



The Effect of Lowering UMKM Tax Rates and Tax Sanctions on Taxpayer Compliance (Case Study of UMKM Registered at KPP primary bottom Pakam)

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Abstract. The purpose of this experiment is to detect the effect of reducing UMKM tax rates and tax sanctions on the tax compliance of UMKM actors registered at the Lubuk Pakam KPP Pratama. The population in this study is UMKM registered at KPP Pratama Lubuk Pakam in 2020 as many as 140,549. The sample is 100 taxpayers. The treatment of data observation used multiple regression studies, partial tests, simultaneous tests and determination tests, previously carried out validity and reliability tests, and classical assumption tests. The experimental product is proven by each variable, namely the decrease in UMKM tax rates and tax sanctions that affect taxpayer compliance. Simultaneously the decrease in UMKM tax rates and tax sanctions affect taxpayer compliance. The experimental product of determination found the Adjusted R Square value of 0.762, which means that the ability of the UMKM tax rate reduction variable and tax sanctions to explain the taxpayer compliance variable is 0.762 or 76.2%, the residual 23.8% is explained by variables not observed in this experiment such as mandatory knowledge. taxes, taxpayer attitudes, tax awareness of the quality of tax service services, taxpayer counseling, tax socialization, and others.

Keywords: *UMKM Tax Rate Reduction, Tax Sanctions, and Taxpayer Compliance.*

A. Introduction

According to Law No. 16 of 2009, taxes are a source of state revenue that the state can use as well as possible for the prosperity of all its people. The implementation of tax obligations in Indonesia is supported by a self-assessment system where taxpayers are entrusted with carrying out their tax rights and obligations, including estimating, paying, and reporting their tax obligations through the SPT (Yusro & Kiswanto, 2014)

UMKM actors consider Government Regulation No. 46, 2013 to be too high and a burden. This assumption was exposed on the official website of President Joko Widodo's fans, which explained that at several deliberations, UMKM actors complained about the high tax burden on Final PPh which was 1%. The UMKM actors want the tax to be reduced to 0.5% or 0.25%.

The government announced Government Regulation No. 23 of 2018, and effective from July 1, 2018, it is stipulated that the community participates in formal economic activities. This Government Regulation controls the rules regarding the adjustment of the final income tax rate. Personal Taxpayers or Corporate Taxpayers who receive or pocket an income of IDR 4.8 billion in one Tax Year.

The decrease in UMKM tax rates according to PP No. 23 has not gone as expected because some taxpayers have not paid their obligations. The level of compliance of UMKM taxpayers is said to have not been maximized and the target of state tax revenues has not been achieved. Since the implementation of PP No.23 in 2018, KPP Pratama Lubuk Pakam has only recorded 5,692 UMKM reporting their SPT. Until 2020, UMKM actors recorded at the Lubuk Pakam KPP Pratama are still low in reporting their annual tax returns. The number of SPT Reports that decreased in 2020 was inversely proportional to the increase in the number of MSMEs which doubled from the previous year.

Another factor that affects MSME taxpayer compliance is tax sanctions. Tax sanctions are very necessary for the taxation system so that taxpayers are obedient in completing their tax obligations. Liu (2014) said "... witness severity may significantly influence one's willingness to engage in use tax compliance", which means that harsh sanctions have a significant effect on willingness to carry out tax compliance.

The formulation of the problem in this study is: Does the decrease in UMKM tax rates and tax sanctions have an impact on UMKM actors registered at KPP Pratama Lubuk Pakam independently or simultaneously?

B. Background Theory

Taxes are mandatory contributions that are paid to the state as a contribution to state development to achieve the goals of a prosperous country (Official, 2017). According to Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises, "Micro, Small, and Medium Enterprises are business activities that aim to grow and develop their business in the context of building the National economy based on equitable economic democracy." The middle class is an important part of the country's economy that must obtain the main opportunities, and expand as widely as possible as a form of support to the economic groups of the community.

TABLE 1 UMKM CRITERIA BASED ON LAW NO. 20 OF 2008

No	CRITERIA	MICRO	MEDIUM	MACRO
1.	Characteristic features	An effective business is owned by an individual or a business entity	An effective business is an independent business owned by an individual or a business entity and not a subsidiary	An effective, independent business, privately owned or business entity and not a subsidiary or branch of a company that is owned, controlled either directly or indirectly by a small business or a large business.
2.	Net worth	Maximum IDR 50,000,000	More than IDR 50,000,000 - maximum IDR 500,000,000	More than IDR 500,000,000 - maximum IDR 10,000,000,000
3.	Annual Sales Revenue	Maximum IDR 300,000,000	More than IDR 300,000,000 - maximum IDR 2,500,000,000	More than IDR 2,500,000,000 - maximum IDR 50,000,000,000

Source: Law No. 20 of 2008

Government Regulation No. 23 of 2018 was issued on July 1 with the aim of promoting public participation in formal economic activities, by providing relief and fairness to taxpayers who have a certain gross turnover for a certain period of time. The reduction in the Final PPh rate is stated in Article 2 paragraph 2, namely:

- (2) The final applicable income tax expense as referred to in paragraph (1) is 0.5% (zero point five percent).

