

The Effect of Government-Borne Final Income Tax Incentives on the Compliance of MSMEs Taxpayers during the Covid-19 Pandemic in Badung Regency

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Abstract: The Covid-19 pandemic has had an impact on the decline in MSME income. Final income tax incentives borne by the government is one of the government's efforts in the field of taxation. This study aims to determine the effect and magnitude of the effect of the Government's Final Income Tax Incentive on MSME taxpayer compliance during the Covid-19 pandemic in Badung Regency. The questionnaire was used as a data collection tool and the sample used was 95 corporate MSME taxpayers. The focus of this study is the final income tax incentives borne by the government that will apply in 2020 as regulated in the Minister of Finance Regulation starting from PMK 44/2020, PMK 86/2020 to PMK 110/2020 and undergoing several changes and time extensions until PMK 86/2021 which is valid until the end of 2021. The conclusions of this study are (1) The final income tax incentives borne by the government have a positive and significant effect on MSME taxpayer compliance; (2) The final income tax incentive borne by the government has an effect of 23.9% on MSME taxpayer compliance.

Keywords: *Final income tax incentives by the government, taxpayer compliance, MSME.*

1. Introduction

The Covid-19 pandemic has put pressure on the Indonesian economy and has an impact on various sectors, one of which is MSMEs. An effort to recover the economy is needed by MSMEs such as an additional stimulus in the context of national economic recovery. The government's contribution through the tax incentive policy for taxpayers affected by the Covid-19 pandemic is contained in the Minister of Finance Regulation regarding tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic. Before the Covid-19 pandemic, MSMEs contributed greatly to the Indonesian economy as seen from Gross Domestic Product (GDP) which increased by 60% [1]. However, since the Covid-19 pandemic occurred in Indonesia, almost all MSMEs have experienced a decrease in sales due to the enactment of social restriction regulations to avoid crowds and impact on the ability of MSMEs to continue their business. In this situation, the government's contribution through its policies plays an important role for MSMEs [2].

The enactment of tax incentive policy in Tax Regulation No. 23 of 2018 on income tax on income from businesses received or obtained by taxpayers who have a certain gross circulation, received a positive response from MSMEs due to the decrease in the Final Income Tax rate to 0.5% [3]. Tax relief in the form of Final Income Tax incentive is not only stated in PP 23/2018. Support from the government has continued with the Government-borne final income tax incentives as the government's contribution in overcoming economic dynamics during the Covid-19 pandemic as stated in the Minister of Finance Regulation regarding tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic which has now been changed to Minister of Finance Regulation number 82/2021 which is valid until the end of 2021. The enactment of tax incentives during the Covid-19 pandemic can provide space for the MSME sector to continue its business [4]. The existence of incentives has an influence on the level of compliance of taxpayers and it can be identified that the increase in compliance of MSMEs taxpayers occurred since the enactment of the policy of decreasing the final income tax incentives rate to 0.5% through PP 23/2018 [3]. Great opportunities for increased compliance of MSME Taxpayers affected by the implementation of government-borne final income tax incentives can also be achieved if there is maximum effort from the Directorate General of Taxation and MSMEs [5]. Broadly speaking, previous research can be a reference on tax incentive policy, but the research has not been fully focused on tax incentives, especially the government-borne final income tax incentives during the Covid-19 pandemic that affects the compliance of MSMEs taxpayers in Badung Regency. So as to complement the limitations of previous research, this study aims to determine the influence of government-borne final income tax incentives on the compliance of MSMEs Taxpayers during the Covid-19 pandemic in Badung Regency and to determine the magnitude of the influence of government-borne final income tax incentives on the compliance of MSMEs Taxpayers during the Covid-19 pandemic in Badung Regency.

2. Literature Review

2.1 Attribution Theory

Attribution theory is a theory based on observations made on some or the nature of a person without realizing it. The attribution theory in this study is the compliance behavior of taxpayers in fulfilling their tax obligations. The study uses attribution theory in assessing individual behavior to register voluntarily and compliance in depositing and reporting taxes on time.

2.2 Theory Planned of Behavior

The theory of planned behavior is a theory that describes the involvement of individuals in behavior regarding one's intentions at a certain time and place. The existence of the taxpayer's intention to comply with tax regulations can be caused by the behavior of the taxpayer with the support of the government's final income tax incentive policy. Perceptions of ease without any barriers to behavior and the support from the surrounding environment indirectly one's intention to behave positively will be higher [4]. Fulfilment of tax obligations based on the desire of the Taxpayer in utilizing the Final income tax incentive policy borne by the government is a condition that the Taxpayer fulfils tax compliance with awareness and understanding of various tax regulations.

