2024

In accordance with table six above, the results of the validity test on the sanctions and fines variable (X_3) has a valid value because the r value obtained is greater than the value in the r table. Researchers also conducted a validity test on the tax compliance level variable (Y) with the following results:

Table 7 Validity Test Results for Tax Compliance Level Variables (Y)

Question	r in the table	r calculation results	Status
1	0,369	0,374	Valid
2	0,369	0,398	Valid
3	0,369	0,414	Valid
4	0,369	0,396	Valid
5	0,369	0,407	Valid
6	0,369	0,422	Valid
7	0,369	0,399	Valid
8	0,369	0,401	Valid

Source: Primary data processed, 2024

In accordance with table seven above, the results of the validity test on the sanctions and fines variable (X_3) has a valid value because the r value obtained is greater than the value in the r table. Researchers also carried out normality tests in this study with the following test results:

Table 8 Normality Test Results

Model	Asymp. Say
-------	------------

Table 8 (continue)

I	0.201
---	-------

Source: Primary data processed, 2024

In accordance with table eight above, that is the result *asympt* greater than the alpha value, namely $0.201 > 0.05$. So it can be said that this research has a normal distribution. Researchers apply reliability tests to each variable with the following data:

Table 9 Reliability Test Results

Variable	Cronbach Alpha Coefficient	Status
Awareness of Paying Taxes (X_1)	0,715	Reliable
Tax understanding (X_2)	0,722	Reliable
Fine sanctions (X_3)	0,713	Reliable
Tax compliance level (Y)	0,754	Reliable

Source: Primary data processed, 2024

Based on the reliability test results according to table nine above, the reliable test results obtained for each instrument carried out in the research are reliable with a coefficient value of *Cronbach alpha* more than 0.60. Each instrument in the variable awareness of paying taxes (X_1) get a value of $0.15 > 0.60$, tax understanding (X_2) obtained a value of $0.722 > 0.60$, a fine (X_3) obtained a value of $0.713 > 0.60$, while the tax compliance level variable obtained a value of $0.754 > 0.60$.

The data analysis technique in carrying out this research uses multiple linear regression analysis to measure the relationship between variables whether they have a positive or negative relationship with the data as follows:

Table 10. Multiple linear regression analysis

Coefficient (<i>dependent variable: tax compliance level</i>)					
Model	<i>Unstandardized coefficients</i>		<i>Standardized coefficients</i>	t	Say
	B	<i>Standard error</i>	Beta		
1	(Constant)	3.323	.121		
	Awareness of paying taxes (X_1)	.732	.061	.317	2.331 .064
	Tax understanding (X_2)	.744	.063	.320	2.434 .063
	Sanctions and fines (X_3)	.721	.064	.316	2.338 .064

Source: Primary data processed, 2024

In accordance with the data in table ten above and with the equation $Y = b + ax$, the value of the equation in this research can be obtained, namely $Y = 3.234 + 0.732_1 + 0,744 X_2 + 0,721 X_3$. So from this equation the data is defined that there will be an increase in the variable awareness of paying taxes (X_1) is 0.732 if the constant value is zero. This means that the level of tax compliance will increase by 0.732. This increase will also occur by 0.744 in the tax understanding variable (X_2) if the constant is zero. Thus, the level of tax compliance will increase by 0.744. In the sanctions and fines variable (X_3) will also increase by 0.721 if the constant is equal to zero. This also means that the level of tax compliance will increase by 0.721.

Researchers also use analysis techniques with the correlation coefficient and coefficient of determination methods to measure the translation ability of the dependent variable relationship in the results of the analysis carried out. In this analysis technique, the coefficient value in the coefficient of determination analysis is zero to one.

Table 11 Results of Correlation Coefficient and Determination Coefficient Analysis

Model	R	R Square	Adjusted R Square	Standard error of the estimate	Durbin-Watson
1	.784	.722	0.679	2.532	1.811

Source: Primary data processed, 2024

In accordance with the data in table eleven above, it can be seen the level of influence of awareness of paying taxes, understanding of taxes, and fines on tax compliance based on the results of the correlation coefficient. The results show the correlation coefficient or R value that the level of tax compliance has a strong relationship with the influence of awareness of paying taxes, understanding of taxes, and fines of 0.784. From the results *r square* obtained from the coefficient of determination analysis technique of 0.722. That the level of tax compliance among MSMEs in Palangkaraya is 72.2%, influenced by the influence of awareness of paying taxes, understanding taxes and fines. From this analysis technique, it is also stated that the percentage of 27.8% is the percentage of other variables that are not examined in the research being conducted.

Conclusions and Recommendations

Conclusions

This research shows that the level of tax compliance of MSMEs in Palangkaraya City is influenced by three main variables: awareness of paying taxes, understanding of taxes, and sanctions fine. From the regression analysis, these three variables make a significant contribution to the level of tax compliance of 72.2%, with a strong relationship (correlation coefficient 0.784). Awareness and understanding of taxes each have the greatest influence, while fines have a slightly smaller influence.

However, around 27.8% of other factors, such as access to technology, perceptions of tax policy, and administrative support, also influence MSME tax compliance but are not the focus of this research. Obstacles that are often encountered are low understanding of taxation and negative perceptions of processes that are considered complicated.

Suggestion

1. Increased Tax Understanding
Regional governments and related agencies need to increase tax education for MSMEs through training, seminars and providing simple modules. This step can help increase taxpayers' understanding of their tax obligations.
2. Digital Technology Optimization
The use of the digital tax system must be further encouraged, such as providing practical tutorials regarding the use of online tax applications. This will make it easier for MSMEs to report and pay taxes.
3. Incentives and Rewards
The government can provide incentives in the form of reducing fines or giving awards to MSMEs that comply with their tax obligations as a form of appreciation and motivation.
4. Simplifying Tax Administration
The tax administration process needs to be simplified, especially for MSMEs with small business scales which often have difficulty understanding complex systems.
5. Social and Moral Approach

Campaigns regarding the importance of taxes for regional development and social welfare can be carried out to increase the moral awareness of MSMEs in carrying out their tax obligations.

References

- Hikmah et al (2020). Tax Compliance and e-Taxation. *FEB Seventeenth August University*
- Simon, James. (2018). The economon of taxation. *Birmingham Fiscal Publication*
- Wijaya, Suparna & Faisal Mochsen. (2022). Implementation of MSME Tax Compliance on Taxpayer Compliance. *Guepedia Publisher*
- Jonah, Rita. & Anas Iswanto Anwar. (2021). Public Economics. *Publisher Nasya Expanding Management*

Authors' Bibliography

Erin was born in Batu Makap, Murung Raya Regency, Central Kalimantan, on March 8 1999. Currently, she is studying for a Bachelor's Degree (S1) majoring in Accounting at the Faculty of Economics and Business, Palangkaraya Open University, Central Kalimantan.

With a passion for developing knowledge in the fields of economics and accounting, Erin continues to strive to achieve her goals. He believes that education is the main key to opening up opportunities and making real contributions to the surrounding community, especially in Central Kalimantan.