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THE EFFECT OF HPP LAW, TAX RATES, AND TAX EFFECTIVENESS ON TAX COMPLIANCE

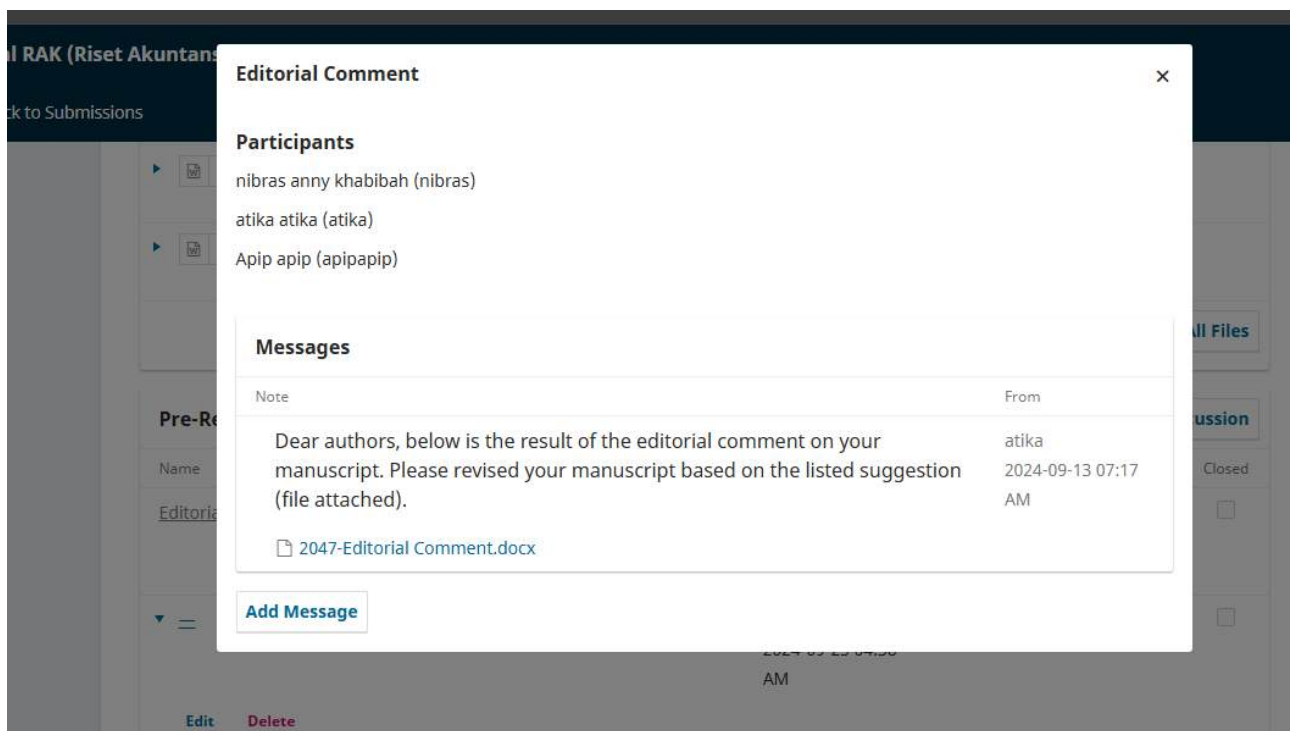Jurnal   Jurnal RAK (Riset Akuntansi Keuangan)

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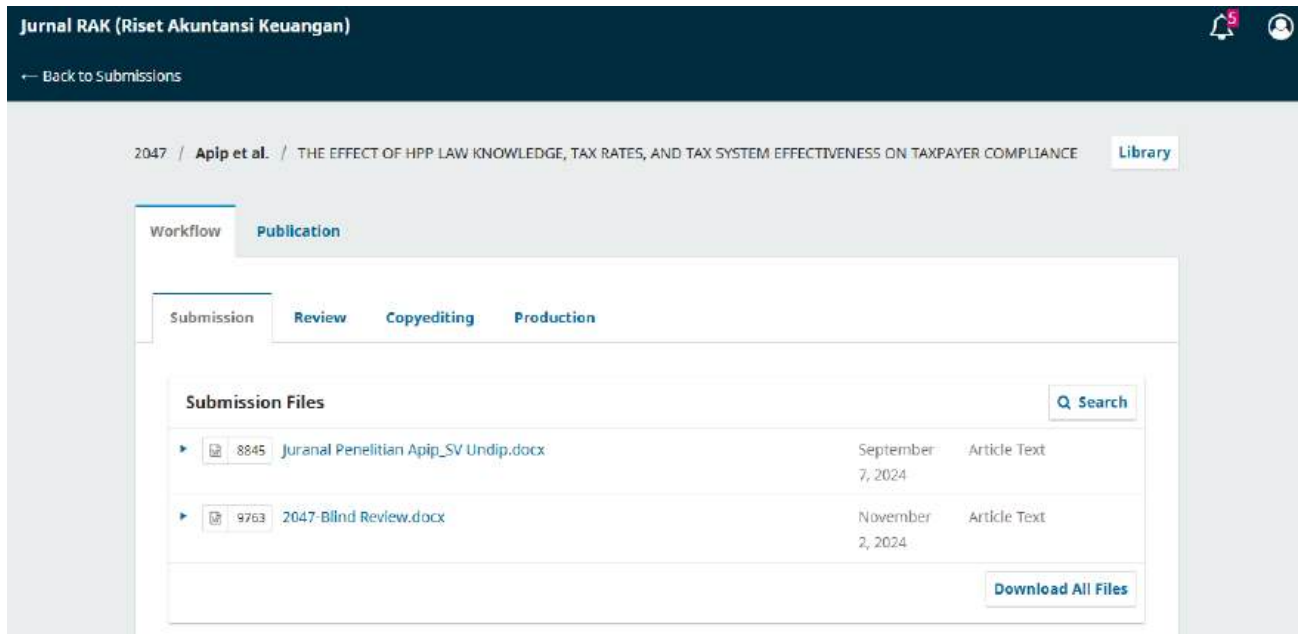
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THE EFFECT OF HPP LAW, TAX RATES AND TAX EFFECTIVENESS ON TAX COMPLIANCE

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ARTICLE INFORMATION	ABSTRAK

.Tujuan dari penelitian ini adalah untuk mengetahui pengaruh pengetahuan tentang UU HPP, tarif pajak dan efektifitas sistem perpajakan terhadap kepatuhan wajib pajak UMKM. Metode penelitian yang digunakan adalah metode kuantitatif. Populasi dalam penelitian ini adalah pelaku UMKM di Jawa Tengah dengan sampel sebanyak 100 responden. Teknik pengumpulan data yang digunakan adalah kuesioner dengan menggunakan skala pengukuran instrumen Likert. Teknik analisis data yang digunakan adalah Regresi Linier Berganda. Hasil penelitian secara parsial menunjukkan bahwa variabel pengetahuan perpajakan dan tarif pajak berpengaruh positif terhadap kepatuhan wajib pajak UMKM di Jawa Tengah, sedangkan variabel kondisi keuangan tidak berpengaruh terhadap kepatuhan wajib pajak UMKM di Jawa Tengah.

Kata kunci: UU HPP, Tarif Pajak, Efektifitas Sistem Perpajakan, Kepatuhan Wajib

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ABSTRACT

The purpose of this study is to determine the effect of knowledge of the HPP Law, tax rates and the effectiveness of the tax system on taxpayer compliance of MSMEs. The research method used is a quantitative method. The population in this study were MSME actors in Central Java with a sample of 100 respondents. The data collection technique used was a questionnaire using a Likert instrument measurement scale. The data analysis technique used was Multiple Linear Regression. The results of the study partially showed that the variables of tax knowledge and tax rates had a positive effect on taxpayer compliance of MSMEs in Central Java, while the financial condition variable did not affect taxpayer compliance of MSMEs in Central Java.

Keywords: *harmonization of tax regulations Law, Tax Rates, Tax Effectiveness on Tax System, Tax Compliance*

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are economic activities carried out by the majority of people in Indonesia, both individually and in groups. MSMEs are one of the economic activities that are very helpful in improving the economy in Indonesia and have spread widely throughout Indonesia (Hutapea et al., 2023). The Covid-19 pandemic is one of the causes of the soaring number of MSMEs in Indonesia, even quite a few children who are still in school have set up their own businesses. Indonesia has very abundant natural resources spread throughout Indonesia, making each MSME have its own creative products (Maretaniandini et al., 2023).

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs spread throughout Indonesia reached 64.2 million micro, small, and medium enterprises (MSMEs) in Indonesia in 2021. The number of fostered MSMEs in Central Java is 180,579 while the number of workers is 1.32 million people in 2022, up from 1.31 million in 2021. MSME turnover also continues to climb from 68.242 trillion in 2021 to IDR 68.581 billion in 2022 (www.dinkop-umkm.jatengprov.go.id).The problems experienced by MSME actors in Central Java are related to tax regulations that often change, so that MSME taxpayers are less familiar with regulations that often change quickly.

The management of the MSME industry still experiences several difficulties due to limited human resource competencies, so that it has not been optimal in carrying out tax obligations, this is in contrast to the growth of MSMEs which is expected to be able to increase revenue in the tax sector, there are factors that influence the increase in the realization of tax revenue, one of which is taxpayer compliance. Taxpayer compliance is a taxpayer who is obedient and complies with tax obligations in accordance with the laws that have been determined (Riskillah et al., 2022). The Minister of Cooperatives and SMEs, Teten Masduki, stated that the contribution of taxes from MSMEs to national tax revenues is still low. Therefore, he encouraged MSME actors to be more obedient in paying taxes, considering that the Final Income Tax (PPh) for MSMEs is only 0.5 percent of turnover. Teten also emphasized that MSME actors have great potential as taxpayers (Hutapea et al., 2023).

On October 29, 2021, the government passed Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP). The issuance of the HPP Law was motivated by several things. First, to improve the budget deficit and increase the tax ratio through the implementation of policies to improve tax revenue performance. Second, to realize increased tax revenue performance, policy amendments are needed in the field of general provisions and tax procedures, income tax, value added tax, and excise as well as regulations regarding carbon tax, as well as policies in the form of voluntary taxpayer disclosure programs (Ferry, 2021). According to the Minister of Finance (Menkeu) Sri Mulyani Indrawati, the Law on the Harmonization of Tax Regulations (HPP) was passed not to burden the people. Instead, the HHP Law should provide support to low-income groups and also micro, small and medium enterprises (MSMEs).

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The Law on Harmonization of Tax Regulations regulates the turnover limits imposed on MSME taxpayers. For MSMEs with a turnover of less than or equal to IDR 500 million, a rate of 0% is imposed, turnover above IDR 500 million to IDR 4.8 billion is imposed a rate of 0.5%. The 0% rate is an incentive given by the government to MSMEs so that MSMEs in Indonesia can grow and develop. Bangun et al. (2022) stated that there were significant changes between before and after the implementation of this tax regulation harmonization law which contains changes to MSME income tax rates, this makes taxpayers increase their tax compliance.

This can provide benefits for individual MSMEs in the form of lower taxation (Cendana & Pradana, 2021). And in the HPP Law, it states that MSMEs will receive incentives in the form of a non-taxable gross income limit for MSMEs of up to five hundred million rupiah per year. The non-taxable gross turnover limit means that MSMEs with a turnover of up to five hundred million rupiah per year do not need to pay final income tax of 0.5%. If the turnover exceeds five hundred million rupiah, the tax calculation is only carried out on the turnover above five hundred million rupiah.

