

# Artikel 5

*by* Assets Darmayasa Et Al

---

**Submission date:** 30-Apr-2021 11:29PM (UTC+0700)

**Submission ID:** 1574565992

**File name:** 6\_Darmayasa\_et\_al.doc (220K)

**Word count:** 3772

**Character count:** 20387

# THE EMBODIMENT OF VOLUNTARY COMPLIANCE THROUGH UNDERSTANDING OF MSMEs TAX COMPLIANCE PERCEPTION

I Nyoman Darmayasa<sup>1</sup>

Ni Wayan Desy Widhi Utami<sup>2</sup>

I Nyoman Mandia<sup>3</sup>

## ABSTRACT

This research aims to understand micro, small and medium-sized enterprises' (MSMEs) perception of tax compliance as an embodiment of voluntary compliance. This study uses a qualitative interpretive method. The results show the fulfillment of MSMEs taxation is affected by the application of fines/sanctions, tax audits, tax knowledge, tax education, trust in tax authorities, a fair tax system, social norms, and ease of tax administration. These factors internalize into a value in the self of MSMEs, which is reflected through behavioral compliance. The shaping of positive tax perception is capital to realize tax awareness. The study results contribute to the realization of MSMEs compliance, both tax authorities and MSMEs.

Keywords: Tax Compliance; Voluntary Tax Compliance; Taxpayers Perception; MSMEs

## ABSTRAK

Penelitian ini bertujuan untuk memahami persepsi wajib pajak usaha mikro kecil menengah (WP UMKM) tentang kepatuhan pajak sebagai bentuk perwujudan kepatuhan sukarela. Penelitian ini menggunakan metode interpretif kualitatif. Hasil penelitian menunjukkan bahwa pemenuhan kewajiban perpajakan WP UMKM dipengaruhi oleh penerapan denda/sanksi, pemeriksaan pajak, pengetahuan perpajakan, edukasi, kepercayaan terhadap otoritas pajak, sistem pajak yang adil, nilai sosial, dan kemudahan administrasi perpajakan. Faktor-faktor ini diinternalisasi menjadi sebuah nilai dalam diri WP UMKM yang kemudian tercermin melalui perilaku kepatuhannya. Pembentukan persepsi pajak yang positif merupakan modal untuk mewujudkan kesadaran pajak. Hasil penelitian berkontribusi terhadap perwujudan kepatuhan baik otoritas pajak maupun WP UMKM.

Kata Kunci : Kepatuhan Pajak; Kepatuhan Sukarela; Persepsi Wajib Pajak; WP UMKM

JEL Classification: H26



\*corresponding author

## INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) are businesses that play an essential role in supporting a country's economy (Tambunan, 2011). Based on data from the Ministry of Cooperatives and MSMEs, the contribution of MSMEs to the national economy has continued to increase during the last five years. In 2018, MSMEs contributed 61.07% of Indonesia's total GDP, with the number of business units reaching more than 64 million units. The absorption of the workforce of MSMEs has also got more than 116 million workers, much higher than that of large businesses, which only employ 3.6 million workers. The rapid growth of MSMEs is seen as a potential tax subject by the tax authorities.

So far, the government has made various efforts to increase revenue from the tax sector. One of the steps taken was carrying out tax reform, which was marked by implementing a self-assessment system in 1983 (Bawazier, 2011). Tax facilities that aim to facilitate the tax obligations fulfillment of MSMEs actors have also been made and contained in socialization, regulations, etc. However, it seems that these efforts have not inspired taxpayers to carry out their tax obligations.

Tax revenue has never reached the target set (Darmayasa & Aneswari, 2015; DJP, 2018). The ratio between tax revenue and existing tax potential is still high, which is indicated by the low tax ratio of Indonesia. Reporting from the Directorate of Compliance and Revenue Potential website, in 2018, Indonesia's tax ratio stood at 11.5% and is still quite behind compared to countries in Asia and Southeast Asia. Low tax revenue is considered inconsistent with the increasing growth of MSMEs in Indonesia (Fenochietto & Pessino, 2013; Klaudia, Riwayanti, & Aminatunnisa, 2017).

