Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

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ABSTRACT

Tax extensification and intensification are one of the government's way of improving tax revenue. Therefore, revenue officers are required to be active, as well as the taxpayers' awareness and willingness. The deficiency of willingness to pay taxes is inseparable from the lack of knowledge, understanding, service, and financial condition of taxpayers and is one of the factors that hinder taxpayer awareness in carrying out their tax obligations. This study aims to analyze the effect of tax awareness, knowledge and understanding of taxation rules, service quality, and financial conditions on the taxpayer readiness of individual income taxpayers. The population used in this study are the taxpayers of BOLU Online Business Community SMEs. The sample used was 100 respondents. The result of this study indicates that the awareness of paying taxes and the quality of service do not significantly influence the willingness to pay taxes. In contrast, knowledge and understanding of tax regulations and financial conditions have a positive influence on taxpayers' willingness to pay.

Keywords: tax awareness, knowledge and understanding of taxation rules, service quality, financial conditions, MSMEs, and GR No.23 of 2018

INTRODUCTION

Tax is the central source of internal revenue. Without taxation, the country is unable to develop well and smoothly. Most of the state revenue sources contained in the State Budget (APBN) come from taxes. This is evident in the realization of tax revenue in 2018, according to the revised state budget of 2018, the total tax revenue reached Rp.1, 315.9 trillion or grew by 14.3%. This tax growth is the highest revenue since 2012. The tax ratio also reached 11.5% of Gross Domestic Revenue (GDP), which increased by 0.8% from 2017. With the improved tax revenue, the tax
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

ratio experienced a significant improvement in just a year (https://www.kemenkeu.go.id).

To overcome these problems, the government through the Directorate General of Taxes since July 2013 issued Government Regulation (GR) No 46 of 2013 concerning tax regime from on business income of individual with a certain gross turnover was amended to Government Regulation (GR) No. 23 of 2018 which has been in effect since July 2018. Indirectly, the intended target of this Government Regulation is MSMEs, both individuals, and entities, except for permanent business entities that have gross circulation not more than Rp.4.8 billion.

Therefore, the writer wants to analyse the factors that influence the taxpayer's willingness to pay taxes after the enactment of Government Regulation No.23 of 2018 in the BOLU Online Business Community. The BOLU Community (Belajar Online Yuk!) is a community and place for online learning to maximize and develop its members' business. The BOLU community was established in 2014 and today has more than 3,000 members and alumni who have successfully developed their online business.

Based on Act 1 Number 16 of 2009, Tax is a mandatory contribution to a state owed by a personal or corporate taxpayer whose nature is coercive under the law by not getting a direct reward and is used for the country's needs for people's prosperity. Whereas according to Law article 1 Number 16 of 2009, the taxpayer is an individual or entity, including taxpayers, tax-cutters, and tax collectors, who have taxation rights and obligations per tax legislation's provisions.

In law Number 20, 2008, Article 1 in Chapter I, it is stated that microenterprise (MIE) is a productive business independently owned by a person or a business entity fulfilling the criteria of MIE. Small enterprise (SE) is a stand-alone productive economic enterprise undertaken by a person or a business entity that is not a subsidiary or not a branch of a medium enterprise (ME) or a large enterprise (LE) that meets the SE criteria. While medium enterprise is a stand-alone productive economic enterprise undertaken by a person or a business entity that is not a subsidiary or not a branch of a SE or a LE with the number of net assets or annual sales as stipulated in the Act. Last, large enterprise (LE) is a business owned by a business entity with a net worth or annual sales greater than a medium business.

Tax willingness is a value that is willing to be conditioned by someone (stipulated by the regulations) that is used to finance general state expenditures by not obtaining direct service (contra-performance) directly (Widayati and Nurlis, 2010).
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

Tax awareness can be interpreted as a form of moral attitude by providing a contribution to the state to support the country's development and seeks to comply with all regulations that have been set by the state that can be forced on taxpayers. The important indicators in raising awareness among taxpayers are by creating taxpayers' positive perceptions about their tax obligations, studying the characteristics of taxpayers, increasing taxpayers' knowledge of taxation, and apprising taxation to taxpayers (Suryadi, 2006).

