

The Effect Of The Turnover Limit Policy Subject To Final Income Tax On The Compliance Of Individual MSME Taxpayers

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Abstract: The low tax revenue is due to the low level of compliance of taxpayers. One of the things that the Directorate General of Taxes is doing to increase taxpayer compliance with the turnover limit program given to individual MSMEs. This study aims to determine the effect of the turnover limit policy subject to the final income tax on the compliance of individual MSME taxpayers. This study analyzed primary data from a questionnaire distributed to 100 individual MSME taxpayers at KPP Pratama Badung Selatan through e-Research. The sample determination technique used is the purposive sampling technique. Statistical testing to test hypotheses using Partial Least Square (PLS) test kits with SmartPLS 3.0. The results of the analysis show that the turnover limit policy subject to final income tax has a positive and significant effect on the compliance of individual MSME taxpayers. This research is expected to add insight to subsequent researchers and subsequent researchers can add other variables besides the policy variable limiting turnover subject to final income tax.

Keywords: Turnover Limit, Final Income Tax, Taxpayer Compliance, Taxes.

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Introduction

Taxes are mandatory levies from the people for the state of a coercive nature under the law (Ida Zuraida, 2022). Compliance with tax obligations is basically an action that the taxpayer must take to fulfill his obligations and to get better in the later period (Siti Kurnia Rahayu, 2017). MSME are useful specialty units that remain solitary, which are done by people or business elements in all areas of the economy (Tambunan, 2013). Based on data obtained from KPP Pratama Badung Selatan through e-Research as of March 31, 2021, the percentage of compliance and the target and realization of individual MSME taxpayer revenues in 2021 have decreased from 2020 which can be seen in the Table 1.

Table 1. Percentage of Compliance of Individual MSME Taxpayers at KPP Pratama Badung Selatan

Tax Year	Number of Taxpayers	Active Taxpayers	Inactive Taxpayers	Compliance Percentage
2018	14.610	2.611	11.999	35%
2019	15.464	3.020	12.444	37%
2020	21.679	2.471	19.208	38%
2021	22.652	1.362	21.290	28%

By Table 1, shows that the percentage of compliance of individual MSME taxpayers from 2020 to 2021 has decreased. The decrease in the compliance rate of individual MSME taxpayers shows that there are indications of an absence of citizen consistence brought about by an absence of taxpayer awareness (Listyowati, & Suhendro, 2018).

Table 2. Target and Realization of Individual MSME Taxpayer Revenue at KPP Pratama Badung Selatan

Year	Target	Realization
2018	1.263.200.963.000	1.149.381.788.892
2019	1.120.906.519.000	1.211.600.605.256
2020	753.380.883.000	651.148.383.941
2021	598.199.927.000	510.511.868.008

In view of Table 2, it shows that the number of targets and realization of individual MSME receipts from 2018 to 2021 also decreased in KPP Pratama Badung Selatan. This indicates that taxpayer compliance at KPP Pratama Badung Selatan decreased, because from the data obtained every year the number of revenue targets decreased every year and was followed by the number of revenue realizations which also decreased even though in 2019 the realization of revenues increased. However, in 2020 and 2021 it experienced a decline and did not reach the acceptance target. Tax revenue is expected to increase so that the targets that have been set to carry out government functions can be realized properly (Marasabessy, 2020).

Efforts to improve compliance on an ongoing basis are carried out by the government through several tax policies, this is a form of government consistency in taking sides and protecting the community, especially for MSME actors. The latest regulation is the Harmonization Law which is regulated in the HPP Law No. 7 of 2021, a Tax Regulation whose application was only enacted in April 2022.

The Harmonized Tax Implementation Law is prepared with considerations to be able to increase sustainable economic growth and support the acceleration of economic recovery, through the implementation of policies to improve tax revenue performance, reform tax administration, increase the tax base, create a tax system that prioritizes the principles of fairness and certainty of hukun, as well as increasing voluntary compliance of taxpayers.

