TAX COMPLIANCE FOR MSMES CULINARY INDUSTRY: INFLUENCING FACTORS ANALYSIS

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ABSTRACT
Business activities carried out by the community are inseparable from national development. MSMEs as a community forum in running a business, have a very influential role in the distribution of people's income. The government pays more attention to MSMEs, especially in developing and funding MSMEs. With the running of MSMEs, people's income will immediately increase, in line with the taxation that follows MSME income.Taxes are state revenues that are highly calculated as a source of state financing. By adhering to self-assessment, MSME actors as taxpayers carry out their own tax calculations, payments and reports. This study used MSME actors in Central Java as a sample using data collection methods through questionnaires, observations and interviews. Purposive sampling was used in determining the sample until 100 respondents were fulfilled. In this study, a sample of 100 MSME actors in Central Java was taken. Regression analysis is used in data processing. The results showed that the tax amnesty variable had no significant effect on taxpayer compliance, while the tax understanding and tax administration services variables had a significant effect on tax compliance.

Keywords: Tax Amnesty, Tax Knowledge, Fiscal Services Quality, Compliance, MSMEs

INTRODUCTION

State development requires substantial funds and high complexity. Sources of state funding can come from tax revenues, natural resources, customs, profits from State/Regional Owned Enterprises, and other sources. Based on BPS data in 2023 it is stated that out of a total of 2,435,867.10 (billion Rupiah) of state revenue, there are 1,924. 937.50 (billion Rupiah) comes from tax revenue. This means that the state relies on taxes as a source of state revenue.

In Indonesia, the taxation system is carried out using a self-assessment system, in which taxpayers have the freedom to calculate, pay and report their own taxes. Taxpayers are required to act honestly in their taxation activities. As MSMEs, apart from being honest in terms of taxation activities, they are also required to be able to understand tax procedures for their business results. The government pays more attention to MSMEs, both by approaching and socializing related to taxation activities. This is done because taxes have a very important role as the main source of state revenue, therefore the implementation of taxation is highly regulated in order to maintain state revenue (Lianty et al., 2017).

In his research, Suyanto & Yahya (2016) states that taxes are the largest source of state revenue so that various ways to make income from the tax sector successful are carried out by the government. Innovations that have been made by the government include the sunset policy and tax amnesty programs. Because there are still many people who have not complied with paying taxes, the government issued a new policy known as tax amnesty. According to Rahayu (2017) Tax amnesty is the elimination of taxes that should be owed through disclosing assets and paying redemption debts so that they are not subject to tax administration sanctions and criminal sanctions in the field of taxation as stipulated in Law Number 11 of 2016 concerning Tax Amnesty. The Indonesian government needs to provide tax amnesty to taxpayers because tax amnesty is the property of the citizens themselves, both citizens who live in the country and who live abroad, both those who have an NPWP and those who do not have other assets other than those already registered. reported in the annual tax return.

In addition to the tax amnesty, the government is trying to improve tax compliance for MSMEs by conducting socialization of tax regulations and tax procedures so that MSMEs have a good knowledge of taxation. Knowledge of taxation is related to the information owned by taxpayers about taxation. This information can be used as a basis for making decisions. In addition, through knowledge of taxation, certain actions or strategies in relation to the implementation of tax rights and obligations may vary. Sari & Fidiana (2017) With knowledge and insight about taxation, taxpayers will have a willingness to pay taxes.

The government always tries to provide an approach to MSMEs. This approach is carried out by the Directorate General of Taxes (DGT) at the forefront through tax authorities. It is hoped that the skills and competence of the tax authorities in serving MSMEs will motivate MSMEs to consciously comply with taxation.

Many studies provide different conclusions from other studies. Sari & Fidiana (2017) conclude that tax amnesty and tax's knowledge has a positive effect on taxpayer compliance. Meanwhile, Alfiyah & Latifah (2017) states that tax amnesty has a significant positive effect on compliance. Lianty et al. (2017) find that knowledge of taxation and authorities' services has a significant effect on individual taxpayer compliance. In line with research, Murti et al. (2014) states that tax authorities have an effect on individual taxpayer compliance. But, research by Sari & Fidiana (2017) states that tax authorities have no influence on taxpayer compliance.