In Law Number 7 of 2021 concerning Harmonization of Tax Regulations or often referred to as the HPP Law, it is a government step to create a more effective taxation system and can encourage economic growth for the MSME community (Riskillah et al., 2022). Fulfillment of tax obligations needs to be supported by an understanding of Tax Regulations, namely the ability of taxpayers to know and apply knowledge about their taxes. The Republic of Indonesia implements a self-assessment system in its tax collection process. The self-assessment system is a tax collection system that gives taxpayers the authority to determine the amount of tax owed (As'ari, 2018). In this self-assessment system, the tax authorities entrust taxpayers to calculate, account for, pay, and report their own taxes owed.

Previous research on MSMEs in North Sumatra conducted by Riskillah et al. (2022), stated that the HPP Law had a significant positive effect on the compliance of MSME taxpayers and tax socialization had no effect on the compliance of MSME taxpayers. In line with the research conducted by (Ratu Aulia & Nurlaela, 2023), it was stated that the implementation of taxes on the understanding and socialization of taxation had a positive effect on the compliance of MSME taxpayers in Garut Regency. Based on the description of the background and the large number of taxpayers' misunderstanding of this matter and the still rare research discussing the above, therefore the researcher is interested in conducting a study entitled "The Effect of the Implementation of the HPP Law on Changes in MSME Income Tax Rates and the Effectiveness of the Tax System on MSME Taxpayer Compliance" with the aim of finding out how the changes in the HPP Law and tax rates affect taxpayer compliance and the effectiveness of the existing tax system on taxpayer compliance. The author uses a sample of MSMEs in Central Java.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Compliance Theory

According to Hany et al. (2023) tax compliance is a responsibility to God, to the government and the people as Taxpayers to fulfill all tax obligations and exercise their tax rights. Compliance theory states that there are two basic perspectives on legal compliance, namely instrumental and normative, the instrumental approach assumes that individuals are completely motivated by personal interests and responses to changes related to behavior, while the normative approach relates to morals that are contrary to their personal interests, usually an individual is more obedient to the law that they consider to be in accordance with their internal norms (Sahib & Fitriandi, 2022).

The relationship between compliance theory and this research is that compliance can encourage an individual's behavior to be more compliant with applicable tax regulations, namely the Tax Harmonization Law by considering the benefits obtained. Taxpayers who carry out their tax obligations can provide benefits to the state and will receive the benefits indirectly. In this study, compliance is influenced by several factors, namely knowledge factors, tax rates and tax effectiveness.

Tax Receipts

According to (Mardiasmo, 2019) Tax is a contribution from the people to the state treasury based on the Law which can be enforced without receiving any direct reciprocal services (counter-performance) and which is used to pay general expenses. Meanwhile, according to Naimah & Alfina (2022) tax is a contribution to the state (which can be enforced) which is owed by the person who is obliged to pay it according to the regulations, without receiving any reciprocal performance, which can be directly designated, and which is used to finance general expenses related to the state's duties in organizing government.

Tax compliance that is realized will create an increase in tax revenue and have a good impact on the smooth running of national and regional development (Firmansyah & Wijaya, 2022). Taxes play a major role in the components of the APBN and APBD, so efforts to increase tax revenue are needed to be continuously carried out by the state and local governments. The amount of tax revenue cannot be separated from the role of the government and existing taxpayers, because the increase in tax revenue is influenced by the awareness of taxpayers in paying their tax obligations. Taxpayers have an important role in the tax collection system in Indonesia (Ratu Aulia & Nurlaela, 2023).

Harmonization of Tax Regulation Act

According to (Kartikasari & Yadnyana, 2020) tax knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions and taking certain directions or strategies in relation to the implementation of their rights and obligations in the field of taxation. Knowledge of taxation fosters awareness among taxpayers to comply and obey their tax obligations, including knowledge of MSME taxpayers regarding the HPP Law where MSME taxpayers understand and know about the HPP Law and apply it in their tax activities. The level of knowledge

can be an indicator of the creation of tax compliance.

Research by As'ari (2018) entitled analysis of the influence of taxpayer compliance shows that tax knowledge has a significant effect on taxpayer compliance. Ratu Aulia & Nurlaela (2023) revealed that tax knowledge has an effect on taxpayer compliance of MSMEs. Based on the discussion that has been described, the first hypothesis in this study is obtained as follows:

H₁: The Influence of Knowledge of the HPP Law on Tax Compliance of MSMEs in Central Java.

MSME Tax Rates

The tax rate is a rate that reflects the actual tax burden borne by the taxpayer. The company is one of the subjects of income tax, namely the corporate tax subject. The applicable tax rate shows the amount of tax liability relative to taxable income. The phenomenon of the effective tax rate can be seen from the tax ratio between the tax burden and the turnover owned by MSMEs (Murtiningtyas et al., 2023). The higher the tax rate set by the government, the greater the tax burden borne by MSMEs. Income tax is a tax that is calculated based on tax regulations and imposed on taxable income.

The MSME tax rate in PP number 23 of 2018 is 0.5% of income with a gross turnover of less than 4.8 billion in one year. In the research of (Rahayu & Suaidah, 2022) stated that the tax rate has a positive and significant effect on the compliance of MSME Taxpayers. The determination of tax rates for MSMEs is fair because the results have an effect on compliance. The

fairer the determination of the tax rate imposed on income, the more Taxpayers will comply in fulfilling their obligations. The second hypothesis in this study is formulated as follows:

H2: The Influence of MSME Tax Rates on MSME Taxpayer Compliance in Central Java

Effectiveness of Tax System

Effectiveness is the utilization of resources, facilities and infrastructure in a certain amount that is consciously determined in advance to produce a number of goods for the services of the activities carried out. According to Gibson (2022) Effectiveness is the achievement of agreed targets for joint efforts. "Effectiveness is defined as the ability of a unit to achieve the desired goals". Effectiveness is used to measure the relationship between the results of a tax levy and the objectives that have been set. The formula used is Effectiveness equals the Tax Revenue Target divided by the Tax Revenue Realization multiplied by 100% 2. Previous research by (Murtiningtyas et al., 2023), stated that the perception of tax effectiveness has a positive effect on the variable of MSME taxpayer compliance. Thus, the third hypothesis states as follows:

H3: The Influence of Tax System Effectiveness on Tax Compliance of MSMEs in Central Java

RESEARCH METHODS

Population and Sample

The population used in this study were MSME taxpayers in Central Java with a population of 183,181 MSMEs sourced from the Central Java Province

Cooperatives and Small and Medium Enterprises Service in 2023. The sample used in this study was 100 respondents using the Slovin formula. The sample collection used was purposive sampling. In this sampling method, certain criteria are created which are used to select samples in order to obtain samples that are right on target.

1. Regarding the criteria set, the researcher details them as follows:
2. Respondents are MSME taxpayers located in Central Java
3. Respondents are active MSME taxpayers registered with the Cooperatives and MSME Service
4. Respondents are active MSME taxpayers who have businesses in the MSME category
5. Respondents are MSME taxpayers who have a NPWP

Measurement of questionnaire responses using a five-point Likert scale. The Likert scale is a question used to receive responses in the form of evaluations related to the level of agreement or disagreement with 5 levels of answers, namely 1 = Strongly Disagree (STS), 2 = Disagree (TS), 3 = Undecided (RR), 4 = Agree (S), and 5 = Strongly Agree (SS) (Ghozali, 2021).

Type and Method of Data Collection

This study uses quantitative data types. The data used to achieve the objectives of the author's research uses a questionnaire. The researcher's method of distributing the questionnaire is by coming directly to the UMKM owners to obtain approval from the UMKM actors whether they are willing to be respondents in this study, if the UMKM actors are willing, the researcher will provide a questionnaire to obtain answers to statements of UMKM taxpayer compliance.

Analysis Design and Hypothesis Testing

1. Data Quality Testing
a. Validity Test

(Ghozali, 2021), stated that validity is a test carried out to see whether the instrument used in the questionnaire is valid or not. A questionnaire can be said to be valid if the calculated r value > r table.

b. b. Reliability Test

Reliability is the degree of consistency of the instrument in question. An instrument can be said to be good if it has consistent results in testing (Ghozali, 2021). It is said to be reliable if the Croncbach alpha> 0.70 and is said to be unreliable if the Croncbach alpha <0.70.

2. Classical Assumption Test
a. Normality Test

Normality test is a test used to determine the distribution of data in research variables whether it can be done and distributed normally or not. Data can be said to be normally distributed if the sig value> 0.05.

b. Multicollinearity Test

According to (Ghozali, 2021), this test is to find out whether one independent variable with another independent variable in a regression model is linearly correlated, good test results can be concluded that there is no multicollinearity between the independent variables in the regression model with the criteria of tolerance value> 0.1 and VIF value <10.

3. Data Analysis Test

a. Multiple Linear Regression

Multiple linear regression analysis aims to predict the average value of the dependent variable based on the known values of the independent variables. The equation of multiple linear regression can be written as follows:

Y   = a + b1X1 + b2X2 + b2X2 + e

Description:

Y   = MSME Taxpayer Compliance

a   = Constanta

b1,b2,b3 = Regression Coefficient

X1   = Knowledge of Harmonization of Tax Regulations Law

X2   = MSME Tax Rates

X3   = Effectiveness of Tax System

e   = Error

b. T Test or Partial Test

The T-test or partial test is used to prove and determine the influence of the independent variable (X) individually on the dependent variable (Y). The level of significance used is 5% or 0.05..

c. F Test

The f or simultaneous test is used to show whether all independent variables included in the research model have a simultaneous/joint influence on the dependent variable.

d. Coefficient of Determination Test (R 2)

According to Mardiasmo (2019), the coefficient of determination (R2) square is used to determine the ability of independent variables to explain dependent variables.

RESULTS AND DISCUSSION

Data Quality Testing

1. Validity Test

a. Knowledge of the Law on Harmonization of Tax Regulations (UU HPP).

Table 1. Validity Test of Knowledge of Tax Regulation Harmonization Law

Statement	R-Count	R-table	Description
X1	0.791	0,196	Valid
X2	0.792	0,196	Valid
X3	0.700	0,196	Valid
X4	0.681	0,196	Valid
X5	0.738	0,196	Valid
X6	0.742	0,196	Valid
X7	0.427	0,196	Valid
X8	0.326	0,196	Valid

Source: Processed Primary Data (2024)

Based on table 1, it can be concluded that the 8 statement items regarding knowledge of tax regulation harmonization laws have values between 0.326 and 0.792 which are declared valid because the calculated r > r table, namely 0.196.

b. MSME Tax Rates

Table 2. MSME Tax Rate Validity Test

Statement	R-Count	R-table	Description
X1	0.603	0,196	Valid
X2	0.276	0,196	Valid
X3	0.563	0,196	Valid
X4	0.607	0,196	Valid
X5	0.381	0,196	Valid
X6	0.621	0,196	Valid
X7	0.429	0,196	Valid
X8	0.514	0,196	Valid

Source: Processed Primary Data (2024)

Based on table 2, it can be concluded that the 8 statement items regarding MSME tax rates have values between 0.276 and 0.621 which are declared valid because the calculated r > r table, namely 0.196.

c.   Effectiveness of Tax System

Tabel 3. Validity Test Effectiveness of Tax System

Statement	R-Count	R-table	Description
X1	0.512	0,196	Valid
X2	0.710	0,196	Valid
X3	0.422	0,196	Valid
X4	0.500	0,196	Valid
X5	0.596	0,196	Valid

Source: Processed Primary Data (2024)

Based on table 3, it can be concluded that the 5 statement items regarding the effectiveness of the tax system have values between 0.422 and 0.710 which are declared valid because the calculated r > r table, namely 0.196.

d. MSME Taxpayer Compliance

Table 3. MSME Taxpayer Compliance Validity Test

Statement	R-Count	R-table	Description
X1	0.546	0,196	Valid
X2	0.775	0,196	Valid
X3	0.780	0,196	Valid
X4	0.641	0,196	Valid
X5	0.655	0,196	Valid
X6	0.599	0,196	Valid

Source: Processed Primary Data (2024)

Based on table 4, it can be concluded that the 6 statement items regarding MSME taxpayer compliance have values between 0.546 and 0.780 which are declared valid because the calculated r > r table, namely 0.196.

