



THE ROLE OF TAX OFFICER ON MSME TAXPAYER COMPLIANCE: CASE STUDY INDONESIA

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ABSTRACT

Tax reformation in Indonesia has been started since 1983. The reformation of the tax administration system which includes organizational, human resource, and business process improvements as well as tax regulations. The use of digitalization is help to improve business processes, but for some MSME actors, complicate the process of fulfilling tax obligations. In order to provide The Indonesian Tax Authority with tax regulations relating to MSME actors, this study intends to evaluate the function of the behavioral theory of tax compliance of MSMEs in Indonesia. This study uses a qualitative method and the result was confirmed with in-depth interviews with SMEs actor, related institutions, and tax officers. The research data were obtained from 50 participants in Cirebon and Purwokerto districts. Based on the behavioral theories, the results show that support from tax officers encourages SME tax compliance in Cirebon and Purwokerto districts, Indonesia.

Keywords: *Tax Officer; Tax Compliance; Behavioral Theory; MSMEs Indonesia*

RESEARCH HIGHLIGHTS

1. The MSME actors are reluctant to use DJP online application to fulfill their tax obligation, as an alternative they prefer to go to Tax Office.
2. Positive attitudes of Tax Officers can influence MSME actors to increase tax awareness by using advertisement and socialization to increase tax compliance of MSME actors.
3. Tax authorities must include tax-related content in all levels of education in order to increase the consistency of tax compliance behavior.

Research Objectives

The aim and purpose of this study are to examine the role of behavioral theory in the tax compliance of MSMEs in Indonesia. It explores how the role of tax officers affects the MSMEs in Indonesia behavior's to fulfill their tax obligation.

Methodology

This study uses a qualitative method with descriptive analysis. In-depth interviews in a semi-structured format from a total of 50 participants were used to gather primary data. The study was conducted in the city and district of Cirebon in West Java and Purwokerto in Central Java held in October-November 2022, focusing on MSMEs with the Tax ID number. The interviews were recorded, transcribed, and analyzed as field notes. The steps of data analysis are the data codification stage where responses from participants were grouped and categorized to be presented in a narrative form. The result then being analyzed by comparing it to the relevant theory, to make some conclusions.

Results

Profile of Micro, Small, and Medium Enterprises

A total of 50 participants are invited for face-to-face interviews from two districts in Indonesia held in October-November 2022. The participant comprises 16 males and 24 females. The interview involve 37 unit food industry and the rest are various businesses such as organic fertilizer, sofa & furniture, natural stone craft, wrought iron craft, foam mattresses, buying and selling used motorcycled/cars, and laundry. The participant's ages range from 24-39 years old = 17 persons, 40-64 years old = 32 persons, and above 64 years = 1 person. The participant's educational levels vary from junior high school = 2 persons, senior high school = 23 persons, bachelor degree = 24 persons, and postgraduate = 1 person. The sale turnover per year, vary from up to IDR 50 million = 24 persons, between IDR 50 to 300 million = 24 person, IDR 300 to 500 million = 1 person, and IDR 500 to 1 trillion= 1 person

According to the findings, all the participants had paid and reported MSMEs tax, despite the fact that they report taxes manually by coming to the tax office instead of using the online application. Two people admitted that they never heard of the DJP Online Application, the official application from the Directorate General of Taxes (DJP).

The result of the interview:

"I'm not sure I'm paying the right amount of taxes, instead of paying penalties for underpayment of taxes, it is better to come to the tax office so that the calculation is correct" (participant 1)

"Using e-filling is so frustrating, I can not even remember my password (participant 2)

"The application content always changes every year makes me confused (participant 3)

"I never heard what is DJP Online application" (participant 4)

"It is more comfortable coming to the tax office with my MSME community friend" (participant 5)

"The tax officer is very helpful in assisting me" (participant 6)

"I'm not familiar with tax regulation" (participant 7)

The result of this study explained reason why MSME actors reluctant to use DJP online application to fulfill tax obligation. They assumed it difficult to operate and prefer to go Tax Office with the their community and got assistance from Tax Officer so that they are confident the tax calculation is correct so they will not be subject to penalty.

Findings

As the most frequently employed theory on MSME tax compliance in prior studies (Arham & Firmansyah, 2021), the concept of planned behavior explains the reason how MSME actors report their tax returns; because they feel comfortable with the assistance of tax officers. This is consistent with the study of Sudiartana and Mendra (2018). It explains the concept of planned behavior whereas one's purpose to conduct will be even more generous if they have a positive outlook, support from others around them, and the impression of ease because there are no barriers to behavior. Meanwhile, the concept of attribution theory explains why MSME actors are reluctant to use DJP online applications. Andreas and Savitri

(2015), added three variables that must be taken into account in order to determine whether internal or external forces contributed to a person's action. External attributions, i.e. high uniqueness, high consistency, and high consensus factors must all be met for attribution for a person to feel confident in themselves. Someone will need other individuals in order to learn something if one of the requirements is not met. Education is a strategy that may be used to increase consistency, whereas persuasion is a strategy that can be used to increase consensus. Regarding the level of education of participants, 50% have a bachelor's degree and post-graduated background. They should not have trouble using some simple applications like DJP Online, but they have no self-confidence using the program by themselves. To increase tax compliance of MSME actors tax authorities must increase tax awareness using advertisement and socialization.

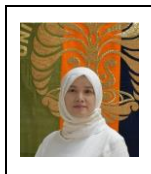
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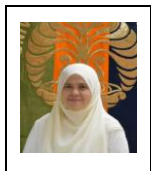
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Titin Fachriah Nur, obtained her bachelor's degree in Management study, University of Indonesia (1996) and completed her master's degree in Finance (2002) at the University of Indonesia. In 2011, she joined the University of Indonesia as a permanent lecturer.



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