

## SMALL BUSINESS TAX COMPLIANCE DURING COVID 19 PANDEMIC: TAX EDUCATION CHALLENGE IN URBAN COMMUNITY

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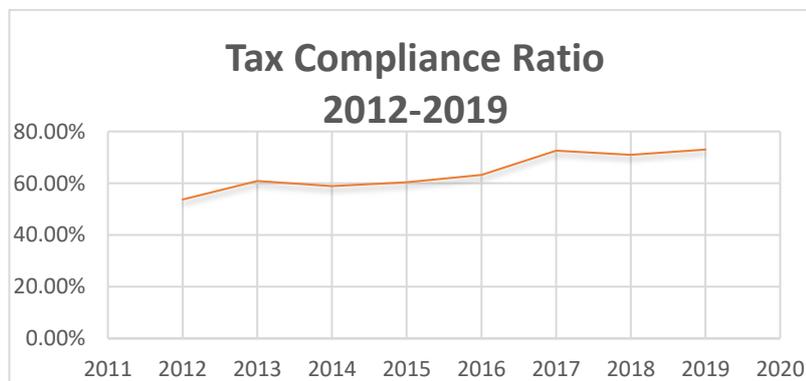
### ABSTRACT

*This study wants to see how the role of tax education through the tax volunteer community is to help someone become more tax compliant, even amid the COVID-19 pandemic, especially in the 2020-2021 range. Tax relaxation, which is a response from the government to prevent the negative impact of an economic downturn, needs to be put to good use by taxpayers. Descriptive qualitative analysis method, by conducting observations and interviews with taxpayers who have been served by tax volunteers. The convenience of digital tax reporting services currently requires massive socialization by collaborating with educational institutions. Tax volunteers as an extension of the Directorate General of Taxes (DGT) have been trained on how to provide good tax reporting assistance by the code of conduct and the materials that have been mastered. There is a strong suspicion that the level of taxpayer compliance is influenced by tax incentives and online-based tax information systems submitted by tax volunteers, but tax socialization such as tax seminars does not affect taxpayer compliance. The aspect of ease of payment and tax reporting is the main capital for tax policymakers to continue to improve public tax compliance.*

**Keywords:** Tax Education, Urban Community, Covid-19, Tax Payers, and Tax Reform

### INTRODUCTION

The compulsory payments to the state through authorized units, there is no implicit compensation received by taxpayers, but often social factors such as perceptions of justice, politics, and government policies also affect tax compliance. In addition to the internal factors of the individual such as knowledge of taxation, and awareness of taxation (Lymer and Oats 2009); (Palil, 2010). If we look at the data from the Ministry of Finance of the Republic of Indonesia listed in their Annual Report, tax compliance fluctuates up and down every year. Let's look at the details in Figure 1.



**Figure 1. Tax Compliance Ratio**

Sources: Annual Report of the Directorate General of Taxes (2019).

Indonesia's tax revenue target inevitably continues to increase every year, in addition to inflation which also continues to rise, infrastructure development programs and poverty alleviation are priorities for the current government. However, the tax revenue target has not been met. Tax awareness of the Indonesian people is still low (Rahayu, 2013). Information on tax targets and tax realization during 2010- to 2019 is shown in Figure 2.

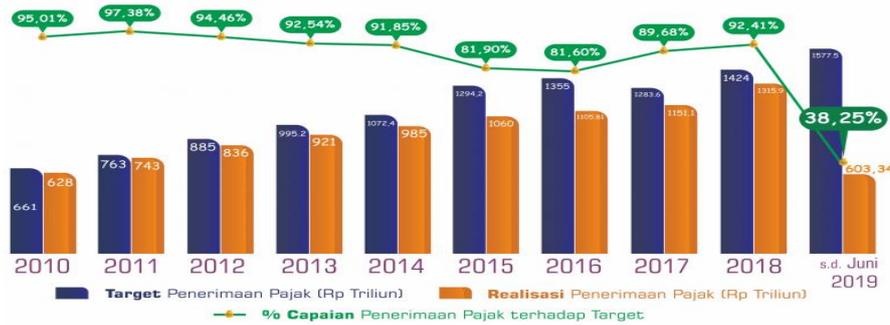


Figure 2. Tax Targets and Tax Realizations during 2010-2019

Sources: Annual Report of the Directorate General of Taxes (2019).