It is explained in Article 3 regarding Taxpayers who are subject to Final Income Tax (PP No.23 of 2018), namely:

- (1) Taxpayers who have special gross turnover that are subject to Final Income Tax as referred to in Article 2 paragraph 1 are:
- a. individual taxpayers; and
 - b. Corporate taxpayers are in the form of cooperatives, limited partnerships, firms, or limited liability companies.

who earns or earns income with a turnover of not more than Rp.4,800,000,000.00 (four billion eight hundred million rupiah) in 1 (one) Fiscal Year.

Article 5 contains the period of imposition (PP NO.23 of 2018):

(1) A certain period of time for the imposition of the final applicable Income Tax as referred to in Article 2 paragraph (1), namely:

- a. 7 (seven) Fiscal Years for individual Taxpayers;
- b. 4 (four) Fiscal Years for corporate Taxpayers in the form of cooperatives, limited partnerships, or firms; and
- c. 3 (three) Fiscal Years for corporate taxpayers in the form of limited liability companies, (Government Regulation No. 23 of 2018)

Taxpayer Compliance

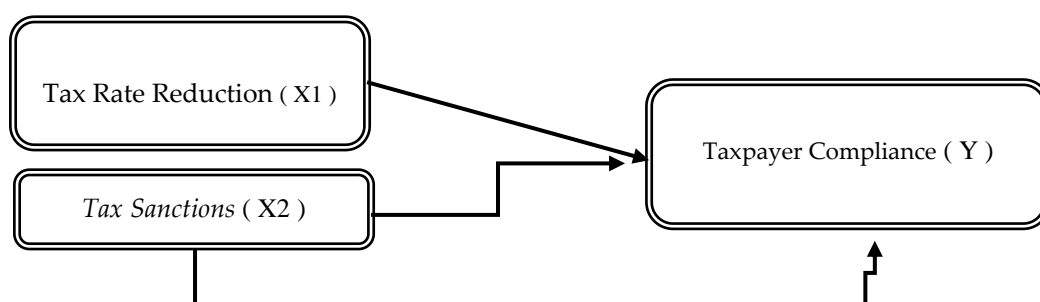
According to Rahayu, (2010) "Taxpayer compliance is defined as a condition in which the taxpayer fulfills all tax obligations and exercises his taxation rights."

According to the Regulation of the Minister of Finance No.544/KMK.04/2000 article 1, the criteria for compliant taxpayers are:

1. The submission of tax returns for all types of taxes for the last 2 (two) years is never late.
2. Have no tax liability for all kinds of taxes unless you have obtained permission to pay in installments or defer tax payments.
3. Never been sanctioned for committing a criminal act in the field of taxation within the last 10 (ten) years
4. Financial statements audited by a public accountant or the Financial and Development Supervisory Agency must be with an unqualified opinion or with a qualified opinion as long as the exception does not affect fiscal profit or loss.

Conceptual Framework

Figure 1 Conceptual Framework



RESEARCH METHODS

An experimental approach is a quantitative approach. The data is used in the form of primary data and secondary data. Primary data in the form of responses from a questionnaire distributed to a sample of UMKM actors in the Lubuk Pakam KPP Pratama environment and secondary data in the form of data obtained from the Lubuk Pakam Pratama KPP in 2018-2020. The experimental population is UMKM in the Lubuk Pakam KPP Pratama environment in 2020 as many as 140,549. The sample was obtained using the Slovin formula, which resulted in a sample of 99.92 or 100 SMEs in the KPP Pratama Lubuk Pakam with an error of 10%. To determine the appropriateness of the questionnaire used as an experimental tool, validity and reliability tests were carried out. The use of validity experiments is related to the accuracy of measuring instruments in carrying out their duties to achieve goals. Evaluation is called valid if the measured goals are real and correct. Reliability testing is carried out to determine whether the measuring instrument used (question list) shows determination in measuring similar indications. The data analysis technique used is the classical assumption test (normality, multicollinearity, and heteroscedasticity test), multiple linear regression analysis, F-t test, and coefficient of determination test.

