



TAX RATES, TAX UNDERSTANDING, TAX SANCTIONS, MODERNIZATION OF THE TAX ADMINISTRATION SYSTEM AND TAX SOCIALIZATION INCREASE TAX COMPLIANCE OF MSMEs

Olivia Rosada Rizqi, Mulyanto*, Retno Tri Handayani

Universitas Muria Kudus, Jl. Lkr. Utara, Kayuapu Kulon, Gondangmanis, Bae, Kudus, Jawa Tengah 59327, Indonesia

*mymulyanto28@gmail.com

ABSTRACT

This study aims to determine and analyze the influence of tax rates, tax understanding, tax sanctions, modernization of the tax administration system, and tax socialization on taxpayer compliance of MSMEs in Pati Regency. The research method used is quantitative. The sampling used in this study is by using the Accidental Sampling technique with a sample size of 100 respondents. The analysis method used is multiple linear regression, with tests carried out namely descriptive statistical tests, data normality tests, classical assumption tests, and hypothesis testing with the help of the SPSS 23 analysis program. The results of the study indicate that tax rates, tax understanding, tax sanctions, modernization of the tax administration system, and tax socialization have a positive and significant influence on taxpayer guarantees of MSMEs in Pati.

Keywords: MSMEs; modernization of the tax administration system; tax payer compliance; tax rates; tax sanctions; tax socialization; understanding of taxation

INTRODUCTION

Improving public welfare is achieved through continuous and sustainable national development. Significant funding is required to implement development and run the government and economy in Indonesia. In realizing the independence of a nation in financing development, one of the efforts that can be made is to explore resources from within the country itself, one of which comes from taxes.

The increase and decrease in state revenues derived from taxes are influenced by the level of taxpayer compliance. Tax compliance is a form of effort undertaken by taxpayers to demonstrate their responsibility in taxation for the sake of national development. National development can proceed smoothly if there is an increase in state revenue, therefore, it is crucial for taxpayers to consistently comply with their tax obligations (Noviana et al., 2020).

Compliance means obeying all applicable regulations. Taxpayer compliance is a determining factor in a country's tax revenue. High taxpayer compliance increases state tax revenue, while declining compliance also decreases state tax revenue (As'adi 2018). MSMEs are independent businesses within the productive economic sector, not subsidiaries or branches of a company, and are not controlled or part of a company (Rawun & Tumilaar, 2019).

The increasing number of MSME partners in Indonesia, combined with government attention to these businesses, could potentially lead to increased taxpayer compliance. MSMEs play a significant role in the economy, and therefore need to be taken into account in tax policy planning (Maulana et al., 2020). Compliance among MSME taxpayers is influenced, among other things, by tax rates. According to Setiani & Furqani (2019), tax rates are the amount or percentage that taxpayers must pay based on their income. The tax rate is a provision based on tax legislation, which is intended to calculate or determine the amount of tax that must be paid (Tawas et al, 2016).

Understanding is a person's understanding and comprehension of something, and this person tends to do things in their own way by applying their knowledge (Palalangan, 2020). Research by Sunaryo et al. (2020) states that there is a positive influence between tax understanding and MSME taxpayer compliance. Ratnasari (2020) states that tax laws are divided into two types. The first is administrative sanctions, which are sanctions in the form of interest and fines imposed on MSMEs who violate tax regulations. Pratama and Mulyani (2019) found a positive influence of tax sanctions on MSME taxpayer compliance. Zanaria and Lestari (2019) found no influence between tax sanctions on MSME taxpayer compliance. This lack of influence occurs because the government has not implemented tax sanctions properly.

Modernization of the tax administration system is an effort to develop a tax system carried out by relevant agencies with the aim of increasing tax revenue in a country. To be usable by taxpayers in various conditions and situations, the tax administration system needs to be continuously developed and improved. (Ayema et al. 2019). Putri & Nurhasanah (2019) found that improving the perception of MSMEs regarding the importance of complying with tax obligations can be achieved through tax outreach. Tax socialization is expected to raise awareness of fulfilling tax obligations. (Rudianti & Enderista 2021). Asih Machfuzhoh (2021) explained the influence of tax socialization on MSME taxpayer compliance, whereas research by Yosi Yuliana et al. (2020) found no influence between tax socialization and MSME taxpayer compliance.