The low tax ratio is motivated by the low tax compliance in Indonesia. Previous research on tax compliance behavior shows that various factors can influence tax compliance and tax avoidance decisions. Prastiwi, Narsa, and Tjaraka (2019) found that economic, psychological, sociological, trust, and legitimacy approaches are some of the dominant methods that trigger tax compliance behavior. According to Kamleitner, Korunka, and Kirchler (2012), three prominent aspects cause low MSMEs tax compliance, 1) MSMEs actors tend to see more opportunities for disobedience compared to those who work as workers, 2) lack of tax knowledge and 3) the perception of MSMEs actors who think that paying taxes is a loss because it reduces their business profits.

Oladipupo and Obazee (2016) and Pui Yee, Moorthy, and Choo Keng Soon (2017) show that the taxation knowledge of MSMEs plays a role in the formation of tax compliance. Complex and complicated tax regulations make it difficult for taxpayers to understand, and they are reluctant to study, resulting in their lack of tax knowledge (Acheampong, Debrah, & Yeboah, 2016; Ameyaw, Korang, Twum, & Asante, 2016; Newman, Mwandambira, Charity, & Ongayi, 2018). The reluctance to learn also increases when taxpayers have a terrible service experience when processing their taxes (Yusdita, 2017).

It is in line with Enachescu, Oslén, Kogler, Zeelenberg, Breugelmans, and Kirchler (2019), who found that MSMEs actors have good service experience from the tax authorities stimulate them to pay their taxes voluntarily. Several studies have found a relationship between trust in governance and tax compliance. These researchers believe that firm belief in authority can encourage voluntary tax compliance (Dijke & Verboon, 2010; Kogler, Batrancea, Nichita, Pantya, Belianin, & Kirchler, 2013; Ya'û and Saad, 2019). In addition to the trust in tax authorities, a fair tax system for both the government and MSMEs is also needed to encourage the formation

of tax compliance (Aneswari, Darmayasa, & Yusdita, 2015; Atawodi & Ojeka, 2012; Inasius, 2019; Lai & Arifin, 2011; Maseko, 2013).

Widiastuti, Sukoharsono, Irianto, and Baridwan (2015) tried to link religiosity with the compliance of the MSMEs by revealing the meaning of spiritual awareness from the informants' experience as taxpayers who live by the principle of *yadnya*. The results showed that spiritual awareness was able to build the tax awareness of MSME owners. These results are supported by Darmayasa and Aneswari (2015), who show that taxpayers' tax compliance is influenced by the high level of religiosity of the tax consultants used for their services. Social behavior reflects a person's religiosity, including when he carries out his duties as a professional (Darmayasa & Aneswari, 2019). Darmayasa, Sudarma, Achsin, and Mulawarman (2018) show that the psychological, spirituality, or religiosity approach and the values of Pancasila are approaches that must be considered for interpreting tax compliance with the consideration that Indonesian society is a socio-religious society. Darmayasa and Aneswari (2016) state that the values of local wisdom that become people's daily lives help the educational process. These values are essential and relevant to be considered to encourage the creation of tax compliance. Furthermore, Darmayasa (2019) proposes that tax awareness based on the importance of Pancasila is the foundation for realizing voluntary compliance in Indonesia.

It is essential to build tax compliance to achieve optimal tax revenue. The search description above shows that various factors can influence a person's willingness to pay taxes obediently. The researcher also realizes and understands that MSMEs are socio-religious communities with different backgrounds, so, of course, their understanding of taxes will be further. Based on the background description, the authors are interested in examining the perception of MSMEs tax compliance as a manifestation of voluntary compliance.