In accordance with the changes in the turnover limit of final income tax in the Harmonized Tax Regulations Law, individual MSME taxpayers are not subject to final income tax on the share of turnover up to Rp. 500 million or below within 1 year of the tax period. This means that non-taxable income has been valid for WP OP UMKM since January 2022, taxpayers only need to report their taxes without paying taxes per 1 year of tax period.

Mindfulness in paying charges is a type of moral disposition that adds to the state to help the development of the nation and endeavors to submit to every one of the guidelines that have been set by the state and not just seen from a demeanor of submission, compliance and discipline alone. The higher the degree of public mindfulness in covering charges, the more fostered the nation will be. Charges are the primary well-spring of state pay, in light of the fact that from charges the public authority can complete all exhibition projects to succeed the local area (Jotopurnomo & Mangoting, 2013).

Reflecting on the previous government's efforts to issue a policy of reducing tax rates in increasing tax compliance for individual taxpayers which aims to overcome the problem of taxpayers who are considered unsuccessful because the response from taxpayers is still low. Taxpayers are considered less successful because the taxpayer response is still low (Fadilah *et al*, 2021). This can be seen from the results of research conducted showing that the decrease in rates does not affect the compliance of MSME taxpayers, because taxpayers tend to ignore the amount of tax rates. there are still taxpayers who are not aware of any reduction in the rate and the taxpayer still pays taxes at any rate.

Previous investigations have been made by (Agus Widodo, 2018) obtaining the results of reducing the income tax rate and tax sanctions contributed simultaneously to the compliance of MSME taxpayers in Rembang Regency. The similarity with Agus Widodo's research is that it uses the technique of distributing questionnaires and the dependent variables are the same as the compliance of MSME taxpayers. In addition the research conducted by (Cahyani dan Noviyari, 2019) obtaining the results of tax rates, understanding taxation and tax sanctions have a positive influence on the compliance of MSME taxpayers, as well as (Tene *et al*, 2017) concluding the understanding of taxation has positive implications on taxpayer compliance. The similarity in this study is that the dependent variable uses MSME taxpayer compliance. Previous research that has been carried out previously discusses issues related to MSME taxpayer compliance. However, there is a dif-

ference, namely that this study uses a turnover limit subject to the final income tax as a reference in the compliance of individual MSME taxpayers. The purpose of this study is to determine the effect on the compliance of individual MSME taxpayers on the policy of limiting turnover subject to final income tax.

Method

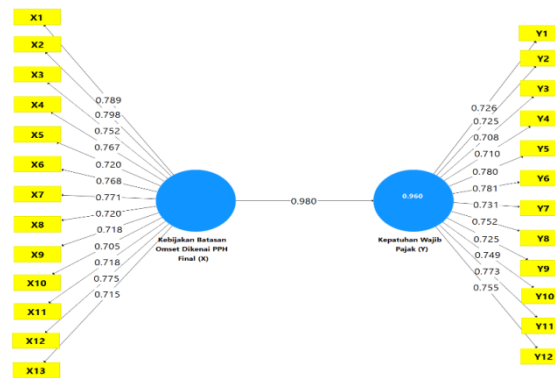
This study is a quantitative study, which breaks down the essential information acquired from the dissemination of surveys. The poll in this study utilized a 5-point likert scale to recognize every reaction or opinion from respondents. The respondents of this study were samples that had been selected according to the criteria of the population of all individual MSME taxpayers registered at KPP Pratama Badung Selatan which was determined by the Purposive Sampling technique. The study sample was calculated using the slovin formula, which resulted in 100 taxpayers as a research sample. In this review, the poll was submitted through the e-Exploration application and conveyed straightforwardly to respondents by the KPP Exploration Field of South Badung Essential. The examination procedure in this study utilized Fractional Least Square (PLS) which was worked through the SmartPLS 3.0 program.