Tax knowledge is the process of changing an individual or group of taxpayers' attitudes and behavior in hopes of maturing humans through teaching and training efforts. Public’s knowledge of tax regulations through formal and non-formal education will have a positive impact on taxpayer awareness to pay taxes, such as counseling or tax socialization. Meanwhile, taxpayers' understanding of taxation regulations is a way for taxpayers to understand existing taxation regulations. Taxpayers who are unable to understand tax regulations tend to be disobedient. The more taxpayers understand the tax regulations, the more aware they are of the sanctions they would receive if they neglect their tax obligations. If the taxpayers truly understand, they would know about tax returns and taxpayer identification number's administrative and criminal sanctions.

Excellent service is one of the factors in creating customer satisfaction. A service is said to be good if the business is running as expected. Service quality is a service that can provide satisfaction to customers but remains within the limits of service standards that can be accounted for and must be carried out continuously (Hardiningsih, 2011). When the taxpayers are satisfied with the services provided, then they will tend to pay taxes obligation according to the regulations applied. If the tax provisions are simple and easily understood by the taxpayers, the taxation services on their rights and obligations can be effective and efficient. Thus, the taxation information system and reliable human resources quality will result in better taxation services.

A person's financial condition may positively or negatively affect their willingness to meet their tax provisions regardless of the taxpayer's perception of tax services’ quality and compliance behaviour. Someone who is experiencing financial difficulties would feel depressed when they are required to pay their obligations including taxes (Torgler, 2003). Blomquist (2003) identified that financial pressure as a source of pressure for taxpayers and believes that individual taxpayers who have limited income might avoid paying taxes if their financial condition is severe because the family's expenditure is greater than income. This shows that regardless of the relationship between tax services’ quality perception and compliance behaviour, tax obligations compliance depends among other things, such as the individual's financial condition.
METHOD

This research used primary data in the form of a questionnaire filled out by the respondents. Primary data sources in this study were given directly to the respondents. The population in the research is the MSMEs of BOLU Online Business Community and 100 taxpayer respondents' samples are taken.

From the total population obtained, this study will take a sample using the Simple Random Sampling technique, because of the ease in obtaining the data needed.

For the data collection techniques in this research, the authors collected data through the distribution of questionnaires to MSMEs Taxpayers with the measurement method used to measure respondents' opinions is the 5-point Likert scale.

The conceptual framework illustrated to explain the thought process in the research is:

Based on the picture above, the problem that will be addressed in this research is the taxpayer's high understanding of tax regulations that come from taxpayers compliance, then the taxpayers' compliance will be high and the state income from taxes will increase, so the hypothesis in this study is:

H1: Tax Awareness affects Willingness to Pay Taxes.
H2: Knowledge of Tax Regulations influences Willingness to Pay Taxes.
H3: Understanding of Tax Regulations affect Willingness to Pay Taxes.
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

H4: Service Quality affects Willingness to Pay Taxes.
H5: Financial conditions influence Willingness to Pay Taxes.

RESULT AND DISCUSSION

Table 1. Regression Coefficient Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>0.727</td>
</tr>
<tr>
<td>Tax Awareness</td>
<td>-0.103</td>
</tr>
<tr>
<td>Knowledge of Tax</td>
<td>0.218</td>
</tr>
<tr>
<td>Regulations</td>
<td>0.484</td>
</tr>
<tr>
<td>Understanding of Tax</td>
<td>0.023</td>
</tr>
<tr>
<td>Regulations</td>
<td>0.195</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Willingness to Pay Taxes

The table above is the coefficient result of the regression equation, thus to obtain the regression equation from the results of this research are as follows:

\[ Y = 0.727 - 0.103 X_1 + 0.218 X_2 + 0.484 X_3 + 0.023 X_4 + 0.195 X_5 \]

Based on the results of the regression equation, the multiple linear regression equation has a meaning, scilicet:

The constant value is 0.727 and has a positive sign indicating that if the five independent variables (awareness of paying taxes, knowledge of tax regulations, understanding of tax regulations, quality of tax services, and financial conditions) value is zero, then the value of paying tax remains fixed at 0.727%.

The regression coefficient value of tax awareness 0.103 and is negative, indicating that tax awareness is not aligned with the willingness to pay MSMEs taxes. This implies that for every 1% decrease in tax awareness, the willingness to pay taxes will decrease by 0.103% if the other independent variables of the regression model remain.

