

# ANALYSIS OF TAXPAYER COMPLIANCE IN PAYING SME INCOME TAXES USING ONLINE PLATFORMS IN THE COVID-19 ERA AND THE NEW NORMAL ERA

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## Abstract

World economies experienced instabilities and recessions following the COVID-19 pandemic, including Indonesia. Despite the onset of a 'new normal era', it is not yet known when Indonesia's economic condition will improve, this has a major impact on state revenues, especially taxes. There have been many efforts made by the Directorate General of Taxation, to provide tax facilities for the business community so that they can survive during this pandemic. This is a comparative study on the tax payment compliance of MSMEs in the COVID-19 pandemic era and the new normal era. Data collection in this research was through literature study and use of the questionnaire. The data analysis technique used to determine the correlative relationship in this study is the SEM (Structural Equation Modeling) technique. Results of the study show an overview of taxpayer compliance in paying MSME income taxes during the Covid-19 pandemic period and the new normal period. Another way Indonesia dealt with taxation in the Covid-19 pandemic and the new normal was to issue tax facilities that included income tax incentives such as tax exemptions/deductions for a certain period of time.

**Keywords:** Covid- 19, New Normal. Online Work, Small Medium Enterprises (SMEs), Tax Compliance.

## Introduction

Many countries experienced shrinking of their economies, an increase in spending budgets for handling Covid and addressing its economic impacts, but on the other hand state revenues, especially from taxation, experienced a sharp decline following the economic recession experienced. The Directorate General of Taxation (DGT) in Indonesia made many efforts to provide facilities to taxpayers, through Ministry of Finance Regulation (PMK) Number 23/PMK.03/2020, PMK Number 44/PMK.03/2020 and PMK Number 86/PMK.03/2020 concerning tax incentives for taxpayers affected by the Covid-19 pandemic. These incentives were in the form of tax relaxation for taxpayers affected by the Covid-19 pandemic, especially business taxpayers / MSMEs so that business actors can continue to

exist in the midst of a crisis as well as maintain awareness of taxpayers, especially MSMEs in fulfilling their tax compliance.

The role of taxes in the Indonesian economy is very important because taxes are people's contributions to the state treasury based on the law without receiving reciprocal services and are directly used to pay general government expenses (Mardiasmo, 2013:1). The Directorate General of Taxes (DGT) stated that tax revenues are expected to increase every year because this will greatly affect the State Revenue and Expenditure Budget (APBN) the percentage of domestic tax revenues range in the 2015 to 2019 was from 78% to 81% respectively. with inclusion of international trade tax revenues, the total state budget tax revenues range was from 74% to 83%, a fairly large amount of the total state budget revenues. The DGT took several

steps to increase tax revenues, one of which was a self-assessment system which is expected to facilitate taxpayers in carrying out their tax obligations. The system is also expected to increase taxpayer awareness. The DGT launched several programs that utilize technology to make it easier for taxpayers, they include E-System, E-Registration, E-Felling, E-SPT, and E-Billing. With the creation of an electronic annual notification letter (E-SPT), it is expected that taxpayers can submit their SPT online without having to come to the tax service office (KPP) (Directorate General of Taxes Regulation Number PER-02/PJ/2019).

It is important for taxpayers to know complete information about their rights and obligations as taxpayers, as well as the purpose of paying tax (Abbiati, Antinyan & Corazzini, 2020). The ease of paying taxes through the e-SPT feature is known to have a positive effect on taxpayer reporting compliance (Putu Rara and Ni Luh, 2015).

MSME owners as one of the taxpayers are growing in society so it is considered important to increase the awareness of MSME owners' taxpayers in carrying out their obligations. However, since the beginning of 2019, the Covid 19 pandemic has clearly had an impact on global economic conditions and has even resulted in the need for an economic stimulus (III et al., 2020). Indonesia also feels the impact of this pandemic in various aspects, one of which is the economy. An economic analyst, Widyar noted that the economic recovery process will take a longer time (Bambang Supriyanto, 2020, [Ekonomi.bisnis.com](http://Ekonomi.bisnis.com), accessed on April 28, 2020 at 20:20 WIB). Resolving these impacts requires the active role of all citizens, starting from efforts to reduce the number of cases of the Covid-19 pandemic to revitalizing economic conditions.

Many MSMEs in Indonesia are also feeling the impact in this pandemic era. Even this is considered to be able to trigger the decline of taxpayers in carrying out their tax obligations. Several regions in Indonesia are starting to enter the New Normal era, which is expected to restore the country's economic conditions. Moreover, MSMEs that were previously affected are expected to increase their income again so that the state will also get tax revenue from the MSME sector.