In Indonesia, tax revenue remains relatively low, with declining taxpayer compliance being one contributing factor (Arisansy 2017). According to Listiyowati et al. (2021), low tax compliance is a classic problem experienced by nearly all countries implementing a tax system, potentially leading to a low tax revenue ratio. In this study, there are two differences from the research that is the reference, namely referring to Luh Putu Gita Cahyani and Naniek Noviari in 2019. First, there are variables. In the study conducted by Cahyani and Noviari (2019), it consists of three variables, namely the influence of tax rates, tax understanding, and tax sanctions, while in this study, two supporting variables are added, namely the modernization of the tax administration system and tax socialization.

The researcher added these variables to determine the role and influence of government efforts in modernizing the tax administration system and tax socialization, which are expected to increase taxpayer compliance. Based on the background information, the purpose of this study is to determine and analyze the influence of tax rates, tax understanding, tax sanctions, modernization of the tax administration system, and tax socialization on MSME taxpayer compliance in Pati Regency.

METHOD

The subjects of this study were MSME taxpayers in Pati Regency registered with the Pati Primary Tax Service Office. The research conclusions were drawn based on statistical hypothesis testing using an empirical data model derived from data collection using measurement methods (Kuncoro, Amin & Kritiyanti, Mariana, 2024). Primary data is the type of data used in this research, where primary data is obtained directly or indirectly from MSME taxpayers in Pati and secondary data from documentation of the Pati Pratama Tax Service Office. The sampling technique in this study used *accidental sampling technology*, namely a sampling technique using respondents who happened to be present or available in a location according to the research context. Using the Slovin formula, the sample size was 100 respondents.

RESULT

Table 1.
Respondent Groups Based on Gender

Age Interval	f	%
Male	65	65.0
Female	35	35.0

Table 1 shows that 65% of the respondents were male, representing 65.0%, and 35% of the respondents were female .

Table 2.
Respondent Groups Based on Age

Age Interval	f	%
20-30 years	22	22.0
30-40 years	31	31.0
> 40 years	47	47.0

From the data presented in table 2, it is clear that respondents aged 20-30 years consist of 22 respondents or 22.0 % , respondents aged 30-40 years are 31.0 % or consist of 31 respondents, and respondents aged over 40 years are 47 respondents or 47.0 %.

Table 3.
Respondent Groups Based on Business Type

Job Interval	f	%
Trading	69	69.0
Industry	9	9.0
Service	22	22.0

From table 3 it is clear that respondents who have trade type businesses consist of 69 respondents or 69.0 % , respondents who have industrial businesses consist of 9 respondents or 9.0 % , and respondents who have service type businesses consist of 22 respondents or 22.0 %.

Table 4.
Multiple Linear Regression Test Results

	B	Std. Error	Beta	t	sig
(Constant)	,163	1,490		,109	,913
Tax Rates	,405	,131	,277	3,101	,003
Understanding Taxation	,394	,106	,289	3,724	,000
Tax Sanctions	,702	,143	,489	4,898	,000
Modernization of the Tax Administration System	,252	,108	,206	2,334	,022
Tax Socialization	,403	,175	,227	2,300	,024

Dependent Variable: Taxpayer Compliance

The constant of 0.163 states that if the independent variable influences the dependent variable, then the average value of taxpayer compliance is 0.163 . The tax rate regression coefficient of 0.405 states that every increase of one unit of the tax rate variable by 100% (assuming that the coefficient values of other variables remain constant or unchanged) will increase taxpayer compliance by 0.405. The tax understanding regression coefficient of 0.394 states that every increase of one unit of the tax service quality variable by 100% (assuming that the coefficient values of other variables remain constant or unchanged) will increase taxpayer compliance by 0.394.

The regression coefficient of tax sanctions of 0.702 states that every increase of one unit of the tax sanction variable by 100% (assuming that the coefficient values of other variables remain constant or unchanged) will increase taxpayer compliance by 0.702. The regression coefficient of modernization of the tax administration system of 0.252 states that every increase of one unit of the income level variable by 100% (assuming that the coefficient values of other variables remain constant or unchanged) will increase taxpayer compliance by 0.252. The regression coefficient of tax socialization of 0.403 states that every increase of one unit of the tax

socialization variable by 100% (assuming that the coefficient values of other variables remain constant or unchanged) will increase taxpayer compliance by 0.403.