Departing from the question of why MSMEs actors are willing to pay taxes, this study then explores the meaning of tax compliance in MSMEs actors, which is described by the extent of their tax knowledge and how the level is of trust of MSMEs to tax authorities. The final section represents the awareness of MSMEs actors to fulfill their tax obligations as a form of voluntary compliance of the taxpayers themselves. The researchers hope that the tax authorities can consider the research results in making policies and strategies to improve tax compliance.

## METHOD

This study is a qualitative study based on an interpretive paradigm. Qualitative research provides flexibility for researchers to be directly involved in the raw data collection process. The results of qualitative research cannot be generalized (Neuman, 2013:244). Researchers seek to gain a deep understanding of tax compliance through observations and interviews conducted throughout the research process. The research informants consisted of MSMEs taxpayer, tax academic, and tax consultant. Researchers have had good relations with research informants and maintained closeness by communicating informally with various media. This closeness indirectly becomes evidence of the validity of research data (Kamayanti, 2016:62). In the data collection process, researchers used pseudonyms to maintain the confidentiality of research informants as a form of application of the research code of ethics, which refers to Article 34 of Law no. 28 of 2007 concerning General Provisions and Tax Procedures.



**Table 1. List of Informant Names**

No	Informant Names	Role	Interview Time
1	Mr. Kadek	MSMEs taxpayer	Interviews were conducted on June 24, 2020, and June 30, 2020.
2	Mr. Wayan	Tax academic	The discussion was held on July 9, 2020.
3	Mr. Made	Tax consultant	The interview was held on July 3, 2020.

Note: The informant's name was disguised as Article 34 of the Law on General Provisions and Tax Procedures.

## RESULT AND DISCUSSION

### Initial Perception of Taxpayers of Taxes

Apart from being one of the sources of state spending (budgetary), taxes also function as a means of regulating government policies in the socioeconomic sector (Regularend), as argued by Mardiasmo (2016:4). It is in line with the viewpoint of Mr. Wayan, who is an academic tax informant. The following is an excerpt from Mr. Wayan's interview:

*"Taxes are significant for the state, where taxes are a source of marking to finance infrastructure, state operations ... of course the tax function has a budgetary function and a fiscal function, a regulatory function."*

Mr. Wayan realizes that taxes are the backbone that supports the running of the country's economy and the various national development agendas that have been launched. Without taxes, state life would not be possible to run well. Thus, the government continues to strive to boost revenue from the tax sector, hoping that the tax ratio can be increased.

The tax ratio of 11.5% reflects Indonesia's current low tax compliance. Some people are still unfamiliar with taxes, both in terms of knowledge of the tax function for the state and the procedures for implementing tax obligations. The community still has not thoroughly carried out its tax obligations, as expressed by Mr. Kadek, an MSMEs informant, in the following interview excerpt:

*"In my opinion, tax compliance is still low. Judging from the phenomenon of people who have not been willing to pay taxes. The tax is a large state revenue for building public facilities ..."*

Mr. Kadek's expression illustrates that he knows the conditions of tax compliance. It is in line with the view of Darmayasa et al. (2018) that no one is willing to pay taxes. People tend to still view taxes as a burden that can reduce their economic capacity to be reluctant to pay taxes or avoid taxes (Nugraheni & Purwanto, 2015).

### Awareness of MSMEs' Tax Obligations Fulfillment

The author's intense communication with the research informants led the author to fulfill the taxpayers' tax obligations. From the in-depth interviews that the author conducted with the taxpayers, it can be concluded that the taxpayer has routinely carried out their tax obligations, but they do not fully know how to do it. The following is an excerpt from the interview with Mr. Kadek:

*"Consultant assisted tax payments since the start of making business license ..."*

*"Usually, every two or three months, the consultant comes to the place of business, the consultant pays my taxes first, then I replace the money, and I am given proof of payment."*



*“Tax payments are calculated from turnover, from total gross income, last multiplied by 0.5%, previously multiplied by 1%.”*

