

## The Effect of Education Level and Tax Incentives on MSME Taxpayer Compliance (Case Study on MSME Owners in Central Village)

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### ABSTRACT

*Taxes are the main source of state revenue. However, the contribution of MSMEs to taxes is still quite low. This will reduce state revenues from taxes. The purpose of this study is to analyze the effect partially and simultaneously on the variable level of education and tax incentives on MSME taxpayer compliance. This study used a quantitative research method, with a population of 175 MSMEs in Tengah Village, the sampling technique used was convenience sampling using the slovin formula, in order to obtain a sample of 30 MSMEs. This study uses multiple linear regression analysis using the SPSS application as a data processing application. The results showed that the level of education had no significant effect on MSME taxpayer compliance. Tax incentives have a significant effect on MSME taxpayer compliance. And the level of education and tax incentives simultaneously influence MSME taxpayer compliance.*

**Keywords:** Education Level; Tax Incentives; MSME Taxpayer Compliance.

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### Introduction

The country's largest revenue comes from taxes. Taxes will be used to finance all state expenditures and development. Tax collection is properly regulated by the government, so the government must continue to strive to increase tax revenue so that the country's development will run smoothly. The benefits of this tax payment will be felt directly by the entire community. Revenue from this tax will be used to support health facilities, education, infrastructure development and public facilities, as well as to improve the economy.

One of the tax-contributing sectors in Indonesia is MSMEs. MSMEs are the backbone of the economy, because MSMEs are able to contribute to economic growth and employment. MSMEs play a very important role for the country, the existence of MSMEs will increase employment and people will have jobs to fulfill their needs. The number of MSMEs in Indonesia is currently around more than 64 million. Seeing the number of MSMEs that stand will increase state revenue, because business actors will be required to pay taxes. Taxes are not only required for individuals, but are also required for taxpayers who carry out business activities. Taxes will be imposed on Micro, Small and Medium Enterprises (MSMEs), as well as other taxes, which are mandatory and compelling.

However, MSME taxpayer compliance is still said to be quite low. The contribution of MSMEs in the economy in this country is not matched by the contribution of MSMEs to tax revenue (Permata Sari et al., 2019). With the low compliance of MSME taxpayers, it will lead to reduced tax revenue. With reduced tax revenue, the country's development will be less optimal because the country will lack costs.

MSME owners have not fully realized the importance of carrying out tax obligations which will be useful for increasing the development and growth of the country. Tax compliance that can be carried out by MSME owners includes registering themselves as taxpayers, reporting and submitting tax returns, and making tax payments on time. The owner's level of education is one of the factors that influence the level of taxpayer compliance. People who have a high level of education should have a higher awareness of paying taxes and understand the importance of taxes for national development (Florentina & Nugroho, 2021). Taxpayers who have adequate education will realize that taxpayer compliance is an obligation that must be obeyed.

Providing tax incentives is one of the efforts made in increasing taxpayer compliance. Tax incentives can affect MSME taxpayer compliance, because providing tax incentives can reduce the burden on business owners. Tax incentives provided by the government will encourage the motivation of MSME taxpayers in carrying out their tax obligations. Because taxpayers feel that the amount of tax to be paid will be more affordable. Previous research has conducted similar research on factors that must be considered in increasing MSME taxpayer compliance. (I gede Citta Baswara et al., 2022) found that the level of education does not have a significant effect on MSME taxpayer compliance, but in contrast to the findings (Meidiyustiani et al., 2022) which found an effect of the level of education on MSME taxpayer compliance. In line with research conducted by (YULIAN & Yanti, 2022) found that tax incentives affect MSME taxpayer compliance, on the other hand, research by (Selinda AGUSTINE, 2022) shows that tax incentives have no effect on MSME taxpayer compliance.

Based on the results of previous studies, there are different conclusions, so the authors want to conduct further research entitled "The Effect of Education Level and Tax Incentives on MSME Taxpayer Compliance (Case Study on MSME Owners in Central Village)"

## Research Methods

### Data Type and Source

The type of data used in this study is primary data. This study uses data sources that come from all respondents' information obtained directly from questionnaires distributed to MSME owners in Central Village.

### Population and Sample

The population in the study were MSME owners in Central Village, namely 175 MSMEs. The sampling technique is divided into two, namely Probability sampling and Nonprobability sampling. The sampling technique used in this study is Nonprobability sampling using the convenience sampling method. Sidik Priadana & Denok Sunarsi (2021: 164) reveal that "convenience sampling is a sampling technique that is not planned in advance, but by chance, namely the unit or subject is available to the researcher when data collection is carried out".

To determine the sample size, this study uses the slovin formula because the population is known and the number of samples taken must be able to represent the population. The calculation of the slovin formula is as follows:

$$n = \frac{N}{1 + Ne^2}$$

Notes:

n = sample size

N = population size

e = tolerance of inaccuracy

In the Slovin formula there are the following provisions:

The value of e = 0.1, for large populations

The value of e = 0.2, for small populations

$$n = \frac{175}{1 + 175(0.2)^2}$$

n = 21.87 ; adjusted by the researcher to 30 samples.