2.3 Micro, Small and Medium Enterprises (MSMEs)

MSMEs are businesses with criteria as regulated in the Act, which are managed by individuals or entities [5]. The criteria for MSMEs based on Law Number 20 of 2008 concerning MSMEs are based on the value of net worth and annual turnover.

2.4 Taxpayer Compliance

Taxpayer compliance is an action that arises from the willingness to fulfil tax obligations honestly and transparently as an effort to build the national economy. The increase in the submission of Annual Tax

Letters, the low number of tax arrears, the increase in the number of new taxpayers, and the minimum number of violations in fulfilling tax obligations are indications of the high level of taxpayer compliance.

2.5 Tax Incentive

Tax incentives are real government contributions in the form of funding facilities to taxpayers. Tax incentives can be used as a tool to increase investment in a country. With incentives, investors will assume that tax incentives can reduce the tax burden owed [6].

2.6 Government-Borne Final Income Tax Incentive

According to Mardiasmo [7], it is stated that taxpayers with a certain gross turnover based on the business results received or obtained are subject to final income tax which is the definition of final income tax. The use of tax incentives contained in the PMK is imposed on the basis of the calculation of Taxation Regulation Number 23 of 2018 which is borne by the government.

2.7 Regulation of the Minister of Finance Concerning Government-Borne Final Income Tax Incentives

In the midst of Indonesia's dynamic economic conditions, the government has set tax incentives in the Minister of Finance Regulation as an effort to overcome the pandemic along with various reviews starting from PMK Number 23/PMK.03/2020 concerning tax incentives for taxpayers affected by the corona virus outbreak, PMK Number 44/PMK .03/2020 regarding tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic, PMK Number 86/PMK.03/2020, PMK Number 110/PMK.03/2020 regarding amendments to PMK Number 86/PMK.03/2020 regarding incentives Tax for taxpayers affected by the 2019 coronavirus disease pandemic, in 2021 it was changed to PMK Number 9/PMK.03/2021 and again changed to PMK Number 82/PMK.03/2021 which is valid until December 2021.

3. Research Method

The data is sourced from primary data in the form of questionnaires which are then processed using SPSS version 26 statistical application. With this type of quantitative research can be obtained the significance of the relationship between variables. The results of the research data processing focus on knowing the influence and the magnitude of the influence of the final income tax incentives borne by the government on the compliance of MSMEs taxpayers during the Covid-19 pandemic.

The research was conducted at KPP Pratama Badung Utara which is located at Jalan Ahmad Yani No.100, Dauh Puri Kaja, North Denpasar District, Denpasar City, North Bali and KPP Pratama Badung Selatan which is located at Jalan Tantular No.4, Dangin Puri Klod, East Denpasar District, Denpasar City, Bali. Data retrieval research was conducted by disseminating questionnaires to taxpayers who utilize tax incentives in KPP Pratama Badung Utara and KPP Pratama Badung Selatan. This study was conducted within 6 months from February to July 2021.

The population of this study is MSMEs who took advantage of tax incentives during the Covid-19 pandemic in 2020, namely as many as 1,786 Corporate Taxpayers. Determination of the number of samples used in this study using purposive sampling techniques, so that a sample of 95 Corporate Taxpayers was obtained.

Testing the effect of tax incentives on the compliance of MSMEs Taxpayers is conducted with a simple linear regression analysis by analyzing the influence of tax incentives (free variables) and taxpayer compliance (bound variables).

4. Result and Discussion

4.1 Descriptive

a. Characteristics of Respondents

The data showed the number of male respondents as 62 people or 65% and women as 33 people or 35%. This means that the number of male respondents is the dominant respondent by gender. Based on the age grouping of respondents, as many as 18 people or 19% of respondents aged 17-26 years.

Respondents aged 27-36 years occupied the highest number in the age category of 36 people or 38%. A total of 31 people or 33% of respondents were aged 37-46. Respondents over the age of 46 occupied the lowest number of 10 people or 11%.

Based on the grouping of business types, it can be known under respondents with the type of trading business amounting to 63 business units or 66%, service business types amounting to 29 business units or 31%, and industrial business types amounting to 3 business units or 3%. The majority of respondents who utilize government-borne final income tax incentives are respondents with the type of trading business.

Based on the results of the study, as many as 10 business units or 11% stood with a business duration of 1-5 years. A total of 42 business units or 44% of respondents are in the category of long business is 6-10 years, business duration 11-15 years as much as 30 business units or 32%, business duration 16-20 years with the number of 13 business units or 14%, and business duration >20 years as much as 0 business units or 0% of the total respondents. The majority of respondents who utilize government-borne final income tax incentives are respondents with a business duration of 6-10 units a year.

The description of respondent characteristics based on a year's turnover indicates that the UMKM Agency with a year turnover amount of less than Rp300,000,000.00 as much as 7 business units, annual turnover of Rp300,000,000.00 to Rp2,500,000,000.00 as much as 58 business units, and a yearly turnover of Rp2,500,000,000.00 to Rp50,000,000.00 as much as 30 business units. Most of the respondents belonged to the category of small businesses with a turnover of 61% percentage.