In recent years, the government has been more aggressive in popularizing and implementing tax reforms. One of the agendas is tax inclusion in which there is tax education. Many factors play a role in building tax openness and transparency to increase public tax compliance. Status, economic ability, ethnicity, culture, and background are some of the things that influence it. Therefore, it is necessary to adjust the appropriate method in the realization of tax education, including the channels used and the presentation of material that is light and does not corner taxpayers. Tax education that is often carried out is training on tax reporting assistance to tax volunteers, socialization in the form of tax seminars, and direct tax socialization. And especially during the Covid-19 pandemic, there was socialization related to relaxation during Covid-19.

The issue of the success of increasing tax compliance during the COVID-19 pandemic is important, but currently, there is little literacy that links tax education with the level of public tax compliance in times of economic downturn. Therefore, it is necessary to ensure taxpayers how they respond to the tax education agenda that has been carried out by the government recently, even with barriers to direct services due to restrictions and adjustments that inevitably have to be made.

## THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Compliance theory is the reference base for this research, which has been widely studied in the social sciences, such as psychology and psychology, which looks at the law-abiding behavior of an individual. In the sociological literature on obedience to the law, both from an instrumental and normative perspective. An individual who is driven entirely by self-interest and responds to changes in behavioral punishments and incentives is the elaboration of an instrumental perspective. While there are individual affairs with matters that are considered morally appropriate, and contrary to their interests.

A person will obey the law in abeyant norms, while morality is closely related to efforts to comply with the law which is considered as part of compliance, which is a person's normative commitment. Tyler and Bies (1990) reported that normative commitment based on legitimacy means obeying the rules because the authority possessed by policymakers encourages individuals to obey the rules more. This includes trying to submit tax reports on time, which is also a form of administrative order for both the individual and business records. This theory is appropriate to overshadow the overall discussion of the tax compliance aspects of the Indonesian people today.

### Tax Compliance

Tax compliance is the key to meeting tax targets, including in Indonesia. 4 factors influence tax compliance, namely demographics, inequality, perception, taxation system/structure, and possibility. Also, demographic factors such as education, age, and gender also affect the level of tax compliance. Submission and obedience to teachings or rules is a commitment or obedience. Compliance, subject to the provisions of tax laws and regulations, the concept of tax compliance also applies. Fischer et al (1992); Grace (2010).

When discussing taxpayer compliance in paying taxes, the most important thing that needs to be observed is the level of taxpayer confidence in the tax system and voluntary attitude in paying taxes. Because after all paying taxes involves economic assets, which for some people is a difficult thing to let go of. Meanwhile, Rahayu (2010) states that taxpayer compliance, which voluntarily implements tax rights and obligations, is the main "backbone" in creating a better tax system, as well as being able to meet the target achievement of the self-assessment system. Which has been imposed by taxes, to increase discipline and honesty in paying taxes.

One important aspect of tax revenue, according to the Minister of Finance Sri Mulyani as quoted from CNBCIndonesia.com (2018) news, is taxpayer compliance in paying taxes. Tax compliance here is not only a matter of paying taxes, but paying taxes by the tax responsibilities imposed on the taxpayer. By Rahayu (2010), for example, tax compliance is a condition or condition that requires (obliges) taxpayers to fulfill their tax obligations and exercise their tax rights. According to the DGT website, the rights and obligations of taxpayers cover three things, namely, reporting, paying, and collecting taxes.

### Tax Education

Tax education is an important part of efforts to increase tax compliance. The OECD (2015) states that an effective mechanism to build public trust in tax authorities and encourage community involvement is the goal of tax education. The relationship between tax avoidance and system complexity has been the focus of recent research, particularly tax education. However, the complexity

of the system and the possibility of being caught in tax crimes are things that significantly affect tax evaders. Pahlil et al. (2016). This indicator is important for tax officials regarding how important the tax system is in pursuing a tax education program. Likewise, efforts to make the tax system simpler, and to expand the study of taxpayer behavior with wider development and understanding.

