

The Effect of Final Income Tax Incentives Rate on the Reporting of PMK 44/2020 Realization Letter

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Research Paper
Financial Management

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Abstract

Tax incentives are one of the government's responses to the impact of the COVID-19 pandemic on businesses, and one of the businesses affected by this pandemic is MSMEs. Therefore, this study aims to determine the effect of final income tax incentives borne by the government following PMK No.44/2020, the effect of tax incentives in the form of ease of calculating income tax payable, and the effect of tax incentives in the form of ease of reporting income tax payable to compliance with the reporting of PMK realization letter No.44/2020. This study used primary data by distributing questionnaires to MSMEs in Dramaga Bogor Regency. The data collection method is done by disseminating questionnaires, interviews, and observations. Based on the results of the study, the authors concluded that the final income tax incentive in the form of tax borne by the government has no direct effect, while the tax incentive in the form of ease of calculating income tax payable and tax incentives in the form of ease of reporting income tax directly affects the compliance of PMK reporting No.44/2020.

Received: 10 Nov 2021
Accepted: 13 Feb 2022
Online: 16 Feb 2022

Keywords:

Tax Incentives, MSMEs, PMK No.44/2020, COVID-19



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DOI: <https://doi.org/10.36407/jmsab.v5i1.455>

Jurnal Manajemen Strategi
dan Aplikasi Bisnis,
Vol 5, No. 1, 2022,
pp. 33 - 42
eISSN 2655-237X



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INTRODUCTION

Indonesia is one of the developing countries that obtained most of their state revenue from the taxation sector. The income obtained from the taxation sector is used for development in various fields for the purpose of social welfare. Tax is a mandatory contribution to the state that is owed by an individual or entity that is coercive under the law, without receiving direct compensation and is used for the needs of the state for the greatest prosperity of the people (Directorate General of Taxes). Taxes are an important fiscal part of the government. Final income tax is one part of the taxation sector that must be paid by individual taxpayers or corporate taxpayers on the income they receive and this tax is only deductible once in one tax period.

Micro, small and medium enterprises (MSMEs) are trading businesses that are managed by individuals following the productive economic enterprises criterias stipulated by Law Number 20 of 2008. The existence of MSMEs has a significant contribution to the Gross Domestic Product (GDP). The development of MSMEs has shown a rapid growth causing more and more people to be interested in starting and owning their own business. MSMEs have a role that is quite influential on the development of Indonesia's economic movement because it helps to move economic wheels, helps reduce unemployment, and boosts people's creativity in making innovative and unique businesses to attract buyers. This could be seen in MSMEs located in the Dramaga area, Bogor Regency, that consist of businesses in various fields such as food, beverages, clothing, accessories, household appliances, and beauty products. The rapid growth of MSMEs in the Dramaga area is mostly due to its strategic location, which is in an environment with traditional markets that facilitate public access to visit these MSMEs. The contribution of MSME actors in economic movements is not always directly proportional to their mandatory income tax compliance. The tax revenues from the MSME sector still does not represent the large number of MSME actors that are supposed to give large contribution to the tax revenues.

There are three aspects that support taxpayers' compliance, namely calculating, paying and reporting. Firstly, the taxpayers calculate the amount of income tax that needs to be paid, which is the gross income obtained multiplied by the rate. The income tax rate imposed for MSME actors is 0.5% of the gross income earned. The income tax incentive policy for MSME actors is one of the fiscal facilities provided by the government to MSME actors to boost activities and advancement in MSME sector. The MSME tax incentive policy provides tax relief for MSME actors with a tax deduction of 0.5%. From the business side, the new tariff reduction is expected to stimulate the emergence of new MSME players and to provide financial space (business opportunities) by reducing the MSME cost burden so that it could be used in business expansion. (Rafika Sari, 2018).

The government encourages MSMEs to comply with their tax obligations by implementing several policies that encourage tax revenue, such as the provision for income tax payment rate for MSMEs. During the 2020 tax period, the majority of MSMEs experienced a decreased in income sales due to the Corona Virus Disease 2019 (COVID-19) pandemic and the implementation of large-scale social restrictions to prevent massive virus transmission which has impacted the community's economic activities. The government issued PMK No. 44 of 2020 to replace PMK No. 23 of 2020 which only mentions four sectors that are eligible to receive tax incentives. The updated PMK no. 44 of 2020 contains an addition of one sector, namely MSMEs, and gives tax incentives for

economic sectors affected by COVID-19 in order to reduce the taxpayers' economic burden. The tax incentives for MSMEs are in the form of Income Tax 23 or Final Income Tax Borne by Government for the period of April to September 2020. Based on PMK no. 44 of 2020, the eligible sectors are only required to report the realization of the tax. These incentives can be submitted online through the official website of the Indonesian Directorate General of Taxes at www.pajak.go.id.