2.   Reliability Test

Table 4. Reliability Test

Variable	*Cronbach's Alpha*	*N of Items*
X1	0.801	8
X2	0.761	8

| X3 | 0.827 | 5 |
| Y | 0.742 | 6 |

Source: Processed Primary Data (2024)

Based on table 4 above, it shows the Cronbach's Alpha value of Knowledge of Tax Regulation Harmonization Law of 0.801, MSME Tax Rate of 0.761, Effectiveness of Tax System of 0.827 and MSME Taxpayer Compliance of 0.742. So it can be concluded that all variables X and Y are reliable because the Cronbach's Alpha value is > 0.60.

Classical Assumption Test

1.   Normality Test

Table 5. Normality Test

	Unstandardized Residual
N	100
Asymp. Sig. (2-tailed)	0.200

Source: Processed Primary Data (2024)

Based on table 5 above shows the significance value in the table of 0.200. So it can be concluded in this research table the data is normally distributed because the Asymp. Sig. value is 0.200 > 0.05.

2.   Multicollinearity Test

Table 6. Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
Knowledge of UU HPP	0.860	1.163
Tax Rates	0.816	1.225
Tax Effectiveness	0.910	1.098

Source: Processed Primary Data (2024)

Based on table 6, the results of the multicollinearity test of the HPP Law knowledge variable have tolerance values of 0.860 and 1.523 for VIF, the tax rate

variable has tolerance values of 0.816 and 1.225 for VIF, while the tax effectiveness variable has tolerance values of 0.910 and 1.098 for VIF. Thus, it can be concluded that there is no multicollinearity symptom among the independent variables because the tolerance value is > 0.1 and the VIF value is <10.

Data Analysis Test

1. Multiple Linear Regression

Table 7. Multiple Linear Regression

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	5.348	3.537
UU HPP	0.183	0.064
Tax Rates	0.241	0.118
Tax Effectiveness	0.275	0.168

Source: Processed Primary Data (2024)

Based on data analysis using SPSS 26, the following regression equation results were obtained:

Y = 5.348 + 0.183X$_1$ + 0.241X$_2$ + 0.275X$_3$ + e

The regression equation above can show the relationship between the independent variables and the dependent variable partially, from the equation it can be concluded that:

a. The constant of 5.348 shows that if the independent variables (Understanding of HPP Law, Tax Rates and Tax Effectiveness) are assumed to be unchanged (constant), then the value of Y (compliance of MSME taxpayers) is 5.348%.

b. The regression coefficient of the tax knowledge variable (X1) is 0.183, meaning that if each unit increase in the tax knowledge variable, the MSME taxpayer compliance value increases by 0.183. The coefficient is positive, meaning that there is a unidirectional relationship between tax knowledge and MSME taxpayer compliance.

c. The regression coefficient of the tax rate variable (X2) is 0.241, meaning that if each unit increase in the tax rate variable, the MSME taxpayer compliance value increases by 0.241. The coefficient is positive, meaning that there is a unidirectional relationship between tax rates and MSME taxpayer compliance.

d. The regression coefficient of the tax effectiveness variable (X3) is 0.275, meaning that for every unit increase in the tax effectiveness variable, the compliance value of MSME taxpayers will increase by 0.275. A positive coefficient means that there is a unidirectional relationship between tax effectiveness and MSME taxpayer compliance.

2. T Test or Partial Test

Table 8. T Test

Coefficients		
Model	**T**	**Sig.**
(Constant)	1.512	0.134
UU HPP	2.877	0.005
Tax Rates	2.042	0.044
Tax Effectiveness	1.637	0.105

Source: Processed Primary Data (2024)

Based on the results of the t-test or partial by observing the column, row t and sig, it can be explained as follows:

a. The Effect of Tax Knowledge on MSME Taxpayer Compliance.

Based on the regression results, it can be seen that the tax knowledge variable has a significance result of 0.005 <0.05 and a calculated t of 2.877> t table of 1.985 (df = 100-3-1 = 96) then H0 is rejected and H1 is accepted. Therefore, it can be concluded that the tax knowledge variable partially affects MSME taxpayer compliance.

b. The Effect of Tax Rates on MSME Taxpayer Compliance.

Based on the regression results, it can be seen that the tax rate variable has a significance result of 0.044 <0.05 and a calculated t of 2.042 > t table of 1.985 (df = 100-3-1 = 96) then H0 is rejected and H1 is accepted. Therefore, it can be concluded that the tax rate variable partially affects the compliance of MSME taxpayers.

c. The Effect of Tax Effectiveness on MSME Taxpayer Compliance.

Based on the regression results, it can be seen that the tax effectiveness variable has a significance result of 0.105> 0.05 and a calculated t of 1.637 <t table of 1.985 (df = 100-3-1=96) so H0 is accepted and H2 is rejected. So it can be concluded that the tax effectiveness variable partially does not affect the compliance of MSME taxpayers.

3. F Test or Simultan

Table 9. F Test or Simultan

Model	F	Sig.
Regression	8.998	0.000[b]

Source: Processed Primary Data (2024)

Based on table 9 above, it can be seen that the calculated F value is 8.998 with the F table value of 2.70 so that the calculated F value > Ftable or 8.998 > 2.70 and the significance level is 0.000 < 0.05, then H0 is rejected and Ha is accepted. Therefore, it can be concluded that the variables of Tax Knowledge (X1), Tax Rates (X2) and Tax

Effectiveness Environment (X3) together have an effect on MSME Taxpayer Compliance.

4. Coefficient of Determination Test (R^2)

Table 10. Coefficient of Determination Test

Model Summary[b]	
Model	Adjusted R Square
1	0.195

Source: Processed Primary Data (2024)

Based on table 10, it can be concluded that the determination coefficient value is in the adjusted R square value of 0.195, which is included in the medium category relationship level. It can be concluded that the ability of the independent variable to explain the dependent variable is 19.5%, the remaining 80.5% is explained by other variables not discussed in this study.

Discussion

1. The Influence of Tax Knowledge on Tax Compliance of MSME Taxpayers.

The first hypothesis states that knowledge about taxation has a positive impact on taxpayer compliance of MSMEs. Internal and external factors that are formed in the environment around the tax agency through the learning process, both verbally and in writing, will improve the understanding that was previously lacking to become better. Increasing knowledge about the Tax Regulation Harmonization Law will affect the individual's understanding and assessment of tax compliance. The higher the level of taxpayer knowledge regarding tax regulations, the greater their understanding of the benefits of compliance in paying taxes, which will ultimately increase taxpayer compliance.

The results of this study are in line with research conducted by Mintje (2016), Indrawan and Binekas (2018) and Putra (2020) which shows that tax knowledge has an influence on MSME taxpayer compliance.

2. The Influence of MSME Tax Rates on MSME Taxpayer Compliance in Central Java.

The results of a series of tests conducted stated the second hypothesis, namely that tax rates have a significant positive effect on MSME taxpayer compliance, tax rates are rates that reflect the actual tax burden borne by taxpayers, therefore MSMEs that have a large tax burden also have large incomes. The results of the study showed positive results between tax rates and tax compliance, where when the tax rates set are effective and on target, it will increase compliance for taxpayers, especially for MSMEs, because the current tax rates are very favorable for MSME actors. This study is in line with research conducted by (Rahayu & Suaidah, 2022) and (Murtiningtyas et al., 2023) which stated that tax rates have a significant positive effect on MSME taxpayer compliance.

3. The Influence of the Effectiveness of the Tax System on Tax Compliance of MSME Taxpayers in Central Java.

The results of a series of tests conducted showed that the variable of the effectiveness of the tax system did not have a significant effect on the compliance of MSME taxpayers. According to (Mardiasmo, 2019), effectiveness is the achievement of agreed targets for joint efforts. "Effectiveness is defined as the ability of a unit to achieve the desired goals". The Republic of Indonesia implements a self-assessment system in its tax collection process. The self-assessment

system is a tax collection system that gives taxpayers the authority to determine the amount of tax owed, this is not balanced with the conditions of the taxpayers, considering that in Indonesia the level of technological literacy and the level of knowledge for MSME taxpayers is still low.

CONCLUSION

Based on the previous discussion, it can be concluded that partially tax knowledge and tax rates have a significant positive effect on MSME taxpayer compliance and the effectiveness of the tax system has been proven to have no effect on MSME taxpayer compliance, while simultaneously tax knowledge, tax rates and the effectiveness of the tax system have a positive effect on MSME taxpayer compliance.

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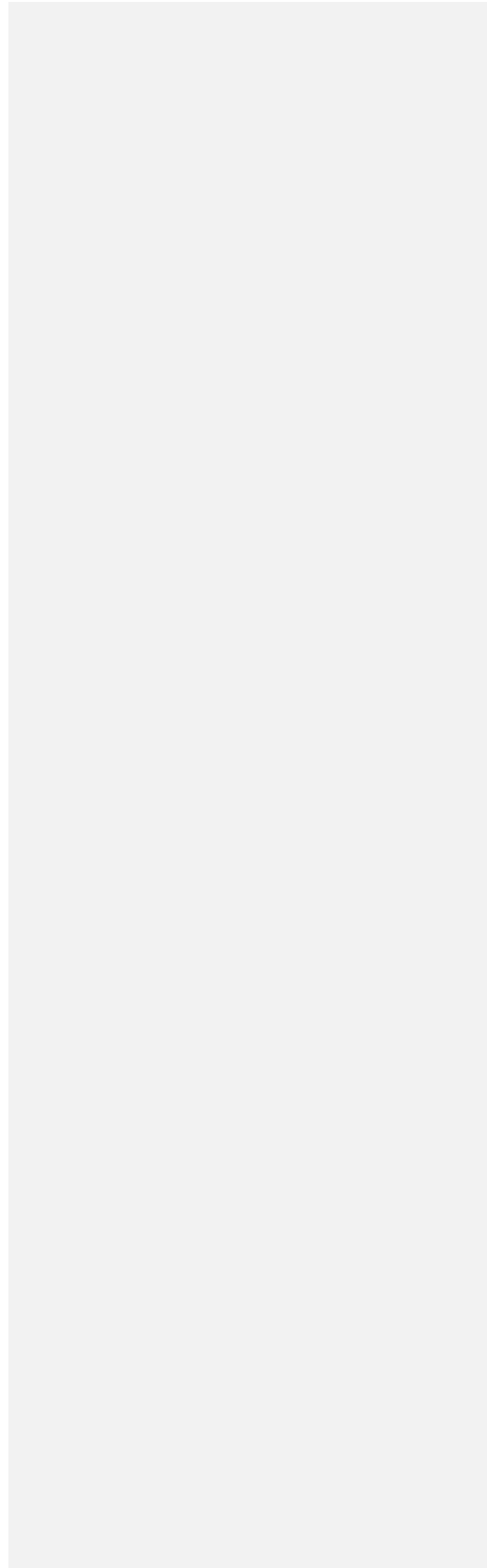
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Pengaruh Pengetahuan Undang-Undang HPP, Tarif Pajak, dan Efektivitas Sistem Perpajakan Terhadap Kepatuhan Wajib Pajak

THE EFFECT OF HPP LAW KNOWLEDGE, TAX RATES, AND TAX SYSTEM EFFECTIVENESS ON TAXPAYER COMPLIANCE

Apip Apip[1*], Kholidin Kholidin[2], Herry Laksito[3]

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ARTICLE INFORMATION	ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui bagaimana kepatuhan wajib pajak UMKM di Jawa Tengah dipengaruhi oleh pemahaman wajib pajak terhadap UU HPP, tarif pajak, dan efisiensi sistem perpajakan. Metodologi penelitian kuantitatif digunakan. Dengan menggunakan sampel sebanyak 100 responden dan teknik random sampling berdasarkan rumus Slovin, populasi dalam penelitian ini adalah para pelaku UMKM di Jawa Tengah. Regresi Linier Berganda merupakan metode analisis data yang digunakan. Temuan penelitian menunjukkan bahwa tarif pajak dan pengetahuan perpajakan berpengaruh positif terhadap kepatuhan wajib pajak UMKM di Jawa Tengah, sedangkan efisiensi sistem perpajakan tidak banyak berpengaruh terhadap kepatuhan wajib pajak. Pemahaman peraturan dan besaran tarif pajak yang ditetapkan pemerintah meningkatkan wajib pajak. perilaku kepatuhan. Sistem perpajakan di Indonesia berbasis teknologi dan belum sepenuhnya dipahami oleh UMKM sehingga sistem perpajakan tidak berjalan efektif.