According to Mr. Kadek's line of thought, from the interview results, he states that the licensing process has been assisted by a consultant and the fulfillment of his tax obligations. To simplify the tax payment process, Mr. Kadek was given convenience by his consultants by paying taxes after proof of tax payment. The conclusion is that Mr. Kadek had realized the obligations attached to him as a taxpayer and was assisted in the process of fulfilling his duties by a tax consultant. Mr. Kadek knows that the calculation of his payable tax is based on gross income multiplied by the final income tax Article 23 rate of 0.5%. Mr. Kadek chose to use the 0.5% tariff on the background of inadequate recording and bookkeeping conditions. Mr. Kadek does not yet have good records or bookkeeping in accounting for his business. Taxpayers do not understand how to prepare good financial reports and what things must be considered in preparing these. It also causes taxpayers to be unwilling to take advantage of the tax incentives provided by the tax authorities. Taxpayers experience concerns that taking advantage of these incentives will create risks in the future, as stated by Mr. Kadek in the following interview excerpt:

*“The problem is that, for the current pandemic, there is tax relief. You may not pay taxes, but you must deposit zero financial statements or what; there are no sales. I was asked whether you want to follow that... but I thought it was complicated to make financial reports... so I just paid...”*

Mr. Kadek's concern, the author concludes, is a result of the lack of information received by taxpayers and the lack of knowledge of taxation they have. The socialization of the taxation program by the tax authorities has not yet fully touched taxpayers out there. It is reasonable when considering the resource capacity of the tax authorities is not proportional to the number of registered taxpayers. The complexity of tax regulations makes it difficult for taxpayers to fulfill their tax obligations. It is in line with the findings of several studies (Acheampong et al., 2016; Ameyaw et al., 2016; Kamleitner et al., 2012; Newman et al., 2018; Oladipupo & Obazee, 2016; Pui Yee et al., 2017).

As the policy regulator, the government has a vital role in creating a fair tax policy, including applying tariffs following the economic capacity of taxpayers. The implementation of Government Regulation 46 drew complaints from taxpayers because of the amount of tax that had to be paid. This complaint is reflected in the following excerpt from Mr. Kadek's interview:

*“But now I don't feel that it is hard to pay at a rate of 0.5%... thank goodness it can be like that, if previously I felt it was difficult, it was quite felt when the rate was still 1%...”*

The complaint expressed by Mr. Kadek was finally answered by applying Government Regulation 23 at a rate of 0.5% providing relief for MSMEs players. The convenience offered by Government Regulation 23, both in terms of calculation and administration, is expected to become bait for MSMEs to carry out their tax obligations. The application of Government Regulation 23 also tries to fulfill the aspect of justice for taxpayers by giving options to taxpayers to determine the rate used, whether to use the rate of Government Regulation 23 or to use the rate of Article 17 of the Income Tax Law. Taxpayers have more flexibility in determining which options are more efficient



for their business in carrying out their tax obligations (Nufera, Darmayasa, Mandia, 2019). The fairness and certainty of law enforcement felt by taxpayers will encourage taxpayers to fulfill their tax obligations, Which in line with the views of Akinboade (2015), Inasius (2019), and Matasik and Damayanti (2019). Furthermore, Mr. Wayan believes that a sense of fairness can affect the compliance of one taxpayer with another. Mr. Wayan's view can be seen in the following interview excerpt:

*"...people are happy to be fair. Fair in what sense? Other taxpayers with the DGT treatment or the government's treatment of the taxpayer must be fair. It means that, if indeed this is not compliant, there will be sanctions, those who are obedient will be given a reward, so what, it seems that the country is fair in applying taxation. Do not those who are disobedient continue to be disobedient, so that this creates jealousy; this jealousy causes non-compliance to spread to other taxpayers who are already compliant...."*