Final Income Tax Borne by the Government consists of the income from business obtained by a Taxpayer who has a certain gross turnover in accordance with the provisions as referred to in Government Regulation Number 23 of 2018, with subjected rate of 0.5% of the total gross turnover. Final income tax borne by the Government is not calculated as income subject to tax. Final Income Tax incentives borne by the Government are given from the April 2020 Tax Period to the September 2020 Tax Period

LITERATURE REVIEW

Tax Incentives

The provision of tax incentives is one of the government's efforts in dealing with the declining productivity of business actors due to the economic decline from COVID-19 outbreak, as an effort to attract business actors to continue their business activities. There is one additional incentive in PMK Number 44 of 2020, namely the 0.5% final income tax borne by the government for MSME actors. Thus, MSME taxpayers do not need to pay taxes. Tax collectors do not withhold or collect taxes when making payments to MSME actors (DDTCNews, May 2, 2020).

Tax incentives in the form of Government Borne Tax

MSME actors receive a 0.5% final income tax incentive in accordance with Government Regulation Number 23 of 2018 (PPh Final PP 23) which is borne by the government. Thus, MSME taxpayers do not need to pay taxes. Parties who transact with MSMEs also need not cut or collect taxes when making payments to MSME actors. MSME actors who wish to take advantage of this incentive do not need to submit a PP 23 certificate, but simply submit a monthly realization report.

Tax Incentives in the form of Ease of Tax Calculation

Ease of calculating taxes is one type of tax incentive provided by the government to MSME taxpayers. MSME taxpayers can calculate their own tax payable. This variable is measured by questions related to taxpayer perceptions regarding the ease of calculating income tax payable for MSME taxpayers.

Tax Incentives in the form of Ease of Tax Reporting

The ease of taxpayers to fulfill their tax reporting obligations is one of the factors that affect tax reporting compliance. In addition, the ease of administration of tax reporting is required in tax reporting.

Tax Reporting Compliance

Compliance in taxation is a condition where taxpayers exercise their rights and, most importantly, their obligations, in a disciplined manner according to the laws, regulations, and applicable taxation procedures. Tax compliance consists of three aspects, which are:

calculate, pay and report. Compliance consists of three aspects, namely count, report and pay. The enactment of Government Regulation No.23 of 2018 is expected to increase MSME taxpayer compliance because the rate used is only 0.5% and the reporting is easier. PMK No. 44 of 2020 is a government policy implemented to provide incentives for taxpayers affected by the COVID-19 outbreak. The issuance of policies by the government related to taxation aims to help increase and accelerate the flow of finance, goods and production so that they become stable and capable to survive the pandemic and help prosper all who receive the benefit from this policy (Aswin Padyanoor, 2020).

METHODOLOGY

This study uses primary data obtained through questionnaires distributed to respondents. The sampling technique used in this study is purposive sampling, where the sample unit is selected based on certain considerations in order to obtain a sample unit that has certain criteria. The aim of this research is to analyze the effect of implementing the 0.5% final income tax (borne by the government) facility on the reporting compliance of PMK No.44/2020 realization letter at Dramaga UMKM, Bogor Regency. The criteria used in this study are:

1. Respondents are MSME taxpayers in the Dramaga area, Bogor Regency.
2. The income of MSME taxpayers is less than 4.8 billion Rupiah in one year.
3. Taxpayers have reported their own SPT and paid taxes at least once, so they have experience in calculating, reporting and paying taxes.

Measurement

The reporting compliance variable is measured by the following indicators: the taxpayer registered as a taxpayer from his own will and awareness, the taxpayer fills out the tax form completely and clearly, the taxpayer reports the SPT on time every month, and the taxpayer performs tax calculations carefully and thoroughly.