Kata kunci: Pemahaman UU HPP; Tarif Pajak; Efektivitas Sistem Perpajakan; Kepatuhan Wajib Pajak

ABSTRACT

The purpose of this study was to ascertain how MSMEs' taxpayer compliance in Central Java was impacted by taxpayer understanding of the HPP Law, tax rates, and the efficiency of the tax system. Quantitative research methodology is employed. Using a sample of 100 respondents and a random sampling technique based on the Slovin formula, the population in this study was made up of MSME players in Central Java. Multiple Linear Regression was employed as the data analysis method. The study's findings show that tax rates and tax knowledge positively impact MSMEs' taxpayer compliance in Central Java, while the efficiency of the tax system has little bearing on taxpayer compliance. Understanding the regulations and the amount of tax rates set by the government increases taxpayer compliance behavior. The taxation system in Indonesia is based on technology and is not fully understood by MSMEs so the taxation system does not run effectively.

Keywords: *Knowledge of Harmonization of Tax Regulation Law; Tax Rates; Tax System Effectiveness; Taxpayer Compliance*

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taxation will increase. The knowledge of HPP Law will affect the individual's understanding and assessment of tax compliance. The more knowledgeable taxpayers are about tax regulations, the better they comprehend the advantages of adhering to tax obligations, which will ultimately enhance taxpayer compliance. The findings of this study align with investigations carried out by Mintje (2016), Indrawan & Binekas (2018), and Putra (2020) which reveal that tax knowledge has a beneficial impact on MSME compliance among taxpayers.

The findings of this study show that tax rates have a notable positive impact on MSME taxpayer compliance. Tax rates are rates that reflect the actual tax burden borne by taxpayers, therefore MSMEs that have a large tax burden also have large incomes. The study's findings demonstrated favorable outcomes among tax rates and tax compliance, where when the tax rates set are effective and on target, it will increase compliance for taxpayers, especially for MSMEs because the current tax rates are very favorable for MSME actors. This study is consistent with studies carried out by Rahayu & Suaidah (2022) and Murtiningtyas et al. (2023) which claimed that tax rates significantly improve MSME compliance among taxpayers.

The findings of several tests showed that the tax system effectiveness had no significant effect on tax compliance among MSME taxpayers. According to Gibson (2018), productivity is the accomplishment of predetermined goals through teamwork. This study demonstrates that MSME taxpayer compliance is not much impacted by Indonesia's present tax structure, mainly due to low levels of technological literacy and limited understanding of tax regulations among this group. These difficulties weaken the efficiency of the self-

assessment system since numerous taxpayers find it hard to understand the benefits of compliance. To enhance the efficiency of the tax system and its influence on adherence, efforts should focus on improving accessibility, providing comprehensive taxpayer education, and leveraging technology to simplify the tax reporting and payment process. Addressing these gaps will enable the tax system to better support taxpayers in meeting their obligations and ultimately contribute to higher levels of compliance among MSME taxpayers.

CONCLUSION

This study aims to examine the effect of knowledge of HPP Law, tax rates, and tax system effectiveness on taxpayer compliance among MSMEs in Central Java. Based on the preceding discussion, it can be inferred that knowledge of HPP Law and tax rates positively impacts taxpayer compliance. Furthermore, the tax system's effectiveness has no substantial impact on taxpayer compliance. This study has several limitations, including the limited scope of the study which only covers Central Java so the results may not be generalizable to other Indonesian areas. In addition, the cross-sectional data approach does not allow for analysis of changes in taxpayer behavior over time, and the use of limited variables does not cover other factors that may have an influence, such as culture, and adoption of technology in taxation.

Based on the limitations of this study, there are some issues to be addressed in future studies. It is suggested that future study expands geographic coverage to other regions to obtain more representative results. Additionally, future studies may use a longitudinal approach to observe the dynamics of taxpayer behavior in the long term. Future

5. Bukti review ke 3 tanggal 14 November 2024

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Pengaruh Undang-Undang Harmonisasi Peraturan Perpajakan, Tarif Pajak, dan Efektivitas Sistem Perpajakan Terhadap Kepatuhan Wajib Pajak
THE EFFECT OF HPP LAW, TAX RATES, AND TAX EFFECTIVENESS ON TAX COMPLIANCE

ARTICLE INFORMATION	ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh pengetahuan tentang UU HPP, tarif pajak efektivitas sistem perpajakan terhadap kepatuhan wajib pajak UMKM. Metode penelitian yang digunakan adalah metode kuantitatif. Populasi dalam penelitian ini adalah pelaku UMKM di Jawa Tengah dengan sampel sebanyak 100 responden. Teknik pengumpulan data yang digunakan adalah kuesioner dengan menggunakan skala pengukuran instrumen Likert. Teknik analisis data yang digunakan adalah Regresi Linier Berganda. Hasil penelitian secara parsial menunjukkan bahwa variabel pengetahuan perpajakan dan tarif pajak berpengaruh positif terhadap kepatuhan wajib pajak UMKM di Jawa Tengah, sedangkan variabel kondisi keuangan tidak berpengaruh terhadap kepatuhan wajib pajak UMKM di Jawa Tengah.

Kata kunci: UU HPP, Tarif Pajak, Efektivitas Sistem Perpajakan, Kepatuhan Wajib Pajak

ABSTRACT

The purpose of this study is to determine the effect of knowledge of the HPP Law, tax rate, and the effectiveness of the tax system on taxpayer compliance of MSMEs. The research method used is a quantitative method. The population in this study were MSME actors in Central Java with a sample of 100 respondents. The data collection technique used was a questionnaire using a Likert instrument measurement scale. The data analysis technique used was Multiple Linear Regression. The results of the study partially showed that the variables of tax knowledge and tax rates had a positive effect on taxpayer compliance of MSMEs in Central Java, while the financial condition variable did not affect taxpayer compliance of MSMEs in Central Java.

Keywords: *harmonization of tax regulations Law, Tax Rates, Tax Effectiveness on Tax System, Tax Compliance*

* Corresponding author:
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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are economic activities carried out by the majority of people in Indonesia, both individually and in groups. MSMEs are one of the economic activities that are very helpful in improving the economy in Indonesia and have spread widely throughout Indonesia (Hutapea et al., 2023). The Covid-19 pandemic is one of the causes of the soaring number of MSMEs in Indonesia, even quite a few children who are still in school have set up their own businesses. Indonesia has very abundant natural resources spread throughout Indonesia, making each MSME have its own creative products (Maretaniandini et al., 2023).

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs spread throughout Indonesia reached 64.2 million micro, small, and medium enterprises (MSMEs) in Indonesia in 2021. The number of fostered MSMEs in Central Java is 180.579 while the number of workers is 1.32 million people in 2022, up from 1.31 million in 2021. MSME turnover also continues to climb from 68.242 trillion in 2021 to IDR 68.581 billion in 2022 (www.dinkop-umkm.jatengprov.go.id). The problems experienced by MSME actors in Central Java are related to tax regulations that often change, so that MSME taxpayers are less familiar with regulations that often change quickly.

The management of the MSME industry still experiences several difficulties due to limited human resource competencies, so that it has not been optimal in carrying out tax obligations, this is in contrast to the growth of MSMEs which is expected to be able to increase revenue in the tax sector, there are factors that influence the increase in the realization of tax revenue, namely compliance with tax obligations in accordance with the laws that have been determined and complies with the taxpayer who is obedient (Riskiliali et al., 2022). The Minister of State for the Coordination of Taxes, Cooperatives and SMEs, Teten Masduki, stated that the encouragement of taxpayers to be more obedient in paying taxes, considering that the tax payers (MSME actors) who pay taxes are only 0.5 percent of MSMEs. Teten also emphasized that MSME actors have great potential as taxpayers (Hutapea et al., 2023).

On October 29, 2021, the government passed Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP). The issuance of the HPP Law was motivated by several things. First, to improve the budget deficit and increase the tax ratio through the implementation of policies to improve tax revenue performance. Second, to realize increased tax revenue performance, policy amendments are needed in the field of general provisions and tax procedures, income tax, value added tax, and excise as well as regulations regarding carbon tax, as well as policies in the form of voluntary taxpayer disclosure programs (Ferry, 2021). According to the Minister of Finance (Menkeu) Sri Mulyani Indrawati, the Law on the Harmonization of Tax Regulations (HPP) was passed not to burden the people. Instead, the HHP Law should provide support to low-income groups and

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also micro, small and medium enterprises (MSMEs).

The Law on Harmonization of Tax Regulations regulates the turnover limits. imposed on MSME taxpayers. For MSMEs with a turnover of less than or equal to IDR 500 million, a rate of 0% is imposed. turnover above IDR 500 million to IDR 4.8 billion is imposed a rate of 0.5%. The 0% rate is an incentive given by the government to MSMEs so that MSMEs in Indonesia can grow and develop. Bangun et al. (2022) stated that there were significant changes between before and after the implementation of this tax regulation. harmonization law which contains changes to MSME income tax rates, this makes taxpayers increase their tax compliance.

This can provide benefits for individual MSMEs in the form of lower taxation (Cendana & Pradana, 2021). And in the HiP Law, it states that MSMEs will receive incentives in the form of a non-taxable gross income limit for MSMEs of up to five hundred million rupiah per year. The non-taxable gross turnover limit means that MSMEs with a tumover of up to five hundred million rupiah per year do not need to pay final income tax of 0.5%. If the turnover exceeds five hundred million rupiah, the tax calculation is only carried out on the turnover above five hundred million rupiah.

In Law Number 7 of 2021 concerning Harmonization of Tax Regulations or often referred to as the HPP Law, it is a government step to create a more effective taxation system and can encourage economic growth for the MSME community (Riskillah et al., 2022). Fulfillment of tax obligations needs to be

supported by an understanding of Tax Regulations, namely the ability of taxpayers to know and apply knowledge about their taxes. The Republic of Indonesia implements a self-assessment system in its tax collection process. The self-assessment system is a tax collection system that gives taxpayers the authority to determine the amount of tax owed (As'ari, 2018). In this self-assessment system, the tax authorities entrung taxpayers to calculate, account for. pay, and report their own taxes owed.

Previous research on MSMEs in North Sumatra conducted by Riskillah et al. (2022), stated that the HPP Law had a significant positive effect on the compliance of MSME taxpayers and tax cialization had no effect on the compliance of MSME taxpayers. In line with the research conducted by (Ratu Aulia & Nurinela, 2023), it was stated that the implementation of taxes on the understanding and socialization of taxation had a positive effect on the compliance of MSME taxpayers in Garut Regency. Based the description of the background and the number of taxpayers on large misunderstanding of this matter and the still rare research discussing the above. therefore the researcher is interested in conducting a study entitled "The Effect of the Implementation of the HPP Law on Changes in MSME Income Tax Rates and the Effectiveness of the Tax System on MSME Taxpayer Compliance with the aim of finding out how the changes in the HPP Law and tax rates affect taxpayer compliance and the effectiveness of the existing tax system on taxpayer

compliance. The author uses a sample of MSMEs in Central Java.