The research focus that distinguishes this research from previous research is that this research examines the factors that influence tax compliance, where the factors tested are factors related to government policies in supporting tax compliance itself. For example, the tax amnesty program launched by the government has an impact on taxpayer compliance. Another factor is knowledge of taxation, in which the government plays a role in providing tax socialization to taxpayers, so that taxpayers have sufficient knowledge and this knowledge is in accordance with applicable laws. The last factor tested is the quality of tax authorities' services, where the tax authorities are government employees, who are responsible bureaucratically in providing services to taxpayers. Based on the phenomenon above, the researcher is interested in conducting research on culinary sector MSMEs in Central Java, related to their tax compliance. By examining the factors that influence tax compliance for MSMEs.

LITERATURE REVIEW

Agency theory relates to the solution of two problems occurring in the relationship between agency and management. The first problem is an agency problem occurred when (a) the expectations of the owner and agent are different and (b) the owner finds difficulty to verify whether the agents routinely do their tasks or not. The problem here is when the owner cannot verify that the agent has behaved appropriately. The second is when the owner and agent have different reaction to risk sharing. The problem is that the principal and his agent might prefer different actions due to differences in risk preferences. It might cause the agent or management to perform earnings manipulation through earnings management.

Agency theory analyzes and solves two problems that often occur in a relationship between principal (owner/stakeholders) and their agent (management). Based on this condition, it is required a good management system in the company called *Good Corporate Governance* (GCG). According to Rustiarini (2010) in Jeffrio (2011), aspects of Corporate Governance such as ownership, managerial, institutional ownership, independent commissionary part, and the number of audit committee members are seen as the accurate control mechanism to minimize conflict with the agencies.

According to Scott (2009), earning management is an action of management to choose the accounting policy from a certain standard for maximizing the prosperity and market value of the companies. Whereas the opinion of Schipper (1989), earnings management is

related to efforts to manage the income and profits for certain interests based on economic factors.

The main motivation for Real Earnings Management is timing of earnings management in which it is conducted any time during the accounting period. This manipulation of real activity is more difficult to detect because it cannot be distinguished from optimal business decision. Actions taken in the current period aimed at increasing this profit will have a negative effect on cash flow in the coming period. Production that exceeds the normal production results in excess inventory that should be sold in the next period and drives the high cost of maintaining inventory of the company.

Islam teaches human beings to balance their lives. One of balances meant by the Quran is balanced in finding provisions to reach the happiness of living in the world and hereafter. Therefore, Quran requires human beings to work. In a company work should be left to experts and work with their respective circumstances. Thus the managers must have the ability and must be precise in working in accordance with the content of QS.Al Isra':84.

> Say: "Each person does according to his own circumstances. Then your Lord knows who is more right in the way" (QS.Al Isra:84).

In carrying out his duties a manager should not be too arrogant in doing his work to avoid undesirable things. A manager in his job other than in accordance with ability must maintain the mandate given with full responsibility and must not betray as explained in the QS Al Anfal:27:

> "O you who believe, do not betray Allah and the Prophet (Muhammad) and (also) do not betray the mandates entrusted to you, while you know" (QS Al Anfal:27).

Manipulation of real earnings management activities is defined as management actions that deviate from normal business practices, which are carried out with the main objective to meet certain thresholds of targets determined based on the definition of Roychowdhury (2006). Rowchowdhury (2006) found evidence that companies provide price discounts to increase sales, engage in overproduction to reduce cost of goods sold an continue to control discretionary spending to increase margins. Based on the above, there are three ways to conduct Real Earnings Management activities, among others, by increasing sales, overproduction and reduction in descriptive costs.