Income Tax Incentives

The provision of tax incentives is one of the fiscal facilities provided by the government to MSME actors which is aimed to advance MSME sector activities. The tax incentive variable is measured by the following indicators: the implementation of tax incentives provides increased compliance for MSME taxpayers, the implementation of tax incentives provides benefits in the form of convenience in reporting SPT for MSME actors, ease of applying for PMK No.44/2020 incentives through the www.pajak.go.id website, MSME taxpayers' understanding in submitting PMK No.44/2020 incentive realization report.

Income Tax Calculation

The income tax calculation variable is measured by the following indicators: the MSME taxpayer is able to calculate the income tax payable and the MSME taxpayer knows the MSME income tax rate of 0.5%.

Income Tax Reporting

The income tax reporting variable is measured by the following indicators: MSME taxpayers report SPT on time, MSME taxpayers must submit a realization report to the Directorate General of Taxes and apply for government income tax incentives through www.pajak.go.id.

RESULTS AND DISCUSSION

Outer Model Analysis

From the collected data, the validity test was carried out by looking at the *loading factor value* which is the output of SmartPLS. Several indicators in the questionnaire were found to be invalid which are then excluded from the measurement. According to Ghozali (2008), for early stage research, measurement scale with loading value of 0.5 to 0.6 is considered to be sufficient. Income Tax Incentives) are used in this study. Indicators IP 1, IP 3, IP 5 and IP 7 were excluded because the loading factor value was below 0.5. This is because not all respondents felt that the PMK no. 44/2020 relieved the tax obligations of MSME taxpayers since not all respondents find it difficult to access information regarding PMK no. 44/2020. Not all MSME actors take advantage of the 0.5% government-borne tax incentive because respondents do not understand the registration process to apply for this incentive. Not all indicators of the Income Tax Calculation variable are used in this study.

The PP 3 and PP 9 indicators were excluded because the loading factor value was below 0.5. Similarly, not all indicators of the Income Tax Reporting variable were used in this study. The PPH3 indicator was excluded because the loading factor value was below 0.5. Lastly, not all indicators for the PMK No.44/2020 Reporting Compliance variable are used either, the PELAB 5, PELAB 8 and PELAB 10 indicators were excluded because the loading factor value is less than 0.5. From the table above, it can be concluded that the indicator variable has met the criteria as a valid enough indicator to represent each variable it represents.

Table 1.
Convergent validity

Variable	Indicator	Loading factor	Validity
Income Tax Incentives (X1)	IP3	0,705	VALID
	IP4	0,664	VALID
	IP6	0,660	VALID
	IP8	0,710	VALID
	IP9	0,743	VALID
	IP 10	0,839	VALID
Income Tax Calculation (X2)	PP1	0,770	VALID
	PP2	0,706	VALID
	PP4	0,718	VALID
	PP5	0,803	VALID
	PP6	0,700	VALID
	PP7	0,789	VALID
	PP8	0,677	VALID
	PP10	0,629	VALID
Income Tax Reporting (X3)	PPH1	0,675	VALID
	PPH2	0,811	VALID
	PPH4	0,757	VALID
	PPH5	0,775	VALID
	PPH6	0,831	VALID

	PPH7	0,691	VALID
	PPH8	0,750	VALID
	PPH9	0,611	VALID
	PPH10	0,746	VALID
Reporting Compliance of PMK No. 44/2020 (Y)	PELAB 1	0,739	VALID
	PELAB 2	0,767	VALID
	PELAB 3	0,545	VALID
	PELAB 4	0,676	VALID
	PELAB 6	0,686	VALID
	PELAB7	0,783	VALID
	PELAB 9	0,780	VALID

Source: Data processed using SMARTPLS

Average Variance Extracted (AVE)

The AVE value of all variables exceeds 0.5. Therefore, there is no convergent validity problem in the model to be tested. This supports the previous test result which showed that the variables used have a high level of reliability. This means that all variables in the estimated model meet the criteria for good variable validity.

The table 2 shows that the value of the loading factor of each indicator on the construct is greater than the value of the cross loading. Thus, there is no discriminant validity problem in the formed model. It can be concluded that the 3 variables have met the validity criteria. The reliability test is also strengthened by looking at the Cronbach alpha value. Based on Table 4.8, the Cronbach alpha value for all variables exceeds 0.5, which means that all indicators used in this study are reliable. From the table above, it could be concluded that all observed variables that represent X1, X2, X3 and Y are reliable. The composite reliability (CR) value in the table above is >0.50, this indicates that there are no reliability problems found in the model formed.