This research is related to compliance theory. According to Hany et al. (2023), tax compliance is a responsibility to God, to the government, and the people as Taxpayers to fulfill all tax obligations and exercise their tax rights. Compliance theory states that there are two basic perspectives on legal compliance, namely instrumental and normative, the instrumental approach assumes that individuals are completely motivated by personal interests and responses to changes related to behavior. while the normative approach relates to morals that are contrary to their personal interests, usually an individual is more obedient to the law that they consider to be in accordance with their internal norms (Sahib & Fitriandi, 2022).

The relationship between compliance theory and this research is that compliance can encourage an individual's behavior to be more compliant with applicable tax regulations, namely the Tax Harmonization Law by considering the benefits obtained. Taxpayers who carry out their tax obligations can provide benefits to the state and will receive the benefits indirectly. In this study, compliance is influenced by several factors, namely knowledge factors, tax rates, and tax effectiveness.

According to (Kartikasari Yadnyana, 2020) tax knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions, and taking certain directions or strategies in relation to the implementation of their rights and obligations in the field of taxation. Knowledge of taxation fosters awareness

among taxpayers to comply and obey their tax obligations, including knowledge of MSME taxpayers regarding the HPP Law where MSME taxpayers understand and know about the HPP Law and apply it in their tax activities. The level of knowledge can be an indicator of the creation of tax compliance.

Research by As'ari (2018) shows that tax knowledge has a significant effect on taxpayer compliance. Ratu Aulia & Nurlaela (2023) revealed that tax knowledge has an effect on taxpayer compliance of MSMEs. Based on the discussion that has been described, this research expects that there is an Influence of Knowledge of the HPP Law on tax compliance of MSMEs in Central Java.

The tax rate is a rate that reflects the actual tax burden borne by the taxpayer. The company is one of the subjects of income tax, namely the corporate tax subject. The applicable tax rate shows the amount of tax liability relative to taxable income. The phenomenon of the effective tax rate can be seen from the tax ratio between the tax burden and the turnover owned by MSMEs (Murtiningtyas et al.. 2023). The higher the tax rate set by the government, the greater the tax burden borne by MSMEs. Income tax is a tax that is calculated based on tax regulations and imposed on taxable income.

The MSME tax rate in PP number 23 of 2018 is 0.5% of income with a gross turnover of less than 4.8 billion in one year. The research of Rahayun & Suaidah (2022) stated that the tax rate has a positive and significant effect on the compliance of MSME Taxpayers. The determination of tax

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rates for MSMEs is fair because the results have an effect on compliance. The higher the determination of the tax rate imposed on income, the more taxpayers will comply in fulfilling their obligations. Therefore, this research expects that there is an influence of MSME Tax Rates on MSME Taxpayer Compliance in Central Java

Effectiveness is the utilization of resources, facilities, and infrastructure in a certain amount that is consciously determined in advance to produce a number of goods for the services of the activities carried out. According to Gibson (2022), effectiveness is the achievement of agreed targets for joint efforts. "effectiveness is defined as the ability of a unit to achieve the desired goals". Effectiveness is used to measure the relationship between the results of a tax levy and the objectives that have been set. The formula used is Effectiveness equals the Tax Revenue Target divided by the Tax Revenue Realization multiplied by 100% 2. Previous research by (Murtiningtyas et al., 2023), stated that the perception of tax effectiveness has a positive effect on the variable of MSME taxpayer compliance. Thus, this research expects that there is an influence of tax system effectiveness on tax compliance of MSMEs in Central Java.

RESEARCH METHODS

The population used in this study were MSME taxpayers in Central Java with a population of 183.181 MSMEs sourced from the Central Java Province Cooperatives and Small and Medium Enterprises Service in 2023. The sample used in this study was 100 respondents using the Slovin formula. The sample

collection used was purposive sampling. In this sampling method, certain criteria are created which are used to select samples in order to obtain samples that are right on target as follows:

1. Respondents are MSME taxpayers located in Central Java.
2. Respondents are active MSME taxpayers registered with Cooperatives and MSME services.
3. Respondents are active MSME taxpayers who have businesses in the MSME category.
4. Respondents are MSME taxpayers who have NPWP.

This research uses a questionnaire. The questionnaire responses were measured using a five-point Likert scale. The Likert scale is a question used to receive responses in the form of evaluations related to the level of agreement or disagreement with 5 levels of answers, namely 1 = Strongly Disagree (STS), 2 = Disagree (TS), 3= Undecided (RR), 4 = Agree (S), and 5 = Strongly Agree (SS) (Ghozali, 2021).

This research uses quantitative data types. The data used to achieve the objectives of the author's research uses a questionnaire. The researcher's method of distributing the questionnaire is by coming directly to the UMKM owners to obtain approval from the UMKM actors whether they are willing to the respondents in this study, if the UMKM actors are willing, the researcher will provide a questionnaire to obtain answers to statements of UMKM taxpayer compliance.

This research carried out validity and reliability tests on the instrument used. Ghozali (2021) stated that validity is a test

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What the novelty?

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carried out to see whether the instrument used in the questionnaire is valid or not. A questionnaire can be said to be valid if the calculated r-value > r-table.

Reliability is the degree of consistency of the instrument in question. An instrument can be said to be good if it has consistent results in testing (Ghozali. 2021). It is said to be reliable if the Cronbach alpha is 0.70 and is said to be unreliable if the Cronbach alpha <0.70.

This research also carried out a classical assumption test before doing hypotheses testing. The classical assumption test in this research consists of a normality test and a multicollinearity test.

The normality test is a test used to determine the distribution of data in research variables and whether it can be done and distributed normally or not. Data can be said to be normally distributed if the sig value > 0.05.

According to Ghozali (2021), the multicollinearity test is to find out whether one independent variable with another independent variable in a regression model is linearly correlated. Good test results can be concluded that there is no multicollinearity between the independent variables in the regression model with the criteria of tolerance value > 0.1 and VIF value < 10.

The data analysis in this research employs a multiple linear regression model. Multiple linear regression analysis aims to predict the average value of the dependent variable based on the known values of the independent variables. The equation of multiple linear regression can be written as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

Description:
Y = MSME Taxpayer Compliance
a = Constanta
b_1, b_2, b_3 = Regression Coefficient
X_1 = Knowledge of Harmonization of Tax Regulations Law
X_2 = MSME Tax Rates
X_3 = Effectiveness of Tax System
e = Error

The multiple linear regression, this research continues the data analysis with coefficient determination test, F-test, and t-test. According to Mardiasmo (2019), the coefficient of determination (R^2) square is used to determine the ability of independent variables to explain dependent variables. The F-test is used to show all independent variables. included in the research model have a simultaneous/joint influence dependent variable. Lastly, the t-test is used to prove and determine the influence of the independent variable (X) individually on the dependent variable (Y). The level of significance used is 5% or 0.05.

RESULTS AND DISCUSSION

This research carried out data quality testing (validity and reliability test) before doing some data analysis. The result of the validity test on the knowledge of the Law on Harmonization of Tax Regulations (UU HPP) is presented in Table 1.

Table 1. Validity Test of Knowledge of Tax Regulation Harmonization Law

Items	R-Count	R-table	Description
X1	0.791	0.196	Valid
X2	0.792	0.196	Valid
X3	0.700	0.196	Valid
X4	0.681	0.196	Valid
X5	0.738	0.196	Valid
X6	0.742	0.196	Valid
X7	0.427	0.196	Valid
X8	0.326	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 1, it can be concluded that the 8 items regarding knowledge of tax regulation harmonization laws have values between 0.326 and 0.792 which are declared valid because the calculated r > r table, namely 0.196. Furthermore, the result of the validity test on the MSME tax rate is presented in Table 2.

Table 2. MSME Tax Rate Validity Test

Items	R-Count	R-table	Description
X1	0.603	0.196	Valid
X2	0.276	0.196	Valid
X3	0.563	0.196	Valid
X4	0.607	0.196	Valid
X5	0.381	0.196	Valid
X6	0.621	0.196	Valid
X7	0.429	0.196	Valid
X8	0.514	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 2, it can be concluded that the 8 items regarding MSME tax rates have values between 0.276 and 0.621 which are declared valid because the calculated r > r table, namely 0.196. Meanwhile, the result of the validity test on the effectiveness of the tax system is presented in Table 3.

Table 3. Validity Test Effectiveness of Tax System

Items	R-Count	R-Table	Description
X1	0.512	0.196	Valid
X2	0.710	0.196	Valid
X3	0.422	0.196	Valid
X4	0.500	0.196	Valid
X5	0.596	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 3, it can be concluded that the 5 items regarding the effectiveness of the tax system have values between 0.422 and 0.710 which are declared valid because the calculated r > r table, namely 0.196. Furthermore, the result of the MSME taxpayer compliance is presented in Table 4.

Table 4. MSME Taxpayer Compliance Validity Test

Items	R-Count	R-Table	Description
X1	0.546	0.196	Valid
X2	0.775	0.196	Valid
X3	0.780	0.196	Valid
X4	0.641	0.196	Valid
X5	0.655	0.196	Valid
X6	0.599	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 4, it can be concluded that the 6 statement items regarding MSME taxpayer compliance have values between 0.546 and 0.780 which are declared valid because the calculated r > r table, namely 0.196.

In order to measure the reliability of the instrument, this research employs reliability statistic of each variables. The result of reliability test is presented in Table 5.

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Table 5. Reliability Test

Variable	Cronbach's Alpha	N of Items
XI	0.801	8
X2	0.761	8
X3	0.827	5
Y	0.742	6

Source: Processed Primary Data (2024)

Based on Table 5 above, it shows the Cronbach's Alpha value of Knowledge of Tax Regulation Harmonization Law of 0.801, MSME Tax Rate of 0.761. Effectiveness of Tax System of 0.827 and MSME Taxpayer Compliance of 0.742. So it can be concluded that all variables X and Y are reliable because the Cronbach's Alpha value is > 0.60.

This research continue the analysis with classical assumption test to ensure that regression model developed in this research is a BLUE model. The classical assumption test consist of normality test dan multicollinearity test. The result of normality test is presented in Table 6 below.

Table 6. Normality Test

	Unstandardized Residual
N	100
Asymp. Sig. (2-tailed)	0.200

Source: Processed Primary Data (2024)

Table 6 above shows the significance value of 0.200. So it can be concluded that the data is normally distributed because the Asymp. Sig. value is 0.200 > 0.05. Furthermore, the result of multicollinearity test is presented in Table 7 as follows.

Table 7. Multicollinearity Test

	Tolerance	VIF
Knowledge of UU HPP	0.860	1.163
Tax Rates	0.816	1.225
Tax Effectiveness	0.910	1.098

Source: Processed Primary Data (2024)

Based on Table 7, the results of the multicollinearity test of the HPP Law knowledge variable have tolerance values of 0.860 and 1.523 for VIF, the tax rate variable has tolerance values of 0.816 and 1.225 for VIF, while the tax effectiveness variable has tolerance values of 0.910 and 1.098 for VIF. Thus, it can be concluded that there is no multicollinearity symptom among the independent variables because the tolerance value is > 0.1 and the VIF value is < 10.

This research continue the data analysis after there is no classical assumption problem arise. In order to rearch the hypotesis testing, this research presents the result of multiple linear regression, t-test, f-test, and coefficient determination test. The result of multiple linear regression is presented in Table 8 below.