Roychowdhury (2006) found a negative relationship between institutional ownership and real manipulation activities, debts, stock, account receivable, and growth opportunities are positively correlated with real activities manipulation and real activities manipulation is carried out to avoid negative annual estimation errors, managers increase profits to avoid reporting containing losses and estimation errors, companies that have small positive earnings reports and small positive estimation errors do earnings management through real activities.

Kinney & Wempe (2004) documented that the decision to adopt just-in-time (JIT) practices – fundamental operational decisions – is influenced by the relationship of the company's LIFO reserves with income average, debt agreements, and tax incentives. Mande et al (2000) documented a substantial reduction in R&D costs in Japanese companies during the 1990s recession. These companies, which have a reputation for long-term R&D vision, show behavioral signals of increased myopic income. Evidence shows that this cost cutting is a product of earnings management, not an optimal business decision.

Hribar et al (2006) investigated repurchase stock as a tool to increase earnings per share. While most earnings management studies focus on earning, these researchers have investigated whether managers increase EPS by decreasing the donominator (number of shares). They found an unexpectedly large number of share repurchase among companies that would have missed the EPS forecast without repurchase.

HYPOTHESIS

Tax Amnesty

The government seeks tax revenue by holding a Tax Amnesty program. Tax Amnesty is a program to increase tax revenue in the future through the disclosure of assets that have not been taxed or that have not been disclosed. After the disclosure, the taxpayer will pay a certain amount of tax. For taxpayers who have participated in the tax amnesty program, they will be excluded from tax audits and sanctions. In the Law of the Republic of Indonesia Number 11 of 2016 concerning Tax Amnesty, it is stated that Tax Amnesty is the elimination of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying ransom as stipulated in the Law.

The Tax Amnesty aims to accelerate economic growth and restructuring. Through assets disclosed and transferred back to Indonesia, it will have an impact on increasing domestic liquidity. Longer goals will lead to tax reform towards a fairer tax system. Strengthening the rupiah exchange rate and investment is also the objective of the tax amnesty. In addition, the tax amnesty will also expand a more valid, comprehensive and integrated tax database as a result of disclosures made by taxpayers. In the end, the tax amnesty is expected to increase tax revenues which among other things are used to finance development. With the Tax Amnesty, it is hoped that MSMEs can immediately play an active role in tax compliance.

According to Sari & Fidiana (2017) tax amnesty has several benefits. (1) Tax amnesty countries can increase the tax ratio. (2) for taxpayers who do not have a tax amnesty NPWP can avoid tax sanctions. (3) for tax officials, tax amnesty can increase tax revenues more optimally. The research results of (Sari & Fidiana, 2017) reveal that tax amnesty has a positive effect on tax compliance for taxpayers. The opposite results were expressed by Kusumaningrum & Aeni (2017) by testing a sample of individual taxpayers at KPP Pratama Pati, it was revealed that Tax Amnesty had no significant effect on tax compliance.

The government organizes a tax amnesty program with the broad aim that with the existence of a tax amnesty, it is hoped that there will be a more equitable tax system and more valid taxation. MSMEs are government stakeholders who immediately have a role in the economy in general. Tax amnesty is an attraction for MSMEs because with the existence of a tax amnesty, tax sanctions and taxes payable for MSMEs are abolished. This is what makes MSMEs interested in participating in the tax amnesty program. So according to the author, with the existence of a tax amnesty, MSMEs comply with taxation, because by complying with taxation, tax revenue will increase, and tax revenue will return to the community which will affect the economy in general, and this will benefit MSMEs.

H1: Tax Amnesty has a positive effect on tax compliance

Tax Knowledge

Taxpayer knowledge of tax regulations is a way for taxpayers to understand existing tax regulations (Hardiningsih, 2011). The tendency to be disobedient in paying taxes is usually owned by taxpayers who do not understand tax regulations. This is due to a lack of knowledge of the functions and objectives and mechanisms of taxation. Conversely, taxpayers who understand tax regulations will tend to comply in paying taxes. Taxpayers who have high tax knowledge understand the functions, objectives and mechanisms of taxation so that they will implement the rules that apply in the tax laws. Understanding and knowledge of tax regulations is in line with attribution theory. Attribution theory explains that understanding and knowledge are internal factors that will direct the perception of taxpayers in making decisions regarding taxpayer compliance behavior. Especially with regard to tax obligations.