Based on the grouping where taxpayers are registered shows that as many as 43 Corporate Taxpayers in KPP Pratama Badung Utara and 52 Corporate Taxpayers registered in KPP Pratama Badung Selatan filled out a complete and clear questionnaire.

b. Descriptive Statistical Analysis Results

Descriptive statistics present respondents' responses on the influence of government-borne final income tax incentives on the compliance of MSME Taxpayers in Badung Regency. Testing has been conducted by obtaining the following results:

Table 1. Descriptive statistical analysis results.

Model	N	Minimum	Maximum	Mean	Std. Deviation
Government-Borne Final Income Tax Incentives	95	33	49	41.20	3.657
UMKM Taxpayer Compliance	95	35	49	43.08	3.038
Valid N (list wise)	95				

Source: Primary data processed, 2021.

In table 1 above, it can be seen that N is the amount of valid data, meaning that 95 MSME Taxpayers deserve to be sampled. Based on the table, it can be known that the government-borne final income tax incentives have the lowest value (minimum) of 33 and the highest value (maximum) of 49 with an average value (mean) of 41.20 and a data spread rate (standard deviation) of 3,657. Identification of the average number of MSME Taxpayers utilizing the government-borne final income tax incentives can affect the amount of compliance of MSME Taxpayers. The assessment was identified on the amount of average value exceeding the standard deviation which proves that there is a good dissemination of data from the government-borne final income tax incentives.

MSME Taxpayer compliance variable has the lowest value of 35 and the highest value of 49 with an average of 43.08 and standard deviation of 3,038. The dissemination of data on taxpayer compliance variables is considered good for the identification of average values that exceed the standard deviation.

4.2 Hypothesis Test Results

a. Determination Coefficient Test Result (R²)

The result of the coefficient is used to determine the direction of the relationship of the research variable as follows:

Table 2. Coefficient test results.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.489 ^a	.239	.231	2.664

a. Predictors: (Constant), Government-Borne Final Income Tax Incentives
Source: Primary data processed, 2021

Based on table 2 it is known that the correlation coefficient value symbolized by the value R is 0.489, meaning that the relationship of free variables and bound variables is in sufficient categories. In addition, it is known that the value of the coefficient of determination (R Square) shows how much influence the regression model formed by the interaction of Government-borne final income tax incentives variable (X) on the compliance variable of MSMEs taxpayers (Y). The value of R Square obtained by 23.9%, it can be assumed that the government-borne final income tax incentives variable (X) has a contribution influence of 23.9% to the variable compliance of MSMEs Taxpayers (Y).

b. Results of Simple Linear Regression Analysis

A simple linear regression analysis aims to determine the relationship of the government-borne final income tax incentives variable (X) to the MSME Taxpayer (Y) compliance variable. This study obtained the results of a simple linear regression analysis as follows:

Table 3. Simple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	26.358	3.108		8.481	.000
Government-Borne Final Income Tax Incentives	.406	.075	.489	5.403	.000

a. Dependent Variable: MSME Taxpayer Compliance
Source: Primary data processed, 2021

Based on the results of a simple regression coefficient test, it can be known that the constant coefficient value is 26,358 and the free variable coefficient (X) is 0.406. The equation of simple linear regression analysis for the government-borne final income tax incentives variable (X) that affects the compliance variables of MSME Taxpayers (Y) is as follows:

$$Y = 26.358 + 0,406X$$

Based on the equation of simple linear regression analysis known:

- The constant value is 26.358. The constant value states that when the value of the government-borne final income tax incentives is 0, the compliance of MSME Taxpayers has a value of 26,358.
- The coefficient of regression value is 0.406, meaning that if the government-borne final income tax incentives level changes by one unit will change the level of compliance of MSMEs Taxpayers by 0.754.
- The value of the regression coefficient of 0.754 positive value indicates that the government-borne final income tax incentives positively affects the compliance of MSME Taxpayers. In addition to the regression coefficient, the correlation coefficient also showed a positive value of 0.489

c. Partial Significance Test Results (t Test)

The t-test aims to determine the partial influence between free variables, namely the government-borne final income tax incentives on bound variables, namely the compliance of MSME Taxpayers, with the degree of significance used is 0.05. A significance value of < 0.05 represents an influence between a free variable and a bound variable, while a significance value of > 0.05 there is no significant influence between a free variable and a bound variable. Data processing on t test obtains the following results:

Table 4. T test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	26.358	3.108		8.481	.000
Government-Borne Final Income Tax Incentives	.406	.075	.489	5.403	.000

a. Dependent Variable: MSME Taxpayer Compliance

Source: Primary data processed, 2021

Based on the results of the partial significance hypothesis test (t test), the government-borne final income tax incentives variable test have a significance level of 0.000. It can be concluded that the government-borne final income tax incentives has a significant effect on the compliance of MSME Taxpayers.