Table 8. Multiple Linear Regression

Model	Unstandardized Coefficients	
	B	Std Error
(Constant)	5.348	3.537
UU HPP	0.183	0.064
Tax Rates	0.241	0.118
Tax Effectiveness	0.275	0.168

Source: Processed Primary Data (2024)

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Based on data analysis using SPSS 26, the following regression equation results were obtained from Table 8:

V = 5.348 + 0.183X + 0.241 + 0.275% +e

The regression equation above can show the relationship between the independent variables and the dependent variable partially, from the equation it can be concluded as follows:

The constant of 5.348 shows that if the independent variables (Understanding of HPP Law, Tax Rates and Tax Effectiveness are assumed to be unchanged (constant), then the value of Y (compliance of MSME taxpayers) is 5.348%. The regression coefficient of the tax knowledge variable (X1) is 0.183. meaning that if each unit increase in the tax knowledge variable, the MSME taxpayer compliance value increases by 0.183. The coefficient is positive. meaning that there is a unidirectional relationship between tax knowledge and MSME taxpayer compliance.

The regression coefficient of the tax rate variable (X2) is 0.241, meaning that if each unit increase in the tax rate variable, the MSME taxpayer compliance value increases by 0.241. The coefficient is positive, meaning that there is a unidirectional relationship between tax rates and MSME taxpayer compliance. The regression coefficient of the tax effectiveness variable (X3) is 0.275. meaning that for every unit increase in the tax effectiveness variable, the compliance value of MSME tampayers will increase by 0.275. A positive coefficient means that there is a unidirectional relationship between tax effectiveness and MSME taxpayer compliance. Meanwhile, the result of t-test is presented in Table 9 below.

Table 9. T-Test

Model	T	Sig.
(Constant)	1.512	0.134
UU HPP	2.877	0.005
Tax Rates	2.042	0.044
Tax Effectiveness	1.637	0.105

Source: Processed Primary Data (2024)

Based on Table 9 above, it can be explained as follows. Based on the regression results, it can be seen that the tax knowledge variable has a significance result of 0.005 < 0.05 with t-calculated t of 2.877 and t-table of 1.985 (df= 100-3-1-96), then HO is rejected and HI is accepted. Therefore, it can be concluded that the tax knowledge variable partially affects MSME taxpayer compliance.

Based on the regression results, it can be seen that the tax rate variable has a significance result of 0.044 0.05 and a calculated t of 2.042 > t table of 1.985 (df = 100-3-1-96) then HO is rejected and Hl is accepted. Therefore, it can be concluded. that the tax rate variable partially affects the compliance of MSME taxpayers.

Based on the regression results, it can be seen that the tax effectiveness variable has a significance result of 0.105 >0.05 and a calculated t of 1.637t table of 1.985 (df= 100-3-1-96) so H0 is accepted and H2 is rejected. So it can be concluded that the tax effectiveness variable partially does not affect the compliance of MSME taxpayers. Furthermore, the result of f-test is presented in Table 10 as follows.

Table 10. F Test

Model	F	Sig.
Regression	8.998	D00

Source: Processed Primary Data (2024)

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Based on Table 10 above, it can be seen that the calculated F value is 8.998 with the F table value of 2.70 so that the calculated F value > F Table or 8.998 > 2.70 and the significance level is 0.000 0.05, then HO is rejected and Ha is accepted. Therefore, it can be concluded that the variables of Tax Knowledge (XI). Tax Rates (X2) and Tax Effectiveness Environment (X3) together have an effect on MSME Taxpayer Compliance. Meanwhile the result of coefficient determination test is shown on Table 11 below.

Table 11. Coefficient of Determination Test

Model	Adjusted R Square
1	0.195

Source: Processed Primary Data (2024)

Based on Table 11, it can be concluded that the determination coefficient value is in the adjusted R square value of 0.195, which is included in the medium category relationship level. It can be concluded that the ability of the independent variable to explain the dependent variable is 19.5%. the remaining 80.5% is explained by other variables not discussed in this study.

Discussion

The first hypothesis states that knowledge about taxation has a positive impact on taxpayer compliance of MSMEs. Internal and external factors that are formed in the environment around the tax agency through the learning process, both verbally and in writing, will improve the understanding that was previously lacking to become better. Increasing knowledge about the Tax. Regulation Harmonization Law will affect the individual's understanding and assessment of tax compliance. The higher the level of taxpayer knowledge regarding tax regulations, the greater their understanding of the benefits of compliance in paying taxes, which will ultimately increase taxpayer compliance.The results of this study are in line with research conducted by Mintje (2016). Indrawan and Binekas (2018) and Putra. (2020) which shows that tax knowledge has an influence on MSME taxpayer compliance.

The results of a series of tests conducted stated the second hypothesis, namely that tax rates have a significant positive effect on MSME taxpayer compliance, tax rates are rates that reflect the actual tax burden borne by taxpayers, therefore MSMEs that have a large tax burden also have large incomes. The results of the study showed positive results between tax rates and tax compliance, where when the tax rates set are effective and on target, it will increase compliance for taxpayers, especially for MSMEs, because the current tax rates are very favorable for MSME actors. This study is in line with research conducted by (Rahayu & Suaichah, 2022) and (Murtiningtyaset al., 2023) which stated that tax rates have a significant positive effect on MSME taxpayer compliance.

The results of a series of tests conducted showed that the variable of the effectiveness of the tax system did not have a significant effect on the compliance of MSME taxpayers. According to (Mardiasmo. 2019), effectiveness is the achievement of agreed targets for joint

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How does this effectiveness affect compliance?
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efforts. "Effectiveness is defined as the ability of a unit to achieve the desired goals". The Republic of Indonesia implements a self-assegment system in its tax collection process. The self-assessment system is a tax collection system that gives taxpayers the authority to determine the amount of tax owed, this is not balanced with the conditions of the taxpayers, consiciering that in Indonesia the level of technological literacy and the level of knowledge for MSME taxpayers is still low.

CONCLUSION

Based on the previous discussion, it can he concluded that partially tux knowledge and tax rates have a significant positive effect on MSME taxpayer compliance and the effectiveness of the tax system has been proven to have no effect on MSME taxpayer compliance, while simultaneously tax knowledge, tax rates and the effectiveness of the tax system have a positive effect on MSME taxpayer compliance.

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Pengaruh Undang-Undang Harmonisasi Peraturan Perpajakan, Tarif Pajak, dan Efektivitas Sistem Perpajakan Terhadap Kepatuhan Wajib Pajak
THE EFFECT OF HPP LAW, TAX RATES, AND TAX EFFECTIVENESS ON TAX COMPLIANCE IN CENTRAL JAVA MSMEs

ARTICLE INFORMATION	ABSTRAK

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh pengetahuan tentang UU HPP, tarif pajak, efektivitas sistem perpajakan terhadap kepatuhan wajib pajak UMKM di Jawa Tengah. Metode penelitian yang digunakan adalah metode kuantitatif. Populasi dalam penelitian ini adalah pelaku UMKM di Jawa Tengah dengan metode *random sampling* menggunakan rumus slovin dan sampel yang digunakan sebanyak 100 responden. Teknik analisis data yang digunakan adalah Regresi Linier Berganda. Hasil penelitian menunjukkan bahwa pengetahuan perpajakan dan tarif pajak berpengaruh positif terhadap kepatuhan wajib pajak UMKM di Jawa Tengah, sedangkan efektivitas sistem perpajakan tidak berpengaruh terhadap kepatuhan wajib pajak. Pemahaman terhadap peraturan dan besaran tarif pajak yang ditetapkan pemerintah meningkatkan perilaku kepatuhan wajib pajak. Sistem perpajakan di Indonesia berbasis tekonologi tidak sepenuhnya dipahami oleh UMKM sehingga sistem perpajakan tidak berjalan efektif.
Kata kunci: UU HPP; Tarif Pajak; Efektivitas Sistem Perpajakan; Kepatuhan Wajib Pajak

ABSTRACT

The purpose of this study was to determine the effect of knowledge about the HPP Law, tax rates, and the effectiveness of the tax system on taxpayer compliance of MSMEs in Central Java. The research method used is a quantitative method. The population in this study were MSME actors in Central Java with a random sampling method using the Slovin formula and a sample of 100 respondents. The data analysis technique used was Multiple Linear Regression. The results of the study indicate that tax knowledge and tax rates have a positive effect on taxpayer compliance of MSMEs in Central Java, while the effectiveness of the tax system does not affect taxpayer compliance. Understanding the regulations and the amount of tax rates set by the government increases taxpayer compliance behavior. The taxation system in Indonesia is based on technology and is not fully understood by MSMEs so that the taxation system does not run effectively.
Keywords: *harmonization of tax regulations Law*; *Tax Rates; Tax Effectiveness on Tax System; Tax Compliance*

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are economic activities carried out by the majority of people in Indonesia, both individually and in groups. MSMEs are one of the economic activities that are very helpful in improving the economy in Indonesia and have spread widely throughout Indonesia (Hutapea et al., 2023). The Covid-19 pandemic is one of the causes of the soaring number of MSMEs in Indonesia, even quite a few children who are still in school have set up their own businesses. Indonesia has very abundant natural resources spread throughout Indonesia, making each MSME have its own creative products (Maretaniandini et al., 2023).

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs spread throughout Indonesia reached 64.2 million micro, small, and medium enterprises (MSMEs) in Indonesia in 2021. The number of MSMEs fostered in Central Java was 180,579 while the number of workers was 1.32 million people in 2022, up from 1.31 million in 2021. MSME turnover also continued to increase from IDR 68.242 trillion in 2021 to IDR 68.581 trillion in 2022. By focusing research in Central Java, deeper insights can be obtained into the tax compliance of MSMEs in Central Java which have great potential, and ultimately can provide relevant implications for the development of tax policies for MSMEs throughout Indonesia. (www.dinkop-umkm.jatengprov.go.id). The problems faced by MSMEs in Central Java are related to tax regulations that often change, which

is a major challenge in understanding and fulfilling tax obligations. The inability of taxpayers to quickly follow regulatory changes has an impact on the low level of tax compliance in Central Java because it is one of the regions with the largest number of MSMEs and significant economic contributions. Although this problem also occurs at the national level, the complexity of regulations in Central Java is more prominent due to the large number of fostered MSMEs and the large workforce that depends on this sector, so this problem requires special attention to ensure business sustainability and compliance.

The management of the MSME industry still experiences several difficulties due to limited human resource competencies, so that it has not been optimal in carrying out tax obligations, this is in contrast to the growth of MSMEs which is expected to be able to increase revenue in the tax sector, there are factors that influence the increase in the realization of tax revenue, namely compliance with tax obligations in accordance with the laws that have been determined and complies with the taxpayer who is obedient (Riskiliali et al., 2022). The Minister of State for the Coordination of Taxes, Cooperatives and SMEs, Teten Masduki, stated that the encouragement of taxpayers to be more obedient in paying taxes, considering that the tax payers (MSME actors) who pay taxes are only 0.5 percent of MSMEs. Teten also emphasized that MSME actors have great potential as taxpayers (Hutapea et al., 2023).

On October 29, 2021, the government passed Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP). The issuance of the HPP Law was motivated by several things. First, to improve the budget deficit and increase the tax ratio through the implementation of policies to improve tax revenue performance. Second, to realize increased tax revenue performance, policy amendments are needed in the field of general provisions and tax procedures, income tax, value added tax, and excise as well as regulations regarding carbon tax, as well as policies in the form of voluntary taxpayer disclosure programs (Ferry, 2021). According to the Minister of Finance (Menkeu) Sri Mulyani Indrawati, the Law on the Harmonization of Tax Regulations (HPP) was passed not to burden the people. Instead, the HHP Law should provide support to low-income groups and also micro, small and medium enterprises (MSMEs).

The Law on Harmonization of Tax Regulations regulates the turnover limits. imposed on MSME taxpayers. For MSMEs with a turnover of less than or equal to IDR 500 million, a rate of 0% is imposed. turnover above IDR 500 million to IDR 4.8 billion is imposed a rate of 0.5%. The 0% rate is an incentive given by the government to MSMEs so that MSMEs in Indonesia can grow and develop. Bangun et al. (2022) stated that there were significant changes between before and after the implementation of this tax regulation. harmonization law which contains changes to MSME income tax rates, this makes taxpayers increase their tax compliance.