## Literature Review

Law Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 states that tax is a mandatory contribution to the state owed by an individual or entity that is coercive under the law, by law, without receiving direct compensation and being used for the purposes of the state for the greatest prosperity of the people. Tax is a contribution paid to the state by taxpayers who disperse their obligations according to applicable regulations without obtaining a return, which can be directly appointed for the purpose of financing general expenses related to the state's duty to administer the government (Wulandari and Emy, 2018). Taxes have an important role in the life of the state, especially as a source of financing and state development.

However, apparently there are several factors that can increase or hinder taxpayer awareness, including taxation awareness, service quality, individual taxpayer quality, taxpayer knowledge level, taxpayer economic level, as well as a good perception of the applied tax system (Rahayu, 2017). while the factors that hinder the awareness of taxpayers are: negative prejudice against the tax authorities, barriers from non-tax agencies, information about corruption that is getting higher, the feeling of little development, and the government's assumption is not transparent about the use of tax sector revenues.

Several previous studies have explained that there are several factors that can influence taxpayers' compliance to pay taxes (Sabil, Dwiyatmoko Pujiwidodo, and Amin Setio Lestingsih, 2018; Saiful Bahri Yossi Diantimala, M. Shabri Abd. Majid, 2018, Susmita & supadmi, 2016). According to Hunt (2018), the presence of tax software has significantly changed the way in which taxes are reported. Compared to using paper forms, tax software can help taxpayers in real time find out whether their tax obligations are overpaid or owed. In addition, the presence of tax software encourages taxpayers to be more obedient in their tax obligations (Hunt, 2018). It is proven in the research of Gusti and Endang in 2020, that the partial implementation of eSPT has a positive and significant effect on taxpayer compliance.

To maintain tax revenues in the midst of a recession, the Government has issued a policy of providing facilities through the Ministry of Finance Regulation (PMK) Number 23/PMK.03/2020, PMK Number 44/PMK.03/2020 and PMK Number 86/PMK.03/2020 concerning tax incentives for taxpayers affected by the Covid-19 pandemic. The same was also done in several other countries, such as in Vietnam and China which provided an extension of the payment period. Vietnam granted companies a five-month extension for the payment and reporting of Income Tax and Value Added Tax. Meanwhile, China extended the period for continuing losses from five years to eight years (Raphael J Heffron & Jack Sheehan, 2020).

The Governments of Laos and Bangladesh provided even greater relief by providing tax exemptions. Laos implemented an income tax exemption on employee salaries. Meanwhile, Bangladesh provided income tax exemptions and tax cuts for certain industries. The State of Myanmar also did the same, which provided a deferral of corporate income tax for certain sectors and the temporary abolition of advanced income tax on exports. Meanwhile, Thailand provided temporary reductions in tax cuts and deferral of corporate income tax payments for certain industries (Raphael J Heffron & Jack Sheehan, 2020).

Other information related to the taxation policies of various countries during the COVID-19 pandemic, included countries such as Japan, India, Korea and Vietnam, issuing policies in the form of applying for relief in the percentage of income tax, and accelerating restitution of certain taxable income. Similarly, Indonesia implemented a tax-intensive policy which reduced income tax rate by 30% and accelerating VAT refunds. Japan also provided direct donations in the form injecting funds for individual and corporate income taxes. In Indonesia, the donations given were in the form of exemption from tax levies, such as exemption from the collection of tax on imports and MSME entrepreneurs who were exempted from income tax.

Vietnam maintained a relatively strong economy in the midst of the COVID-19 pandemic, this was due to the Vietnamese government's response in dealing with the pandemic. Since March 2020, the Vietnamese

government disbursed funds amounting to US \$ 10.8 billion in the form of a corona stimulus package. Vietnam also provided aid worth US \$ 1.3 billion to companies to reduce their taxation burden and other costs to companies affected by the COVID-19 pandemic. The Vietnam Bureau of Statistics reported that the country's GDP growth in the third quarter of 2020 was 2.62%, an increase of 0.39% from the previous quarter. Meanwhile, in Indonesia, GDP in the third quarter of 2020 was -3.49%, decrease of 2.17% from the previous quarter.

## Methodology

The population in this study is MSMEs located in Karawang Regency, West Java, Indonesia. The data collection technique of this research was by literature study and questionnaires. The first part of the questionnaire was to determine whether the respondents can be included in the research sample or not. The requirements of the research sample, included having a Tax identification Number (TIN), and also being a MSME operating in Karawang Regency having a gross annual income of not more than 4.8 billion Rupiah.

In the second part of the questionnaire were questions to determine the condition of respondents' tax compliance in two periods, the COVID-19 pandemic period (April-June 2020) and the new normal era period from (July-October 2020). While the third part of the questionnaire was to determine the knowledge of respondents about taxes, including tax incentives, financial reports, tax offices, tax office service systems, and the tax system. Next, a normality test was carried out to determine whether the independent and dependent variables contribute normally or not, while in the classical test, a paired sample mean similarity test was performed, and a simple linear regression analysis technique was used to verify the hypothesis.