Mr. Wayan's view indicates that social norms indirectly affect tax compliance (Bobek, Hageman, & Kelliher., 2013). Taxpayer compliance will change when the taxpayer feels he is being treated the same as taxpayers he knows are not compliant. Even though economic values are essential social values like this cannot be ignored. Taxpayers question why they must obey taxes, while taxpayers who do not pay taxes are free from fines/sanctions that should be imposed. The same question also arises when tax money, which should be used for the community's welfare, is misused by specific individuals. Mr. Wayan expressed the same view in the following interview excerpt:

*"...like, for example, the construction of the Wisma Atlet building... well, yesterday, there was a case there. Countries get money from where ... from taxes. That is what disappointed taxpayers so that non-compliance began to appear. Their compliance began to decrease ..."*

It is difficult to maintain trust, let alone rebuild the trust that has been damaged. Budget misuse and other similar cases have become a dark record in the implementation of the Indonesian government. It has undoubtedly become a boomerang and a scourge in itself for DGT amid its efforts to restore public confidence to increase tax compliance (Tahar & Rachman, 2014).

#### **The embodiment of MSMEs Taxpayers' Voluntary Compliance**

Mr. Kadek's obedience behavior as an MSMEs actor is influenced by the knowledge and understanding of the tax consultant. It is reflected in the following interview excerpt:

*"... that's why the consultant said, I can freely report how much I got sales, just 20 million can be reported. But if there is an examination later, you have a risk. I am afraid... later examined... pay taxes again ..."*

Mr. Kadek's statement illustrates that the consultant has a role in shaping the taxpayer's perception of taxes. From a compliance point of view, Mr. Kadek's behavior as an MSMEs actor reflects that taxpayers are carrying out their tax obligations because they are worried about the possibility of fines/sanctions and even future tax audits (Cahyonowati, 2011; Gunarso, 2016). The existence of a consultant helps taxpayers who lack understanding of taxes so that, by having the consultant, taxpayers can better fulfill their tax obligations. Consultants have a significant role in realizing tax compliance by providing education to clients, which is in line with Darmayasa and

Aneswari's (2015) views. Unfortunately, in Mr. Kadek's case, the tax consultant's way of educating taxpayers caused taxpayers to have unfavorable perceptions about tax audits. Consultants have better emotional ties with taxpayers than with tax authorities; this is reflected in the following excerpt from an interview with Mr. Made, who is a tax consultant in Denpasar:

*"... they (taxpayers) prefer, more openly, to talk about their tax history to a tax consultant. When it comes to tax consultants, we (tax consultants) will dig in to find solutions ..."*

The implicit message that Mr. Made tries to convey is that tax consultants can become friends who can understand the situation of taxpayers. It is because consultants understand the difficulties of taxpayers and help them solve them with the best options. The best option in question is a solution that does not reduce the taxpayer's relief because he has carried out his tax obligations.

The description of the views of the research informants led the author to a conclusion that knowledge of taxation (Kamleitner et al., 2012; Oladipupo and Obazee, 2016; Pui Yee et al., 2017), the complexity of tax regulations (Acheampong et al., 2016; Kamleitner et al., 2012; Newman et al., 2018), sanctions/fines and tax audits (Cahyonowati, 2011; Gunarso, 2016), social values, trust in authority (Dijke & Verboon, 2010; Kogler et al., 2013; Maseko, 2013), tax justice (Maseko, 2013), and tax administration are factors that affect taxpayer compliance.

The aspect of justice is closely related to the taxpayer's trust in the tax authority. Tax authority justice concerns how the authority can wisely use its power to implement applicable regulations. Wisdom in utilizing this power gives rise to taxpayer confidence in tax authorities. It means that **the power of tax authorities and trust in tax authorities** can simultaneously influence the perception and behavior of taxpayer compliance (Kogler et al., 2013; Prinz et al., 2014).