This can provide benefits for individual MSMEs in the form of lower taxation (Cendana & Pradana, 2021). And in the HiP Law, it states that MSMEs will receive incentives in the form of a non-taxable gross income limit for MSMEs of up to five hundred million rupiah per year. The non-taxable gross turnover limit means that MSMEs with a tumover of up to five hundred million rupiah per year do not need to pay final income tax of 0.5%. If the turnover exceeds five hundred million rupiah, the tax calculation is only carried out on the turnover above five hundred million rupiah.

In Law Number 7 of 2021 concerning Harmonization of Tax Regulations or often referred to as the HPP Law, it is a government step to create a more effective taxation system and can encourage economic growth for the MSME community (Riskillah et al., 2022). Fulfillment of tax obligations needs to be supported by an understanding of Tax Regulations, namely the ability of taxpayers to know and apply knowledge about their taxes. The Republic of Indonesia implements a self-assessment system in its tax collection process. The self-assessment system is a tax collection system that gives taxpayers the authority to determine the amount of tax owed (As'ari, 2018). In this self-assessment system, the tax authorities entrung taxpayers to calculate, account for. pay, and report their own taxes owed.

Previous research on MSMEs in North Sumatra conducted by Riskillah et al. (2022), stated that the HPP Law had a significant positive effect on the compliance of MSME taxpayers and tax

cialization had no effect on the compliance of MSME taxpayers. In line with the research conducted by (Ratu Aulia & Nurinela, 2023), it was stated that the implementation of taxes on the understanding and socialization of taxation had a positive effect on the compliance of MSME taxpayers in Garut Regency. Based the description of the background and the number of taxpayers on large misunderstanding of this matter and the still rare research discussing the above. therefore the researcher is interested in conducting a study entitled "The Effect of the Implementation of the HPP Law on Changes in MSME Income Tax Rates and the Effectiveness of the Tax System on MSME Taxpayer Compliance with the aim of finding out how the changes in the HPP Law and tax rates affect taxpayer compliance and the effectiveness of the existing tax system on taxpayer compliance. The author uses a sample of MSMEs in Central Java.

This research is related to compliance theory. According to Hany et al. (2023), tax compliance is a responsibility to God, to the government, and the people as Taxpayers to fulfill all tax obligations and exercise their tax rights. Compliance theory states that there are two basic perspectives on legal compliance, namely instrumental and normative, the instrumental approach assumes that individuals are completely motivated by personal interests and responses to changes related to behavior. while the normative approach relates to morals that are contrary to their personal interests, usually an individual is more obedient to the law that they consider to be in accordance with their internal norms (Sahib & Fitriandi, 2022).

The relationship between compliance theory and this research is that compliance can encourage an individual's behavior to be more compliant with applicable tax regulations, namely the Tax Harmonization Law by considering the benefits obtained. Taxpayers who carry out their tax obligations can provide benefits to the state and will receive the benefits indirectly. In this study, compliance is influenced by several factors, namely knowledge factors, tax rates, and tax effectiveness.

According to Kartikasari Yadnyana, (2020) tax knowledge is tax information that can be used by taxpayers as a basis for acting, making decisions, and taking certain directions or strategies in relation to the implementation of their rights and obligations in the field of taxation. Knowledge of taxation fosters awareness among taxpayers to comply and obey their tax obligations, including knowledge of MSME taxpayers regarding the HPP Law where MSME taxpayers understand and know about the HPP Law and apply it in their tax activities. The level of knowledge can be an indicator of the creation of tax compliance.

Research by As'ari (2018) shows that tax knowledge has a significant effect on taxpayer compliance. Ratu Aulia & Nurlaela (2023) revealed that tax knowledge has an effect on taxpayer compliance of MSMEs. Based on the discussion that has been described, this research expects that there is an Influence of Knowledge of the HPP Law on tax compliance of MSMEs in Central Java.

The tax rate is a rate that reflects the actual tax burden borne by the taxpayer. The company is one of the subjects of income tax, namely the corporate tax subject. The applicable tax rate shows the amount of tax liability relative to taxable income. The phenomenon of the effective tax rate can be seen from the tax ratio between the tax burden and the turnover owned by MSMEs (Murtiningtyas et al.. 2023). The higher the tax rate set by the government, the greater the tax burden borne by MSMEs. Income tax is a tax that is calculated based on tax regulations and imposed on taxable income.

The MSME tax rate in PP number 23 of 2018 is 0.5% of income with a gross turnover of less than 4.8 billion in one year. The research of Rahayun & Suaidah (2022) stated that the tax rate has a positive and significant effect on the compliance of MSME Taxpayers. The determination of tax rates for MSMEs is fair because the results have an effect on compliance. The higher the determination of the tax rate imposed on income, the more taxpayers will comply in fulfilling their obligations. Therefore, this research expects that there is an influence of MSME Tax Rates on MSME Taxpayer Compliance in Central Java

Effectiveness is the utilization of resources, facilities, and infrastructure in a certain amount that is consciously determined in advance to produce a number of goods for the services of the activities carried out. According to Gibson (2022), effectiveness is the achievement of agreed targets for joint efforts. "effectiveness is defined as the ability of a unit to achieve the desired goals".

Effectiveness is used to measure the relationship between the results of a tax levy and the objectives that have been set. The formula used is Effectiveness equals the Tax Revenue Target divided by the Tax Revenue Realization multiplied by 100% 2. Previous research by (Murtiningtyas et al., 2023), stated that the perception of tax effectiveness has a positive effect on the variable of MSME taxpayer compliance. Thus, this research expects that there is an influence of tax system effectiveness on tax compliance of MSMEs in Central Java.

RESEARCH METHODS

The population used in this study were MSME taxpayers in Central Java with a population of 183.181 MSMEs sourced from the Central Java Province Cooperatives and Small and Medium Enterprises Service in 2023.

The selection of 100 respondents from a population of 183,181 individuals was carried out based on the random sampling method using the Slovin formula. This approach ensures that the number of samples taken has an adequate level of representation of the entire population. By considering the appropriate level of confidence and margin of error, the Slovin formula provides a valid mathematical basis for determining a sufficient sample size, so that the research results are reliable and have high generalization to the target population. This sampling technique also reduces the potential for bias, ensuring that every member of the population has an equal chance of being selected as a respondent.

Determination of the number of samples in this study uses the Slovin formula with the following calculations.

$$n = \frac{N}{1+N.(e)^2}$$

Description:

n = sample size

N = population size

e = margin of error

From the formula above, the minimum number of samples in conducting this study with a degree of error of 10% is as follows.

$$n = \frac{689.950}{1+689.950(0,1)^2}$$

n = 99.98 (rounded up to 100 samples)

In this sampling method, certain criteria are created which are used to select samples in order to obtain samples that are right on target as follows:

1. Respondents are MSME taxpayers located in Central Java.
2. Respondents are active MSME taxpayers registered with Cooperatives and MSME services.
3. Respondents are active MSME taxpayers who have businesses in the MSME category.
4. Respondents are MSME taxpayers who have NPWP.

This research uses a questionnaire. The questionnaire responses were measured using a five-point Likert scale. The Likert scale is a question used to receive responses in the form of evaluations related to the level of agreement or disagreement with 5 levels of answers, namely 1 = Strongly Disagree (STS), 2 = Disagree (TS), 3= Undecided (RR), 4 = Agree (S), and 5 = Strongly Agree (SS) (Ghozali, 2021).

This research uses quantitative data types. The data used to achieve the objectives of the author's research uses a questionnaire. The researcher's method of distributing the questionnaire is by coming directly to the UMKM owners to obtain approval from the UMKM actors whether they are willing to the respondents in this study, if the UMKM actors are willing, the researcher will provide a questionnaire to obtain answers to statements of UMKM taxpayer compliance.

This research carried out validity and reliability tests on the instrument used. Ghozali (2021) stated that validity is a test carried out to see whether the instrument used in the questionnaire is valid or not. A questionnaire can be said to be valid if the calculated r-value > r-table.

Reliability is the degree of consistency of the instrument in question. An instrument can be said to be good if it has consistent results in testing (Ghozali. 2021). It is said to be reliable if the Cronbach alpha is 0.70 and is said to be unreliable if the Cronbach alpha <0.70.

This research also carried out a classical assumption test before doing hypotheses testing. The classical assumption test in this research consists of a normality test and a multicollinearity test.

The normality test is a test used to determine the distribution of data in research variables and whether it can be done and distributed normally or not. Data can be said to be normally distributed if the sig value > 0.05.

According to Ghozali (2021), the multicollinearity test is to find out whether one independent variable with

another independent variable in a regression model is linearly correlated. Good test results can be concluded that there is no multicollinearity between the independent variables in the regression model with the criteria of tolerance value > 0.1 and VIF value < 10.

The data analysis in this research employs a multiple linear regression model. Multiple linear regression analysis aims to predict the average value of the dependent variable based on the known values of the independent variables. The equation of multiple linear regression can be written as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Description:
Y = MSME Taxpayer Compliance
α = Constant
$\beta_1, \beta_2, \beta_3$ = Regression Coefficient
X_1 = Knowledge of Tax Harmonization of Legal Regulations
X_2 = MSME Tax Rates
X_2 = Effectiveness of Tax System
ε = Error

The multiple linear regression, this research continues the data analysis with coefficient determination test, F-test, and t-test. According to Mardiasmo (2019), the coefficient of determination (R2) square is used to determine the ability of independent variables to explain dependent variables. The F-test is used to show all independent variables. included in the research model have a simultaneous/joint influence dependent variable. Lastly, the t-test is used to prove and determine the influence of the independent variable (X) individually on the dependent variable (Y). The level of significance used is 5% or 0.05.

RESULTS AND DISCUSSION

This research carried out data quality testing (validity and reliability test) before doing some data analysis. The result of the validity test on the knowledge of the Law on Harmonization of Tax Regulations (UU HPP) is presented in Table 1.

Table 1. Validity Test of Knowledge of Tax Regulation Harmonization Law

Items	R-Count	R-table	Description
X1	0.791	0.196	Valid
X2	0.792	0.196	Valid
X3	0.700	0.196	Valid
X4	0.681	0.196	Valid
X5	0.738	0.196	Valid
X6	0.742	0.196	Valid
X7	0.427	0.196	Valid
X8	0.326	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 1, it can be concluded that the 8 items regarding knowledge of tax regulation harmonization laws have values between 0.326 and 0.792 which are declared valid because the calculated r > r table, namely 0.196. Furthermore, the result of the validity test on the MSME tax rate is presented in Table 2.

Table 2. MSME Tax Rate Validity Test

Items	R-Count	R-table	Description
X1	0.603	0.196	Valid
X2	0.276	0.196	Valid
X3	0.563	0.196	Valid
X4	0.607	0.196	Valid
X5	0.381	0.196	Valid
X6	0.621	0.196	Valid

X7	0.429	0.196	Valid
X8	0.514	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 2, it can be concluded that the 8 items regarding MSME tax rates have values between 0.276 and 0.621 which are declared valid because the calculated r > r table, namely 0.196. Meanwhile, the result of the validity test on the effectiveness of the tax system is presented in Table 3.

Table 3. Validity Test Effectiveness of Tax System

Items	R-Count	R-Table	Description
X1	0.512	0.196	Valid
X2	0.710	0.196	Valid
X3	0.422	0.196	Valid
X4	0.500	0.196	Valid
X5	0.596	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 3, it can be concluded that the 5 items regarding the effectiveness of the tax system have values between 0.422 and 0.710 which are declared valid because the calculated r > r table, namely 0.196. Furthermore, the result of the MSME taxpayer compliance is presented in Table 4.