## Results

### Descriptive Analysis

Table 1 represents the value of taxpayer compliance over a given period. Based on the table, period I has a higher total value than period II.

Table 1. *Descriptive Statistics*

Question	Period		Total
	I	II	
P1	393	389	782
P2	371	361	732
P3	376	370	746
P4	372	370	742
P5	295	293	588
Total	1807	1783	

Period I marked the period when the pandemic had just widely spread in Indonesia, marked by the government making policies related to the pandemic, namely Large-Scale Social Restrictions (PSBB). Meanwhile, period II is the new normal period, which was marked by the termination of the PSBB policy, and the enactment of the new normal era.

Table 2. *Tax Knowledge*

No.		Score
P1	Understanding of Financial Statements	428
P2	Tax Terms	386
P3	Tax intensive for SMEs	371
P4	Tax system	381
P5	Information Regarding Tax Incentives	366
P6	Taking Advantage of Tax Incentives	357
P7	Perception with the tax office	404
P8	Trust in the tax office	395
P9	Trust in Government	392
P10	Transparency of Tax Usage	354

Table 2 represents the tax knowledge of the respondents. Based on the table, the respondents gave the highest score on questions regarding the understanding of financial statements. This is followed by a score for perceptions of the tax office. While the lowest score is on the question of the transparency on the use of taxes.

Table 3. *Research Data Analysis*

Test Statistics	
	New Normal Era - Pandemic Era
Z	-9.317b
Asymp. Sig. (2-tailed)	.000
a. Wilcoxon Signed Ranks Test	
b. Based on positive ranks.	

Based on the results of the paired sample mean test with the Wilcoxon test, the asymp significance (p-value) was obtained, sig. (2-tailed) is 0.000, because the result (p-value) is asymp. sig. (2-tailed) of  $0.000 < 0.05$ , then  $H_0$  is rejected and  $H_a$  is accepted, so it can be stated that there is a significant difference between the results in the pandemic era and the new normal era.

## Discussion

From the results of the study, it can be taken that the description of taxpayer compliance in paying MSME income taxes during the Covid-19 pandemic and the New Normal era experienced significant differences. In period I during the pandemic, the value of taxpayer compliance had a greater value than the period that followed, the New Normal era. This is in line with previous research, which noted that taxpayer compliance during the last five years did not increase, especially in 2020 during the pandemic period. Even in the new normal era, the level of taxpayer compliance was still incredibly low compared to the previous year (Akbar, 2020). Another study with similar results conducted in Jakarta noted that taxpayer compliance during the Covid-19 pandemic and the new normal era did not increase (Dewi et al., 2020).

However, in an effort to continue to increase the value of taxpayer compliance, the government issued a policy in the form of tax incentives on income tax for business actors. Tax policies during the COVID-19 pandemic in several countries, specifically Asia, were different from one country to another. Vietnam for instance, provided a five-month extension for companies to pay and report Income Tax and Value Added Tax. Thailand, Bangladesh and Myanmar provided temporary reductions in withholding tax and deferral of payment of corporate income tax for certain industries. China extended the period for continuing losses from five years to eight years. Meanwhile, Laos applied an income tax exemption on employee salaries. Not much different from other Asian countries, Indonesia also provided tax relief by providing tax facilities in the form of income tax incentives, exemption or withholding of income tax payments within a certain period of time.

Overall, Indonesia's tax revenues improved and grew by 29% during the pandemic although still

under economic pressure. The use of tax incentives and restitution continued, by December 23, 2020, the tax services target for receiving 55% was more than 100% of the target. The level of SPT reporting compliance was also at 76.86% (Ministry of Finance's official Instagram post). This is in line with research conducted in Yogyakarta, that during the covid pandemic, MSMEs remained obedient in paying taxes and were greatly helped by the tax incentive policy put in place by the government, so the level of tax compliance could still be maintained (Kumala & Junaidi, 2020). Similar research further noted that one of the government policies, in regulation PMK Number 86/2020 on tax incentives during the Covid-19 pandemic had a positive effect on taxpayer compliance (Luthfiyyah, 2021).

The fall in tax payer compliance during the Covid-19 pandemic to the new normal era, may indicate that government policies in the form tax incentives for business actors, especially for MSMEs in Karawang, did not increase taxpayer compliance. The same happened in Semarang, where during the pandemic the value of taxpayer compliance was not affected (Listyowati et. al., 2021) and in Jakarta it was noted that the tax incentive variable had no effect on taxpayer compliance (Dewi et al., 2020).

## Conclusion

Taxpayer compliance in paying income taxes in the covid-19 pandemic era and the new normal era decreased. Although the government issued a policy in the form of tax incentives for business actors, apparently this did not increase taxpayer compliance in paying their taxes.

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