4.2 Discussion

Based on the data testing that has been conducted on the results of the research obtained a clear picture of the problems that want to be expressed about the significant positive influence of government-borne final income tax incentives on the compliance of MSMEs Taxpayers. Discussion of the results of the research compared to the theoretical study that discusses the desire of taxpayers to utilize the government-borne final income tax incentives is one of the factors that influence the compliance of MSMEs Taxpayers. The discussion section will discuss in more detail about the results of research produced by previous research that will be compared to the study of research theory.

The first hypothesis (H1) states that the government-borne final income tax incentives affect the compliance of MSME Taxpayers. Based on the results of partial significance test (t test) it is known that the value of variable government-borne final income tax incentives of 0.000 or < 0.05 and illustrates that the government-borne final income tax incentives affects the compliance of MSMEs Taxpayers or increasingly affects the government-borne final income tax incentives for MSMEs affected by the Covid-19 pandemic, the more compliance of MSMEs taxpayers registered in KPP Pratama Badung Utara and KPP Pratama Badung Selatan. The role of internal parties is the government through various tax policies to help MSMEs taxpayers during the Covid-19 pandemic and external parties, namely taxpayers with awareness and understanding of taxation is needed. The importance of government-borne final income tax incentives for MSMEs Taxpayers affected by the Covid-19 pandemic is very influential for the compliance of MSMEs Taxpayers during the Covid-19 pandemic.

The results showed the influence of government-borne final income tax incentives on the compliance of MSMEs Taxpayers in accordance with the theory of reasoned action that the behavior of taxpayers to comply or disobey is influenced by the intention of behavior and in accordance with attribution theory that the assessment of taxpayer behavior to comply is influenced by internal factors, namely behavior under the control of taxpayers or external influences from the environment.

Based on the testing of government-borne final income tax incentives for the compliance of MSMEs Taxpayers, it is known that not all MSMEs in Badung Regency are registered with KPP Pratama Badung Utara and KPP Pratama Badung Selatan and take advantage of the government-borne final income tax

incentives set during the Covid-19 pandemic, especially in 2020. This is due to the lack of understanding and awareness from MSMEs to meet their tax obligations, as well as the failure to achieve socialization targets on various policies that have been carried out by the tax authorities

4.3 Recommendation

The limitations of the study are based on the experience of researchers in the research process, some limitations in this study should be used as a concern to improve the next research. Limitations in this study are:

- a. The subject data collection method is by questionnaire. Through the questionnaire process of data and information retrieval from respondents sometimes do not show the respondent's real opinion, differences in understanding and lack of honesty from each Taxpayer in utilizing the government-borne final income tax incentives can affect the answer, it would be better if supported by the method of interview to the UMKM Agency as a respondent to obtain the results of more complete research and trustworthy truth.
- b. The research only focuses on the utilization of government-borne final income tax incentives by MSME Taxpayers in improving the compliance of MSME Taxpayers, it will be more profound if there are other factors that affect the compliance of MSME Taxpayers.
- c. The number of respondents as many as 95 Corporate Taxpayers in describing the actual circumstances is considered still less effective.

5. Conclusion

The data acquisition using primary data collected by disseminating questionnaires to 95 respondents through KPP Pratama Badung Utara and KPP Pratama Badung Selatan was conducted to test the influence between the government-borne final income tax incentives to the compliance of MSMEs Taxpayers during the Covid-19 pandemic in Badung Regency. Corporate MSME Taxpayers were chosen to be respondents in the study, especially those who utilized the government-borne final income tax incentives that are valid during 2020. Based on the research that has been done obtained the following conclusions:

- a. Government-borne final income tax incentives have a positive and significant influence on the compliance of MSME Taxpayers during the Covid-19 pandemic in Badung Regency.
- b. The effect of government-borne final income tax incentives on the compliance of MSMEs Taxpayers during the Covid-19 pandemic in Badung Regency can be known based on the testing of research hypotheses with R Square Value obtained by 23.9%, it can be assumed that the incentive variable Government-Borne Final Income Tax Incentives (X) has a contribution influence of 23.9% to the compliance variable of MSME Taxpayers (Y).

6. Acknowledgment

The author would like to thank the head of the Accounting Department, the first supervisor, the second supervisor, and to all those who have helped and supported during the journaling process. The author's gratitude also conveys to all respondents of corporate taxpayers in Badung Regency registered with KPP Pratama Badung Utara and KPP Pratama Badung Selatan who have been willing to provide opportunities, data, assistance and support in completing this research and journal.

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