The regression coefficient value of tax knowledge understanding 0.218 and positive, indicating that the knowledge of tax regulations has a
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

direct relationship with the willingness to pay MSMEs taxes. This implies that every 1% increase in knowledge of tax regulations, the willingness to pay taxes will increase by 0.218% if the other independent variables of the regression model remain.

The regression coefficient value of understanding of tax regulations is 0.484 and has a positive sign, which indicates that understanding tax regulations has a direct relationship with the willingness to pay MSMEs taxes. This implies that every 1% increase in understanding of tax regulations, the willingness to pay taxes will increase by 0.484% if the other independent variables of the regression model remain.

The regression coefficient value of tax service quality is 0.023 and positive, indicating that the quality of tax services has a direct relationship with the willingness to pay MSMEs taxes. This implies that for every 1% of the quality of tax services, the willingness to pay taxes will increase by 0.023% if the other independent variables of the regression model remain.

The regression coefficient value of the taxpayer's financial condition is 0.195 and positive, indicating that the taxpayer's financial condition has a direct relationship to the willingness to pay MSMEs taxes. This implies that for every 1% of the taxpayer's financial condition, the willingness to pay taxes will increase by 0.195% if the other independent variables of the regression model remain.

**Significant Simultaneous Test Result (F-Test)**

If the F value > F statistic, then H₀ is rejected and Hₐ is accepted, and if the significant value is <0.05, then the independent variables together have a significant effect on the dependent variables (Ghozali, 2016).

Table 2. F-Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>13,736</td>
<td>5</td>
<td>2,747</td>
<td>25,142</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>10,271</td>
<td>94</td>
<td>,109</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>24,007</td>
<td>99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Willingness to Pay Taxes  
b. Predictors: (Constant), Financial Conditions, Service Quality, Tax Awareness, Understanding of Tax Regulations, Knowledge of Tax Regulations  
Source: Data processed by SPSS 25, 2019

Based on the F-Test Result Table above, it can be acquired that the value of the F_{value} > F_{statistic} is 25.142 > 2.31 and significant value of 0.000 < 0.05. Thus from this value, it can be concluded that tax awareness, knowledge of tax regulations, understanding of tax regulations, service quality, and financial conditions have a significant effect on the willingness
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018
Kumala
to pay MSME taxes.

**Partial Test Result (T-Test)**

If the significance level on the table is 1 > 0.05, the T calculated value < T statistic then H_A would be accepted and H_0 would be rejected, then there is no influence between the independent variables and the dependent variables (Ghozali, 2016). From the table can be concluded as follow:

Tax awareness has a negative effect on MSME's willingness to pay taxes. This is indicated by the level of significance value of 0.311 > 0.05, and the t_value of -1.109 < 1.660. Meaning, tax awareness has a negative effect or does not have a significant effect on the willingness to pay MSME taxes.

Knowledge of tax regulations has a positive effect on MSMEs' willingness to pay taxes. This is indicated by the level of significance value 0.042 <0.05, and t_value is greater than the t_statistic of 2.058> 1.660. That is, knowledge of tax regulations has a significant effect on the willingness to pay MSME taxes.

Understanding tax regulations have a negative effect on MSME's willingness to pay taxes, indicated by the level of significance value of 0,000 <0.05, and the t_value of 6.389> 1.660. That is, understanding tax regulations has a significant effect on MSMEs' willingness to pay taxes.

Service quality has a negative effect on MSMEs' willingness to pay taxes. This is shown by the level of significance value 0.762> 0.05, and the t_value is greater than the value of t_statistic by 0.304 <1.660, which means the quality of tax services does not significantly influence the willingness to pay MSME taxes.

The financial condition of the taxpayer has a positive effect on the willingness to pay tax on MSMEs. This is indicated by the level of significance value 0.008 <0.05, and the t_value is greater than the t_statistic of 2.718> 1.660, which means the taxpayer's financial condition has a significant effect on the willingness to pay MSME taxes.

**Coefficient of Determination Test (R^2)**

The coefficient of determination (R^2) measures how far does the model able to explain the dependent variables (Ghozali, 2016).