The value of e used is 0.2 because the population is small, namely only one village.

### Data Analysis Method

This study uses multiple linear analysis methods. Multiple linear regression analysis aims to determine the effect of independent variables (X) on the dependent variable (Y) (Sudiro, 2012). In this study, multiple linear regression tests were used to determine the effect of education level (X1) and tax incentives (X2) on MSME taxpayer compliance (Y) on MSME owners in Central Village.

### Results

The validity test results show that all r values are greater than r table, so it can be concluded that the questionnaire is declared valid. And in the reliability test results, the Cronbach alpha value X1 was 0.366, X2 was 0.888, and X3 was 0.545. Where the results of the three Cronbach alpha values are greater than the r table with a value of 0.361. So it can be concluded that all questionnaires in this study are reliable.

**Table 1. Multiple Linear Regression Analysis Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.770	3.097		3.155	.004
	Education Level	-.088	.241	-.061	-.367	.717
	Tax Incentives	.331	.109	.508	3.028	.005

Source: data processed with SPSS 29, 2023

Based on the table above, the following equation can be formed:

$$Y = a + b_1 X_1 + b_2 X_2 + e$$

$$Y = 9.770 - 0.088 X_1 + 0.331 X_2 + e$$

The results of calculations using SPSS 29, the value of the level of education (X1) on MSME taxpayer compliance (Y) is -0.088, and the value of tax incentives (X2) on MSME taxpayer compliance (Y) is 0.331. The regression equation obtained is: the education level variable has the opposite direction, assuming that if the education level changes, it does not affect MSME taxpayer compliance. This is because respondents think that the level of education does not guarantee that someone will comply with tax obligations. Meanwhile, there is an increase in the tax incentive variable, assuming that other variables remain, the level of compliance of MSME taxpayers will increase.

The partial test results show that the education level variable obtained a significant value of 0.717 and a calculated t value of -0.367. This shows that the significant value of  $0.717 > 0.05$ . Which means that the level of education has no significant effect on MSME taxpayer compliance. Meanwhile, the tax incentive variable obtained a significant value of 0.005 and a calculated t value of 3.028. This shows that the significant value of  $0.005 < 0.05$ . This means that tax incentives have a significant effect on MSME taxpayer compliance.

**Table 2. f Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.096	2	31.048	4.584	.019 <sup>b</sup>
	Residual	182.870	27	6.773		
	Total	244.967	29			

Source: data processed with SPSS 29, 2023

Based on the table above, it shows a significance value of 0.019. This shows that the significance value of  $0.019 < 0.05$ . This means that the independent variables of education level and tax incentives simultaneously have a significant effect on MSME taxpayer compliance. The coefficient of

determination (R<sup>2</sup>) obtained is 0.253, this means that the effect of the independent variables, namely the level of education and tax incentives on the dependent variable, namely MSME taxpayer compliance, is 25.5%, while the remaining 74.5% is influenced by other variables outside the study.

### **The Effect of Education Level on MSME Taxpayer Compliance**

The variable level of education does not have a significant effect on MSME taxpayer compliance. The significance value is obtained with a value of 0.717, smaller than 0.05. MSME taxpayers who do not have a high level of education do not necessarily not perform tax obligations. MSME taxpayers who have a high level of education do not necessarily perform tax obligations. The greater the education of MSME owners does not increase MSME compliance in paying taxes (Saputra & Meivira, 2020).

### **The Effect of Tax Incentives on MSME Taxpayer Compliance**

The tax incentive variable has a significant effect on MSME taxpayer compliance. This can be proven from the significance value of 0.005, meaning that the effect of tax incentives has a significant effect on MSME taxpayer compliance. Because the significant value is smaller than 0.05. This incentive is very beneficial for MSME owners. With tax incentives, their burden will be reduced in making tax payments. Respondents also know and understand the tax incentives provided by the government to MSME taxpayers. With tax incentives, MSME players will be more aware of carrying out their tax obligations.

### **The Effect of Education Level and Tax Incentives on MSME Taxpayer Compliance**

The variables of education level and tax incentives have a simultaneous influence on MSME taxpayer compliance. This is evidenced in the simultaneous test, namely the significance value of 0.019 is obtained. So it can be concluded that the significance value is smaller than 0.05 (0.005 < 0.05).

### **Conclusions**

Based on the research findings, it can be concluded that the level of education has no significant effect on MSME taxpayer compliance, tax incentives have a significant effect on MSME taxpayer compliance, and the level of education and tax incentives simultaneously affect MSME taxpayer compliance. This study has limitations including the relatively small sample used because most respondents refused to fill out the questionnaire, and in this study it is also difficult to deepen the data because it uses data in the form of numbers so it is difficult to describe. Based on the above conclusions, the suggestions given by researchers are: MSME owners must continue to maintain and improve tax obligations, such as reporting tax returns, paying taxes on time, and always seeking information related to applicable tax regulations; the tax office must play a role in providing information about the importance of carrying out tax obligations; Further researchers are expected to conduct further research using other variables that can affect MSME taxpayer compliance.

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