The regulations that cover the tax education policies carried out by the Indonesian government include SE-94/PJ/2010 concerning procedures for implementing guidance, education, and services to taxpayers, taxation socialization has a legal basis SE98/PJ/2011 concerning guidelines for preparing work plans and tax activity reports. A vertical unit within the Directorate General of Taxes, while the tax appeal has a legal basis PER-170/PJ/2007 regarding procedures for implementing taxpayer counseling as a follow-up to the appeal letter. Since not all taxpayers understand the latest tax rules and regulations, it is important to do tax socialization in a series of tax education. So that they can easily understand how to carry out their tax obligations, including reporting taxes.

### **E-Filing Tax Report Reporting Assistance**

The right tax system can help increase tax compliance, technology is currently proven to help taxpayers a lot in fulfilling their tax obligations (Dwianika and Mubarakah, 2019). In addition to assisting, tax voluntaries are also responsible for providing tax education according to the DGT provisions. To reduce ignorance of the mechanism for calculating and reporting taxes, this assistance is very appropriate.

This is a series of tax inclusions echoed by DGT for a long time. Together with the ministries of education, research, and technology, DGT seeks to instill tax awareness from an early age. The integration of learning materials is also a highlight in a similar program. The Memorandum of Understanding between the Ministry of Finance and the Ministry of Education and Culture Number: MoU-21/MK.03/2014 and Number: 13/X/NK/2014 on Increasing Tax Awareness through Education, serve as references for both (Directorate General of Taxes, 2020).

Tax volunteers are under the auspices of higher education institutions, becoming DGT's mouthpiece in tax education. This is one form of the seriousness of the two agencies to increase tax compliance. The Speech Tax, which collaborates with the younger generation to participate in the success of the program, requires appropriate and effective socialization regarding the Speak Tax program. Indirectly, taxation socialization has a significant effect on taxpayer compliance through tax knowledge (Wardani and Wati, 2018).

### **Tax Seminars**

Tax Goes To Campus is a routine tax education agenda that includes a series of tax seminars. Various agendas are the focus of this program, including tax education and discussion of the latest tax issues. It is intended that taxpayers have sufficient understanding to fulfill tax compliance. Through the correct understanding, participants in the tax seminar are expected to be able to apply various tax regulations in planning future corporate taxes. There is also Tax Week in which there are also various tax seminars. The impetus to continue to socialize and learn the latest taxes is contained in at least these two DGT programs.

Besides having prepared a special system for the tax education agenda by setting up a special education portal for taxation, namely [education.pajak.go.id](http://education.pajak.go.id), DGT also hooked up Tax Centers managed by universities in implementing this agenda. Tax volunteers are the main capital that is important, young enthusiasm, creativity, and high exploration spirit are owned by the students. The scope of the tax seminar is not only for individuals who work as employees but also for those who have small and medium scale businesses.

The campaign for rewards and punishments for MSMEs is carried out to improve public tax compliance (Fitiriyati, 2018). Socialization through seminars is expected to be well received by taxpayers, of course with flexible delivery so that it is easily captured by most individuals who are targets of increasing tax compliance.

### **Covid-19 Tax Relaxation**

The COVID-19 pandemic has changed the direction of government policies, including in terms of taxation. This effort is intended to mitigate the risk of an economic downturn due to the impact of this global-scale disaster. Tax relaxation is part of the government's response. Minister of Finance Regulation (PMK) No.23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak confirms that 11 sectors are entitled to relaxation in addition to manufacturing.

These sectors are construction services, transportation, telecommunications, tourism, oil and gas mining, electricity and renewable energy, food, and free/retail trading (Ministry of Finance, 2020). Once this outbreak is declared a national disaster, the government regulates this incentive mechanism in Regulation of the Minister of Finance of the Republic of Indonesia No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers. Information on relaxation during the COVID-19 pandemic needs to be known by tax volunteers, to make it easier for taxpayers to take advantage of this one facility.

Most recently, in 2022 the government again provides flexibility in terms of income tax (PPh) Article 22 imports, 50% reduction in installments of PPh Article 25, final PPh on construction services borne by the government (DTP) for the Program for the Acceleration of Improvement of Irrigation Water Use (P3-TGAI) and These incentives are regulated in Minister of Finance Regulation (PMK) No. 3/2022 concerning Tax Incentives for Taxpayers Affected by Covid-19. The three tax incentives are valid from January 1, 2022, to June 30, 2022.