RESEARCH RESULTS AND DISCUSSION

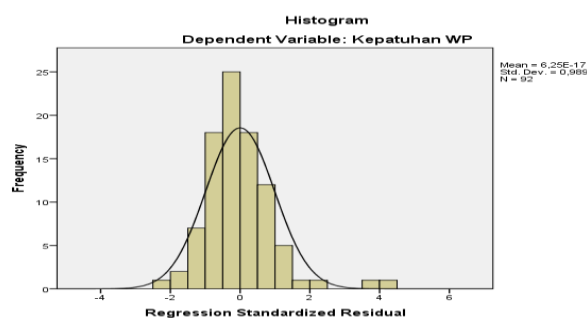
Classic Forecasting Experiment

1 Normality Experiment Product

The way to find out whether the rest of the scattered hypothesis is normal or not is by:

1) Using Observations with Graphs

Figure 2. Normality Experiment Product with Histogram

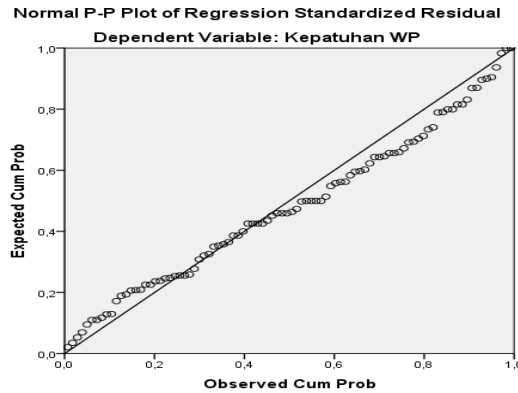


Graph

Source: Research Results, 2022 (Processed Data)

Normal scattered data can be seen in Figure 2, which is obtained from a curve model with an equivalent skew from the left and right sides.

Figure 3. P-P Plot . Graph Normality Test



Results

Source: Research Results, 2022 (Processed Data)

The data is scattered along the diagonal line. The conclusion of the picture above is the rest of the normal scatter regression model.

2) Using Statistical Observations

The experiment was carried out using the One-Sample Kolmogorov Smirnov (1-Sample-KS). The normality experimental product using the Kolmogorov-Smirnov method can be observed in the following table:

Table 2 Normality Test Results with One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	3,41257178
	Most Extreme Differences	
	Absolute	,080
	Positive	,077
	Negative	-,080
Test Statistic		,080
Asymp. Sig. (2-tailed)		,111 ^{c,d}

Source: Research Results, 2022 (Processed Data)

The distribution of normal data can be observed in the table above which is known from the significance value obtained at $0.111 > 0.05$.

2. Multicollinearity Experimental Products

The table below describes the product of the multicollinearity experiment:

Table 3. Multicollinearity Experiment Products

Model	Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
	B	Std. Error	Beta	Tolerance	VIF
1 (Constant)	7,589	2,660			
Tax Rate Reduction	,671	,095	,514	,994	1,006
Tax Sanctions	,531	,087	,443	,994	1,006

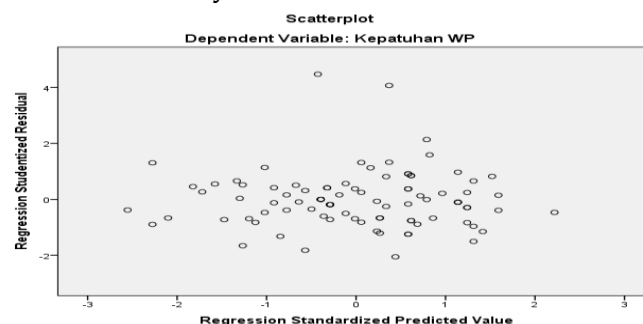
Source: Research Results, 2022 (Processed Data)

The scatterplot graph shows that the data is transmitted around the number 0 on the Y axis, which is exactly above and below, where the data distribution does not have a certain shape. The conclusion that can be drawn from the graph is that heteroscedasticity is not formed, which means that the regression form is appropriate to use to estimate taxpayer compliance based on the variables that iThe tolerance score for the UMKM Tax Rate Reduction variable and Tax Sanctions is $0.994 > 0.01$ and the VIF score for the UMKM Tax Rate Reduction variable and Tax Sanctions is $1.006 < 10$ which is shown in table 3 above giving the conclusion that the independent variable escapes multicollinearity.

3 Heteroscedasticity Experiment Products

The product of the heteroscedasticity experiment using a scatterplot graph can be seen below.