Table 2.

Discriminant validity

	AVE	CA	CR	X1	X2	X3	Y
X1	0,522	0,817	0,867	0,722			
X2	0,528	0,871	0,899	0,576	0,726		
X3	0,550	0,897	0,916	0,703	0,692	0,741	
Y	0,511	0,842	0,879	0,58	0,741	0,73	0,715

Source: Data processed using SMARTPLS

Hypothesis Testing and Discussion

Hypothesis H1 questioned whether income tax incentives in the form of final income tax borne by the government payable as regulated in PMK No.44/2020 has an effect on the reporting compliance of PMK No.44/2020 realization letter. The relationship between tax incentives in the form of taxes borne by the government (X1) on PMK Reporting no.44/2020 has a t-statistic result of $0.463 < 1.96$, which means that the income tax incentives in the form of taxes borne by the government has no direct positive effect on reporting compliance of PMK No.44/2020 realization letter. This could be because there are not many MSME actors in Dramaga who use this tax incentive facilities. One of the

underlying factors is that MSME taxpayers do not have any information about tax incentives in the form of taxes borne by the government and the lack of socialization from the government to MSME actors as one of the targets of the PMK No.44/2020 policy.

Table 3.

Hypothesis Testing

	Std. Deviation	T statistic	P value
X1 -> Y	0,113	0,463	0,643
X2 -> Y	0,191	2,329	0,020
X3 -> Y	0,179	2,159	0,031

Hypothesis H2 questioned whether income tax incentives in the form of ease of calculating income tax payable as regulated in PMK No.44/2020 has an effect on the reporting compliance of PMK No.44/2020 realization letter. The relationship between tax incentives in the form of ease of calculating income tax (X2) on reporting compliance of PMK No.44/2020 (Y) has a t-statistic result of 2,329 > 1.96, which means that tax incentives in the form of ease of calculating income taxes has a direct positive effect on reporting compliance of PMK No. 44/2020 realization letter. The results of this study are in line with the results of previous research conducted by Nurul Aisyah Rachmawati, Rizka Ramayanti (2016) which states that the calculation variable has a positive effect on taxpayer reporting compliance.

Hypothesis H3 questioned whether income tax incentives in the form of ease of reporting income tax payable as regulated in PMK No.44/2020 has an effect on the reporting compliance of PMK No.44/2020 realization letter. The relationship between tax incentives in the form of ease of reporting income tax (X3) to reporting compliance of PMK No.44/2020 (Y) has a t statistic of 2.159 > 1.96, which means that tax incentives in the form of income tax reporting has a direct positive effect on reporting compliance of PMK No. .44/2020. The results of this study are also in line with previous research conducted by Nurul Aisyah Rachmawati, Rizka Ramayanti (2016) which states that the reporting variable has a positive effect on taxpayer reporting compliance.

CONCLUSION

Tax incentives in the form of taxes borne by the government for MSME actors do not have a direct effect on reporting compliance of PMK No.44/2020 realization letter. The reason for this could be because there are not many MSME actors in Dramaga who take advantage of this tax incentive facilities. One of the underlying factors is that MSME taxpayers do not have any information about tax incentives in the form of taxes borne by the government and the lack of socialization from the government to MSME actors as one of the targets of the PMK No.44/2020 policy. Tax incentives in the form of ease of calculating taxes for MSME actors has a direct and positive effect on reporting compliance of PMK No.44/2020 realization letter. Finally, tax incentives in the form of ease of tax reporting for MSME actors has a direct and positive effect on reporting compliance of PMK No.44/2020 realization letter.

Based on the results and conclusions of the above study, a number of suggestions that can be given to the next researchers are as follows: (1) new variables may be added

that could represent other factors that affect compliance with reporting PMK No.44/2020. (2) Research area may be expanded into other areas. (3) New references may be chosen for the questionnaires such as latest questions or statements relevant to the situation and economic conditions that occur. (4) Respondents' knowledge on PMK no.44/2020 may be added. (5) Different characteristics of MSME actors may be highlighted so that there is no bias in filling out questionnaires. (6) Business fields of MSME actors may be specified and explored further

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Competing interests

The authors declare that they have no competing interests

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