Results and Discussion

1. Evaluation of the Measurement Model (Outer Model)

a. Convergent Validity

Convergent Validity has a relationship with the rule that the variable manifest of a build ought to be exceptionally corresponded. Merged legitimacy is utilized to quantify the dependability of every marker with a stacking component of > 0.70. Stacking elements of 0.50 to 0.60 are as yet OK in the scale improvement stage research by taking a gander at the consequences of the result relationship between's the marker and its construck (Ghozali & Latan, 2015).



Picture 1. Path Diagram

b. Discriminant Validity

The outcomes in table 2 show that every variable delivers an AVE esteem more noteworthy than 0.50, so all factors utilized are proclaimed legitimate.

Table 2. Average Variance Extracted (AVE)

	AVE	Syarat AVE	Information
Restriction Policy Turn-over Subject to Final PPH (X)	0,559	>0,500	Valid
Taxpayer Compliance (Y)	0,552	>0,500	Valid

c. *Realibility Test*

The outcomes in table 3 show that every variable delivers a worth more noteworthy than 0.70, so all factors utilized are proclaimed dependable.

Table 3. Cronbach's Alpha and Composite Reliability

	Cronnbach's Alpha	Composite Reliability	Condition	Information
Turnover Re- striction Policy Subject to Final PPH (X)	0,934	0,935	>0,700	Reliabel
Taxpayer Compli- ance (Y)	0,926	0,927	>0,700	Reliabel

1. *Structural Model Assessment*

Table 4 shows the worth of R2 of the citizen consistence variable (Y) of 0.960. In view of these re-sults, it very well may be presumed that as far as possible approach subject to the last personal pense has an impact of 9.60% or called moderate.

Table 4. R Square

	R Square	Ajusted R Square
Taxpayer Compliance (Y)	0,960	0,959

2. *Hypothesis Test*

The significant rate used was 5% with a T-statistical value of 1.96. The T-statistical value>1.96 indicates that the hypothesis is accepted, while if the T-statistical value<1.96 indicates the hypothesis is rejected.

a. *Direct Influence*

Table 5. Path Coefficient (Bootstrapping)

	Original Sample (O)	T Statistics	P Values
Turnover Limit Policy Subject to Final Income Tax (X) --> Taxpayer Compli- ance (Y).	0,980	190,873	0,000

The turnover limit policy subject to the final income tax (X) has a positive influence with a coefficient of 0.980 and is significant with a T-statistical value of 190.873 on Taxpayer Compliance (Y).

3. *Discussion*

The policy of limiting turnover subject to final income tax has a positive and significant influence on the Compliance of Individual MSME Taxpayers The results are supported by attribution theory, based on the belief of individual MSME taxpayers registered with the South Badung Pratama KPP to influence taxpayer behavior towards the provisions of applicable tax regulations. This research was also supported by (Kumaratih and Ispriyarso, 2020) which states that the results of research on tariff reduction policies have an effect on increasing compliance of MSME actors, which means that policy efforts in reducing tariffs are responded positively by taxpayers, so that taxpayers become more compliant Kumaratih & Ispriyarso, 2020) Other research that is also in line with the research of (Aini and Nurhayati, 2022) stated that the MSME income tax incentive policy has a significant effect on taxpayer compliance, it can be concluded that fairness in the provision of tax incentives, the impact caused by tax incentives, income tax incentive

programs are borne by the Government, tax incentives make it effective in improving taxpayer compliance.

Conclusion

In light of the consequences of testing and conversation, it tends to be presumed that the strategy of decreasing turnover subject to the last personal duty significantly affects the consistence of individual MSME citizens. For additional exploration, it is prescribed to add research factors so they can portray the object of study according to different perspectives.

Research can provide additional knowledge for students, MSME taxpayers, or other readers related to the compliance of indigenous people taxpayers, the application of the turnover limit policy subject to the final income tax. In addition, research can provide implications for government authorities to provide an overview of tax regulatory policies in Indonesia to increase the sense of compliance of taxpayers, especially MSME taxpayers. Supported by the statement that the applicable turnover limit will have an impact on increasing the income of MSMEs of indigenous people and the implementation of turnover limits is declared more efficient for the compliance of the taxpayers of MSMEs of their pribadai people.

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