Figure 4 Graph of Heteroscedasticity Test Results



Source: Research Results, 2022 (Processed Data)

The scatterplot graph shows that the data is transmitted around the number 0 on the Y axis, which is exactly above and below, where the data distribution does not have a certain shape. The conclusion that can be drawn from the graph is

that heteroscedasticity is not formed, which means that the regression form is appropriate to use to estimate taxpayer compliance based on the variables that influence it, namely the decrease in UMKM tax rates and tax sanctions.

The following are the results of the heteroscedasticity test using the Glejser test.

Table 5. Results of Heteroscedasticity Test with Glejser Test Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2,997	1,544		1,941	,055
Tax Rate Reduction	-,095	,055	-,173	-1,728	,087
Tax Sanctions	,048	,050	,095	,946	,346

a. Dependent Variable: ABS_RES

Source: Research Results, 2022 (Processed Data)

Table 5 explains the significance level of the UMKM Tax Rate Reduction variable of $0.087 > 0.05$, and the tax sanction variable is $0.346 > 0.05$, which means that there is no heteroscedasticity.

Data Assessment Products

1 Multiple Linear Regression Interpretation

Table 6. Multiple Linear Regression Observation Products Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	7,589	2,660		2,853	,005
Tax Rate Reduction	,671	,095	,514	7,095	,000
Tax Sanctions	,531	,087	,443	6,115	,000

Dependent Variable: Taxpayer Compliance

Source: Research Results, 2022 (Processed Data)

Based on Table 6 above, the Multiple Linear Regression Equation in this study is:

$$\text{Taxpayer compliance} = 7.589 + 0.671 X_1 + 0.531 X_2$$

2 Partial Test (t Test)

Partial experimental products can be seen in the following table:

Table 7. Partial Test Results (t Test)

Model	t	Sig.
1 (Constant)	2,853	,005
Tax Rate Reduction	7,095	,000
Tax Sanctions	6,115	,000

Source: Research Results, 2022 (Processed Data)

The conclusions that can be made from the experimental data and studies that have been described previously are that fragmentary reductions in UMKM Tax Rates and Tax Table 9. Based on table 7 above, it can be explained:

1. Decrease in UMKM Tax Rates (X1)

From the results of the partial test calculation of the UMKM Tax Rate Reduction, the value of $t_{count} > t_{table}$ ($7.095 > 1.98472$) with a significance level of $0.000 < 0.05$. It is concluded that the decrease in UMKM Tax Rates has a significant positive effect on taxpayer compliance, which means that the proposed hypothesis, namely the UMKM Tax Rate reduction, has a negative effect on taxpayer compliance (H1 is rejected).

2. Tax Sanctions (X2)

From the results of the partial test calculation of Tax Sanctions, the value of $t_{count} > t_{table}$ ($6.115 > 1.98472$) with a significance level of $0.000 < 0.05$. It can be concluded that Tax Sanctions have a significant positive effect on taxpayer compliance, so the hypothesis proposed is that Tax Sanctions affect taxpayer compliance (H2 is accepted)..

3 Simultaneous Test (F Test)

Experimental products can simultaneously be monitored in the following table:

Table 8 Simultaneous Test Results (Test F)ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1126,791	2	563,396	47,401	,000 ^b
Residual	1152,919	97	11,886		
Total	2279,710	99			

Source: Data processing

The value of $F_{count} > F_{table}$ ($47.401 > 3.09$) in table 8 explains the variable of decreasing MSME tax rates and Tax Sanctions simultaneously having an effect on taxpayer compliance (H3 is accepted).

4. Coefficient of Determination (Adjusted R Square)

The experimental product of the coefficient of determination (R^2) can be observed in the following table:

Table 9. Determinant Coefficient Test Results (R^2)
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,703 ^a	,494	,484	3,44757

Source: Research Results, 2022 (Processed Data)

The Adjusted R Square score obtained is 0.484 which is shown in table 9, this describes the ability of the variable to reduce UMKM tax rates, and tax penalties describe the taxpayer compliance variable of 0.484 or 48.4%, the difference of 51.6% is explained by variables not observed in These experiments include taxpayer knowledge, taxpayer attitudes, tax awareness of the quality of tax service services, taxpayer counseling, tax socialization and others..

E. Conclusions, And Recommendations

The conclusions that can be made from the experimental data and studies that have been described previously are that fragmentary reductions in UMKM Tax Rates and Tax Penalties have an impact on UMKM taxpayer compliance. In order to improve taxpayer compliance, it is hoped that the Lubuk Pakam Pratama Tax Service Office implements the implementation of Tax Sanctions strictly in writing because the average UMKM taxpayer answers doubtful that if taxpayers do not fulfill their tax obligations, they will receive penalties.

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