Subarkah & Dewi (2017) revealed that tax knowledge has a positive effect on tax compliance, similar results were also expressed by Rajif (2012) who found that knowledge had a significant positive effect on SME entrepreneur tax compliance. The opposite results were expressed by Arisandy (2017) which revealed that tax knowledge had no significant effect on taxpayer tax compliance. Taxpayers are not affected by a high or low knowledge of taxation on the taxpayer's compliance to carry out taxation activities.

Knowledge of taxation is obtained from the delivery of tax information from the government to taxpayers. With the information conveyed properly, the taxpayer understands taxation

more and more. Taxpayers who understand taxation can calculate, deposit and report tax easily, and taxpayers are increasingly interested in fulfilling tax obligations because they feel that this is not difficult.

H2: Knowledge of Taxation has a positive effect on tax compliance

Fiscal Service Quality

Service quality is the level of service provided to taxpayers where taxpayers feel satisfied by meeting the minimum service standards (Hardiningsih & Yulianawati, 2011). Service quality is closely related to the mechanism of payment, deposit and tax reporting. This includes providing information on taxation. With the optimal quality of tax services provided by the tax authorities, it will increase the willingness to pay taxes, because taxpayers feel that they are given satisfactory service by the tax officials when dealing with matters related to taxation. This is in line with the theory of action, where the taxpayer will increase compliance in paying taxes if he gets quality service from the tax authorities, but the taxpayer will disobey paying taxes if the taxpayer is not given optimal service by the tax authorities.

(Elina et al., 2018) revealed in her research that the quality of tax authorities' services has a significant positive effect on tax compliance, service quality is measured through five indicators, namely: 1. Physical Evidence (Tangibles) Physical evidence regarding the attractiveness of physical facilities, equipment and personnel. 2. Reliability Reliability relates to the ability of the tax authorities to provide accurate and reliable services. 3. Responsiveness Responsiveness relates to the willingness and ability of the tax authorities to assist taxpayers and respond quickly and accurately to their requests. 4. Guarantee (Assurance) Guarantee, namely the knowledge and ability of tax authorities to make taxpayers believe. 5. Empathy Empathy means care and attention to help taxpayers sincerely.

There are difficulties in measuring the quality of tax authorities' services objectively, because quality can be measured through how the tax authorities act according to operating standards and the quality obtained from the extent to which service users are satisfied and their needs are met. It is hoped that with good quality tax authorities, service users or taxpayers will be satisfied with service needs, and with satisfaction, taxpayers will carry out their tax obligations.

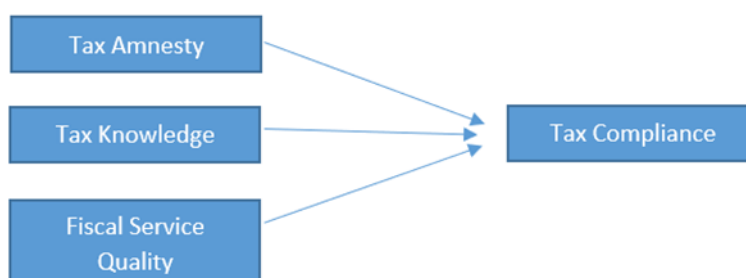**H3: Fiscal Service Quality has a positive effect on tax compliance**

Figure 1. Conceptual Framework

Source: Author Analysis, 2023

RESEARCH METHOD

This study uses a quantitative approach through regression analysis. The population is all MSMEs in Central Java. Sampling was carried out using a purposive method through certain criteria, namely MSMEs that have a turnover of over IDR 1 billion and below IDR 4.8 billion in one year. Apart from going through a questionnaire, observations and interviews were also carried out in this study. The data collection method in this study uses the method: Observation is a method that is carried out with rules to systematically examine

and record observations. The Interview method is a question and answer method between two parties, namely the interviewer and the informant to obtain data, information or opinions. Data collection techniques are carried out by providing a set of questions or statements to the subjects who are used as respondents. In this study, a sample of 100 MSMEs in Central Java was taken. The data analysis technique used is descriptive statistical analysis, reliability test, questionnaire results, and regression analysis. The distribution of questionnaires was carried out to determine the level of taxpayer compliance of MSMEs with their tax obligations and involved 97 respondents.