**Table 3. Coefficient of Determination Test Result (R^2)**

<table>
<thead>
<tr>
<th>Model Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode</td>
<td>R</td>
</tr>
<tr>
<td>1</td>
<td>.756</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Financial Conditions, Service Quality, Tax Awareness, Understanding of Tax Regulations, Knowledge of Tax Regulations</td>
<td></td>
</tr>
<tr>
<td>Source: Data processed by SPSS 25, 2019</td>
<td></td>
</tr>
</tbody>
</table>
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

From the table above, the coefficient of determination (R2) measures how far does the model able to explain the dependent variables (Ghozali, 2016). The coefficient of determination R² is obtained by 0.572 or (57.2%). This shows that the independent variables (tax awareness, knowledge of tax regulations, understanding of tax regulations, service quality, and financial conditions) can explain the effect of the dependent variables (willingness to pay MSMEs taxes) by 57.2% and the remaining 42.8% is influenced by other variables not included in this study.

Tax Awareness towards the Willingness to Pay MSME Taxes

The results of this study indicate that tax awareness does not significantly influence the willingness to pay taxes for MSMEs. Meaning that taxpayers do not understand their tax rights and obligations. However, this research is contrary to Permana's study (2015) which stated that taxpayer awareness has a significant effect on the willingness to pay taxes and the results of Sari's research (2017) that stated the same thing.

Knowledge of Taxation Regulations towards the Willingness to Pay MSME Taxes

The results of this study show that the knowledge of tax regulations has a significant effect on the willingness to pay MSME taxes. This means that if taxation knowledge is increasingly known among taxpayers, the willingness to pay taxes would also increase. The results of this study are in accordance with Sari (2017) knowledge of tax regulations has a significant effect on the willingness to pay taxes. But this study is in contrast with Permana’s finding (2015) that knowledge of taxation regulations does not significantly influence the willingness to pay taxes.

Understanding of Taxation Regulations towards the Willingness to Pay MSME Taxes

The results of this study reveal that understanding taxation regulations has a significant effect on the willingness to pay MSME taxes. Meaning that if the understanding of tax regulations is increasingly understood by taxpayers, the willingness to pay taxes would also increase. The results of this study are compatible with Sari (2017) knowledge of tax regulations has a significant effect on the willingness to pay taxes. In contrast, Permana (2015) stated that knowledge of taxation regulations does not significantly influence the willingness to pay taxes.

Service Quality towards the Willingness to Pay MSME Taxes

The results of this study indicate that the service quality does not significantly influence the willingness to pay MSME taxes. This proves that taxpayers have not experienced adequate services yet so there is no
Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

willingness to pay taxes. The results of this study are in harmony with Sari's research (2017) which stated that the quality of tax services does not significantly influence the willingness to pay taxes. Whereas both Pancawati (2011) and Permana's (2015) research stated that the quality of services significantly positively affects the willingness to pay taxes.

Financial Conditions towards the Willingness to Pay MSME Taxes

The outcome of this study reveals that financial conditions significantly influence the willingness to pay taxes. This confirms that the taxpayer's financial condition influences their willingness to fulfill their tax obligations. Likewise, the study of Sulastri et al (2016) and Fitri's research (2017) also stated that financial conditions significantly influence the willingness to pay taxes.

CONCLUSION

Tax awareness does not significantly affect the willingness to pay MSME Taxes. This shows that taxpayers do not understand their tax rights and obligations yet.

The knowledge of tax regulations has a significant effect on the willingness to pay MSME taxes. This means that if taxation knowledge is increasingly known among taxpayers, the willingness to pay taxes would also increase.

Understanding of taxation regulations has a significant effect on the willingness to pay MSME taxes. Meaning that if the understanding of tax regulations is increasingly understood by taxpayers, the willingness to pay taxes would also increase.

Service quality does not significantly influence the willingness to pay MSME taxes. This proves that taxpayers have not experienced adequate services yet so there is no willingness to pay taxes.

Financial conditions significantly influence the willingness to pay taxes. This confirms that the taxpayer's financial condition influences their willingness to fulfill their tax obligations.

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Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

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Tentang PPh Atas Penghasilan Dari Usaha Wajib Pajak Yang Memiliki Peredaran Bruto Tertentu.


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Factors That Influence MSME Taxpayers' Willingness to Pay Tax After the Implementation of the Government Rules Number 23 of 2018

Kumala

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