Table 5.
Results of the Significance Test of Individual Parameters (t-Test)

Hypothesis	Beta	t	Sig.	Information
Tax Rates	0.405	3,101	0.003	H ₁ accepted
Understanding Taxation	0.394	3,724	0,000	H ₂ accepted
Tax Sanctions	0.702	4,898	0,000	H ₃ accepted
Modernization of the Tax Administration System	0.252	2,334	0.022	H ₄ accepted
Tax Socialization	0.403	2,300	0.024	H ₅ accepted

Table 5 explains that tax rates have a positive and significant effect on taxpayer compliance. Thus, the first hypothesis (H1) is accepted. Tax understanding has a positive and significant effect on MSME taxpayer compliance. Thus, the second hypothesis (H2) is accepted. This means that tax sanctions have a positive and significant effect on MSME taxpayer compliance . Thus, the third hypothesis (H3) is accepted. Modernization of the tax administration system has a positive and significant effect on MSME taxpayer compliance. Thus, the fourth hypothesis (H4) is accepted. Tax socialization has a positive and significant effect on MSME taxpayer compliance. Thus, the fifth hypothesis (H5) is accepted.

DISCUSSION

According to Cahyani & Noviyari (2019), the tax rate is a percentage used as the basis for calculating the amount of tax payable by taxpayers. The final rate currently charged to MSMEs is 0.5%. The primary goal of implementing this rate reduction is to ensure fairness and motivate MSMEs to consistently fulfill their tax obligations. Tax rates imposed on taxpayers fairly and not burdensome can motivate taxpayers to pay taxes in accordance with the regulations, this is related to *normative belief in the Theory of Planned Behavioral* where a person's opinion or rules are expected to be approved and increase a person's motivation in carrying out their obligations.

Cahyani & Noviyari (2019) found that tax rates have a positive effect on MSME taxpayer compliance. Research by Dewi et al. (2020) found that tax rates have a significant positive effect on MSME taxpayer compliance. Sunaryo et al. (2020) defined tax understanding as understanding and thoroughly comprehending everything related to taxes and being able to explain what one already understands to others. Among MSME taxpayers, those with a high level of tax understanding have a significant impact on compliance in carrying out their tax obligations (Cahyani & Noviyari, 2019). This theory influences taxpayers' understanding of their intentions in carrying out their tax obligations. A high level of understanding can encourage taxpayers to fulfill and implement their taxes in accordance with applicable regulations. The higher the level of tax understanding, the higher the taxpayer's compliance.

Cahyani & Noviyari (2019) found that understanding taxation has a positive effect on MSME taxpayer compliance. Tax sanctions are regulations enforced to ensure taxpayer compliance in fulfilling their tax obligations. Tax sanctions are used to prevent taxpayers from violating tax laws. Therefore, it is important to understand tax sanctions for taxpayers to understand the legal consequences and what to do or avoid (Hasanah et al., 2019). Cahyani & Noviyari (2019), Tax sanctions have a positive influence on MSME taxpayer compliance. This result is supported by research conducted by Putri and Nurhasanah (2019) which states that tax sanctions have a positive and significant effect on MSME taxpayer compliance . Modernization of the tax administration system is a program of system development in taxation carried out by related agencies that aims to increase tax revenue in a country. Changes in the mindset and behavior of tax officials as well as organizational values so as to create the Directorate General of Taxes as

a professional institution and a good work image in the community is one of the goals of this concept. (Yunita, 2017)

Based on *the Theory of Planned Behavior*, modernization of the tax administration system is related to *normative belief*, namely the belief that there are expectations from others and the motivation to meet those expectations. Research conducted by Risa and Sari (2021) found that modernization of the tax administration system has a positive and significant impact. This is supported by research by Danamik (2021) and Ayem and Novitasari (2019), which also found that modernization of the tax administration system has a positive effect on taxpayer compliance among MSMEs. Tax socialization has a positive and significant effect on MSME taxpayer compliance. Therefore, the fourth hypothesis (H5) is accepted. Tax socialization is an effort aimed at providing information on all matters related to taxation so that the public knows and understands taxation, thus influencing increased taxpayer compliance (Wardani and Wati, 2018).

CONCLUSION

Rates have a positive and significant effect on MSME taxpayer compliance. Tax understanding has a positive and significant effect on MSME taxpayer compliance. Tax sanctions have a positive and significant effect on MSME taxpayer compliance. Modernization of the tax administration system has a positive and significant effect on MSME taxpayer compliance. Tax socialization has a positive and significant effect on MSME taxpayer compliance.

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