RESULTS

Based on testing using the regression test, the following test results can be submitted

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5,321	,551		- 9,659	,000
	Tax Amnesty	,046	,025	,125	1,833	0,006
	Tax Knowledge	,071	,024	,189	3,024	**0,002**
	Fiscus Service	,138	,022	,456	6,230	**0,000**

a. Dependent Variable: Tax Compliance

DISCUSSION

Effect of Tax Amnesty on Tax Compliance
Hypothesis test give the Tax Amnesty variable has a sig value. = 0.006, which means that this variable has a significant effect on taxpayer compliance. Then H1 is accepted, which means that taxpayer compliance can be affected by the existence of a tax amnesty.
Tax amnesty is an attractive program for taxpayers. Through tax amnesty, there is motivation for taxpayers to complete their tax obligations. The hope of getting relief and being free from examination and punishment makes taxpayers interested in participating in the tax amnesty program. However, there is still a need for further research whether after the program, taxpayers still carry out their tax obligations in full.

Effect of Tax Understanding on Tax Compliance
Hypothesis test give the Tax Understanding Variable has a sig value. = 0.002, which means that this variable has a significant effect on taxpayer compliance. Then H2 is accepted, which means that taxpayer compliance will increase when taxpayers have a better understanding of taxation.
Along with increasing knowledge of taxation, taxpayers become aware of every decision taken because they already know the benefits and sanctions of what is done and what is not done. Considerations for committing violations become more diverse so that taxpayers will tend to obey so that they are free from known sanctions. In addition, taxpayers are also more willing to carry out their tax obligations because of a better level of understanding of the tax function that taxes are for general development.

Effect of Fiscal Service Quality on Tax Compliance
Hypothesis test give the Fiscal Service Variable has a sig value. = 0.000, which means that this variable has a significant effect on taxpayer compliance. Then H3 is accepted, which means that the Fiscal Service variable has a significant effect on taxpayer compliance. The

services provided to taxpayers, in this MSME study will strengthen the understanding and desire of taxpayers to comply with their tax obligations. MSMEs need help in understanding taxes, which of course is provided by the tax authorities in the form of services. From the MSME side, they feel helped or given convenience in carrying out their tax obligations so that it will affect taxpayer compliance. When MSMEs get satisfactory service, there will be reciprocity in the form of implementing what is their obligation.

CONCLUSION

The results of the analysis and discussion regarding the variables that affect taxpayer compliance by MSMEs in order to answer the problem formulation in this study, it can be concluded that tax amnesty, understanding of taxes and fiscal services have a significant effect on taxpayer compliance. Through the right formulation of tax amnesty, understanding and service can be used to predict an increase in taxpayer compliance. This research has implications for the parties related to the implementation of tax obligations. For taxpayers in the culinary sector, MSME are expected to be able to increase compliance in carrying out their tax obligations by frequently participating in training and socialization organized by the Directorate General of Taxes (DGT), mainly through independent training. For the government, it can make efforts to encourage tax compliance for MSMEs as taxpayers, by increasing socialization, training, and increasing the competence of tax authorities. Suggestions for future research are to broaden the scope of the research sample, not just MSMEs in the culinary sector, but it is suggested to broaden the sample coverage for the types of MSME sectors, both MSMEs in production and services. The limitation of this research is that the research sample is only MSMEs in the culinary sector, where the educational level of MSMEs varies greatly, ranging from elementary school graduates to masters degrees (S2).

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