Incentives in terms of value-added tax (VAT) for DTP are 50% for house sales of up to IDR 2 billion, and 25% for home sales with prices above IDR 2 billion to IDR 5 billion. VAT DTP on the purchase of a house is stipulated in PMK No. 6/PMK.03/2022 concerning Value Added Tax on Landed Houses and Flats. Lastly, incentives for sales tax on luxury goods (PPnBM) DTP on 2 types of cars namely, cars with a 1500 cc engine capacity of 50% in the first quarter of 2022.

## RESEARCH METHODS

This research uses a descriptive qualitative research method, through literature study. Data collection techniques are carried out by collecting books, scientific works, notes, reports, and information that is a library and related to the object of research. Then the materials are studied in depth using social capital theory and opinion leaders as a basis for thinking to analyze effective strategies that can improve tax compliance and target all levels of society.

Researchers searched for data with the keywords tax compliance, taxation strategies, and keywords related to the theories used. Then choose a trusted article that really de Indonesia's tax situation. Then analyzed using social capital theory and opinion leader. The literature data is selected based on the year the information was published, namely the last ten years and trusted literacies. Verification is carried out by interviewing potential taxpayers in Indonesia.

## RESULTS AND DISCUSSIONS

### **The tax education agenda in the form of E-Filing Tax Report assistance can improve public taxpayer compliance even during the Covid-19 pandemic.**

This routine tax reporting assistance activity has been carried out by the DGT for more than the last 10 years, seeking to continue to encourage more tax officers to go directly to the field to deal with taxpayer problems. Including optimizing the presence of tax volunteers as an extension of his arm.

Taxpayers feel helped by the information provided by volunteers, and the delivery is flexible but straightforward. I no longer feel intimidated by directly dealing with tax officials. They are freer to ask many things without fear of feeling that the information presented will become a boomerang, or described as taxpayers who do not obey taxes.

### **Understanding tax relaxation related to Covid-19 can increase taxpayer compliance even during the Covid-19 pandemic.**

Tax regulations in Indonesia are changing relatively quickly, especially in recent years. Whether in terms of tariff changes, application updates or relaxation and other flexibility deemed necessary in responding to economic changes and facing global challenges. Tax socialization is an effort made by the Director-General of Taxes to provide knowledge to the public and especially taxpayers to know about all things regarding taxation, both regulations and taxation procedures through the right methods (Rimawati, 2013).

In 2021, at least there will be ratification of the HPP Law which has been ratified in Law Number 7/2021. Several programs have already been implemented, in which the Voluntary Disclosure program has been running since January 1, 2022. To all taxpayers, all Indonesian people can take advantage of all the facilities available at HPP.

### **The socialization of the tax seminar cannot improve the compliance of public taxpayers even during the Covid-19 pandemic.**

Taxpayers get socialization of the latest tax rules from various mass media such as YouTube, websites, Instagram and so on which are considered close to current taxpayers. They feel that the delivery of audio-visual in an attractive form is easy to understand compared to the conventional way which tends to lead to boredom and is not flexible compared to the busy life of urban communities.

So conventional socialization mechanisms are no longer efficient because it is necessary to spend special time attending seminars to be more focused. Meanwhile, the majority of urban people are very busy, so seminars are not very relevant. Taxpayers tend to prefer viewing youtube or website views at the times they need them, not having to be specifically scheduled.

## CONCLUSION

The results showed that the tax education agenda in the form of E-Filing Tax Report assistance, telling tax dissemination, and understanding tax relaxation related to Covid-19 could increase public tax compliance even during the Covid-19 pandemic, but not for the socialization of tax seminars. This has proven to help simplify business processes administratively. This study has a limited number of respondents so further research can expand the research area with more respondents. Research results also cannot be generalized directly, so it is necessary to develop research by comparing with other developing countries. This comparison can also use considerations from areas that have also experienced a decline in economic aspects due to the Covid-19 pandemic. More broadly, the different tests can be used to find out which taxpayer gender influence is more tolerant of paying taxes.

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