Perception is the internalization of tax compliance factors into a value in the taxpayer. Positive perceptions will encourage the formation of awareness in taxpayers to pay their taxes sincerely. In contrast, negative perceptions of taxes tend to result in taxpayers avoiding and even being reluctant to pay their taxes. The formation of a favorable tax perception **is an asset to create tax awareness**. Tax awareness is closely related to the successful **implementation of the self-assessment system**. The view **on the importance of tax awareness in implementing the self-assessment system** is contained in the following excerpt from the interview with Mr. Wayan:

*"In Indonesia's taxation system, our taxes still adhere to a self-assessment system, where taxpayers calculate themselves, pay themselves, meaning that the taxpayer still counts them. That means what... actually requires compliance... the awareness of taxpayers in reporting and calculating tax amounts. So self-assessment is certainly accompanied by voluntary compliance or awareness from taxpayers...."*

The author understands Mr. Wayan's view and concludes that tax awareness is the **key to implementing a self-assessment system**. The self-assessment system does not mean **that taxpayers freely carry out their tax obligations**. However, **this tax system** is limited by regulations that the government has designed in such away. This limitation aims to avoid tax avoidance efforts by taxpayers, and the state achieves the expected goal, namely to build the country together through taxes.

## CONCLUSION





---

MSMEs' tax compliance is considered very low, not proportional to the growth in the number of MSMEs each year. This study highlights tax compliance from the MSMEs' point of view. Based on the results of informant interviews, taxpayers interpret tax compliance as something that is carried out due to having a taxpayer identification number. Fulfillment of MSMEs' tax obligations is influenced by the application of fines/sanctions, tax audits, knowledge and understanding of taxation, education, trust in tax authorities, a fair tax system, social values, and ease of tax administration. These factors are internalized into a deal in the taxpayer, reflected through their compliance behavior. The formation of a favorable tax perception is an asset to create tax awareness. Tax awareness is a crucial aspect of the success of the self-assessment system. The deep awareness that taxpayers have will no longer raise why they have to pay taxes. If the taxpayer has arrived at this awareness, voluntary compliance will materialize.

The limitation of this study is that the research only focuses on the perceptions of taxpayers and tax academics. There is no combination of perceptions from the tax authorities who play a significant role in formulating policies. The author's hope for future research is to involve the tax authorities as research informants to enrich views on tax compliance.

#### REFERENCES

# Artikel 5

---

## ORIGINALITY REPORT

---

3%

SIMILARITY INDEX

1%

INTERNET SOURCES

2%

PUBLICATIONS

1%

STUDENT PAPERS

---

## PRIMARY SOURCES

---

- 1** I. Nyoman Darmayasa, I. Made Sudarma, H.M. Achsin, Aji Dedi Mulawarman. "Constructed interpretation of tax compliance through the historicity, rationality, and actuality of Pancasila (cases in Indonesia)", *International Journal of Trade and Global Markets*, 2018  
Publication 1%
  - 2** [www.jopafll.com](http://www.jopafll.com)  
Internet Source 1%
  - 3** Submitted to Asia Pacific University College of Technology and Innovation (UCTI)  
Student Paper 1%
  - 4** Achi Rinaldi, Yulistia Devi. "Mathematical modeling for awareness, knowledge, and perception that influence willpower to pay tax using multiple regression", *Journal of Physics: Conference Series*, 2021  
Publication <1%
  - 5** [iiste.org](http://iiste.org)  
Internet Source <1%
-

6

Ramadhani Bondan Puspitasari, Arsiyah Arsiyah. "PERAN PEMERINTAH DALAM PEMBERDAYAAN LANJUT USIA DI KABUPATEN SIDOARJO", JKMP (Jurnal Kebijakan dan Manajemen Publik), 2015

Publication

<1 %

7

Katharina Gangl, Eva Hofmann, Erich Kirchler. "Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust", New Ideas in Psychology, 2015

Publication

<1 %

Exclude quotes On

Exclude matches Off

Exclude bibliography On