Table 4. MSME Taxpayer Compliance Validity Test

Items	R-Count	R-Table	Description
X1	0.546	0.196	Valid
X2	0.775	0.196	Valid
X3	0.780	0.196	Valid
X4	0.641	0.196	Valid
X5	0.655	0.196	Valid
X6	0.599	0.196	Valid

Source: Processed Primary Data (2024)

Based on Table 4, it can be concluded that the 6 statement items regarding MSME taxpayer compliance have values between 0.546 and 0.780 which are declared valid because the calculated r > r table, namely 0.196.

In order to measure the reliability of the instrument, this research employs reliability statistic of each variables. The result of reliability test is presented in Table 5.

Table 5. Reliability Test

Variable	Cronbach's Alpha	N of Items
XI	0.801	8
X2	0.761	8
X3	0.827	5
Y	0.742	6

Source: Processed Primary Data (2024)

Based on Table 5 above, it shows the Cronbach's Alpha value of Knowledge of Tax Regulation Harmonization Law of 0.801, MSME Tax Rate of 0.761. Effectiveness of Tax System of 0.827 and MSME Taxpayer Compliance of 0.742. So it can be concluded that all variables X and Y are reliable because the Cronbach's Alpha value is > 0.60.

This research continue the analysis with classical assumption test to ensure that regression model developed in this research is a BLUE model. The classical assumption test consist of normality test dan multicollinearity test. The result of normality test is presented in Table 6 below.

Table 6. Normality Test

	Unstandardized Residual
N	100
Asymp. Sig. (2-tailed)	0.200

Source: Processed Primary Data (2024)

Table 6 above shows the significance value of 0.200. So it can be concluded that the data is normally distributed because the Asymp. Sig. value is 0.200 > 0.05. Furthermore, the result of multicollinearity test is presented in Table 7 as follows.

Table 7. Multicollinearity Test

	Tolerance	VIF
Knowledge of UU HPP	0.860	1.163
Tax Rates	0.816	1.225
Tax Effectiveness	0.910	1.098

Source: Processed Primary Data (2024)

Based on Table 7, the results of the multicollinearity test of the HPP Law knowledge variable have tolerance values of 0.860 and 1.523 for VIF, the tax rate variable has tolerance values of 0.816 and 1.225 for VIF, while the tax effectiveness variable has tolerance values of 0.910 and 1.098 for VIF. Thus, it can be concluded that there is no multicollinearity symptom among the independent variables because the tolerance value is > 0.1 and the VIF value is < 10.

This research continue the data analysis after there is no classical assumption problem arise. In order to rearch the hypotesis testing, this research presents the result of multiple linear regression, t-test, f-test, and coefficient determination test. The result of multiple

linear regression is presented in Table 8 below.

Table 8. Multiple Linear Regression

Model	Unstandardized Coefficients	
	B	Std Error
(Constant)	5.348	3.537
UU HPP	0.183	0.064
Tax Rates	0.241	0.118
Tax Effectiveness	0.275	0.168

Source: Processed Primary Data (2024)

Based on data analysis using SPSS 26, the following regression equation results were obtained from Table 8:

V = 5.348 + 0.183X + 0.241 + 0.275% +e

The regression equation above can show the relationship between the independent variables and the dependent variable partially, from the equation it can be concluded as follows:

The constant of 5.348 shows that if the independent variables (Understanding of HPP Law, Tax Rates and Tax Effectiveness are assumed to be unchanged (constant), then the value of Y (compliance of MSME taxpayers) is 5.348%. The regression coefficient of the tax knowledge variable (X1) is 0.183. meaning that if each unit increase in the tax knowledge variable, the MSME taxpayer compliance value increases by 0.183. The coefficient is positive. meaning that there is a unidirectional relationship between tax knowledge and MSME taxpayer compliance.

The regression coefficient of the tax rate variable (X2) is 0.241, meaning that if each unit increase in the tax rate variable, the MSME taxpayer compliance value

increases by 0.241. The coefficient is positive, meaning that there is a unidirectional relationship between tax rates and MSME taxpayer compliance. The regression coefficient of the tax effectiveness variable (X3) is 0.275. meaning that for every unit increase in the tax effectiveness variable, the compliance value of MSME tampayers will increase by 0.275. A positive coefficient means that there is a unidirectional relationship between tax effectiveness and MSME taxpayer compliance. Meanwhile, the result of t-test is presented in Table 9 below.

Table 9. T-Test

Model	T	Sig.
(Constant)	1.512	0.134
UU HPP	2.877	0.005
Tax Rates	2.042	0.044
Tax Effectiveness	1.637	0.105

Source: Processed Primary Data (2024)

Based on Table 9 above, it can be explained as follows. Based on the regression results, it can be seen that the tax knowledge variable has a significance result of 0.005 < 0.05 with t-calculated t of 2.877 and t-table of 1.985 (df= 100-3-1-96), then HO is rejected and HI is accepted. Therefore, it can be concluded that the tax knowledge variable partially affects MSME taxpayer compliance.

Based on the regression results, it can be seen that the tax rate variable has a significance result of 0.044 0.05 and a calculated t of 2.042 > t table of 1.985 (df = 100-3-1-96) then HO is rejected and Hl is accepted. Therefore, it can be concluded. that the tax rate variable partially affects the compliance of MSME taxpayers.

Based on the regression results, it can be seen that the tax effectiveness variable has a significance result of 0.105 >0.05 and a calculated t of 1.637t table of 1.985 (df= 100-3-1-96) so H0 is accepted and H2 is rejected. So it can be concluded that the tax effectiveness variable partially does not affect the compliance of MSME taxpayers. Furthermore, the result of f-test is presented in Table 10 as follows.

Table 10. F Test

Model	F	Sig.
Regression	8.998	00

Source: Processed Primary Data (2024)

Based on Table 10, the results of the F test show that the calculated F value is 8.998, which exceeds the critical value of the F table of 2.70 (8.998 > 2.70). In addition, the significance level is 0.000, which is smaller than the threshold of 0.05 (0.000 < 0.05). These results indicate that the null hypothesis (H_o) is rejected, and the alternative hypothesis (H_a) is accepted. This means that collectively, Tax Knowledge (X_1), Tax Rates (X_2), and Tax System Effectiveness (X_3) have a significant influence on MSME Taxpayer Compliance in Central Java. Meanwhile the result of coefficient determination test is shown on Table 11 below.

Table 11. Coefficient of Determination Test

Model	Adjusted R Square
1	0.195

Source: Processed Primary Data (2024)

Based on Table 11, it can be concluded that the determination coefficient value is in the adjusted R square value of 0.195, which is included in the

medium category relationship level. It can be concluded that the ability of the independent variable to explain the dependent variable is 19.5%. the remaining 80.5% is explained by other variables not discussed in this study.

Discussion

The first hypothesis states that knowledge about taxation has a positive impact on taxpayer compliance of MSMEs. Internal and external factors that are formed in the environment around the tax agency through the learning process, both verbally and in writing, will improve the understanding that was previously lacking to become better. Increasing knowledge about the Tax. Regulation Harmonization Law will affect the individual's understanding and assessment of tax compliance. The higher the level of taxpayer knowledge regarding tax regulations, the greater their understanding of the benefits of compliance in paying taxes, which will ultimately increase taxpayer compliance.The results of this study are in line with research conducted by Mintje (2016). Indrawan and Binekas (2018) and Putra. (2020) which shows that tax knowledge has an influence on MSME taxpayer compliance.

The results of a series of tests conducted stated the second hypothesis, namely that tax rates have a significant positive effect on MSME taxpayer compliance, tax rates are rates that reflect the actual tax burden borne by taxpayers, therefore MSMEs that have a large tax burden also have large incomes. The results of the study showed positive results

between tax rates and tax compliance, where when the tax rates set are effective and on target, it will increase compliance for taxpayers, especially for MSMEs, because the current tax rates are very favorable for MSME actors. This study is in line with research conducted by (Rahayu & Suaichah, 2022) and (Murtiningtyaset al., 2023) which stated that tax rates have a significant positive effect on MSME taxpayer compliance.

The results of a series of tests conducted showed that the variable of the effectiveness of the tax system did not have a significant effect on the compliance of MSME taxpayers. According to (Mardiasmo. 2019), effectiveness is the achievement of agreed targets for joint efforts. This study shows that the current tax system in Indonesia does not significantly impact MSME taxpayer compliance, mainly due to low levels of technological literacy and limited understanding of tax regulations among this group. These challenges undermine the effectiveness of the self-assessment system, as many taxpayers struggle to understand the benefits of compliance. To improve the effectiveness of the tax system and its impact on compliance, efforts should focus on improving accessibility, providing comprehensive taxpayer education, and leveraging technology to simplify the tax reporting and payment process. Addressing these gaps will enable the tax system to better support taxpayers in meeting their obligations and ultimately contribute to higher levels of compliance among MSME taxpayers.
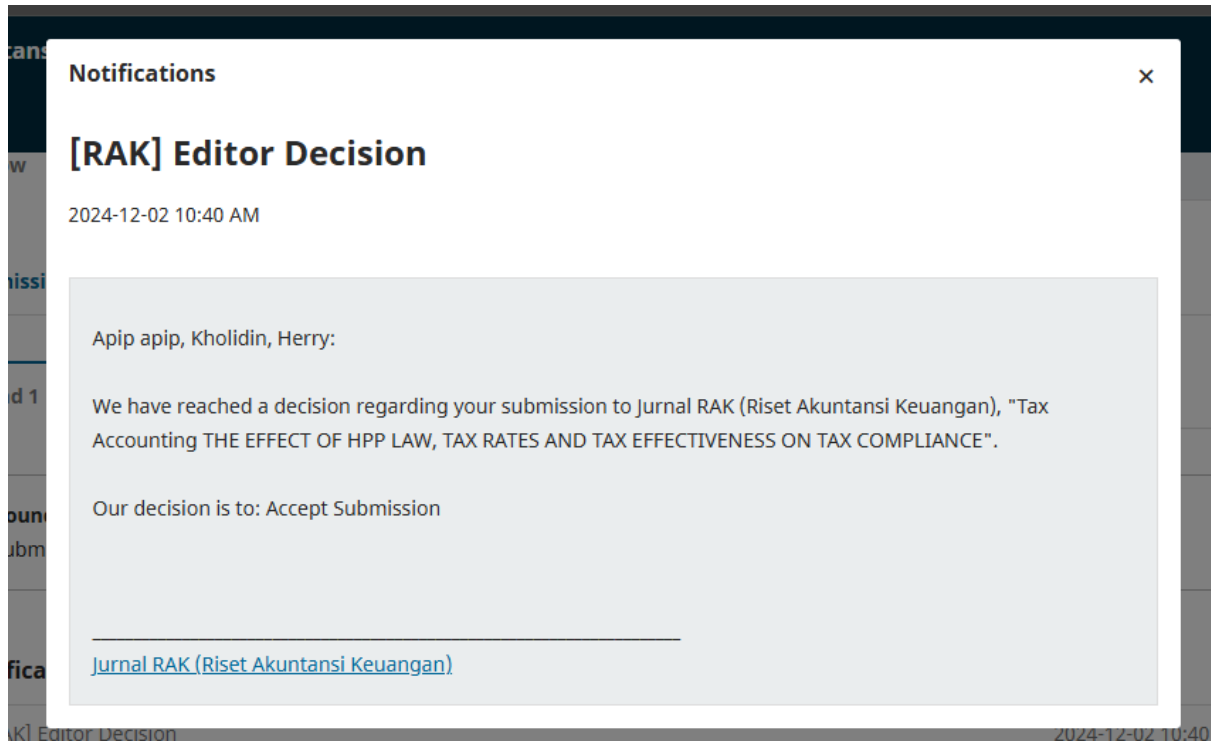
CONCLUSION

Based on the previous discussion, it can be concluded that tax knowledge and tax rates have a significant positive effect on MSME taxpayer compliance, while the effectiveness of the tax system does not show any effect on taxpayer compliance. This study has several limitations, including the limited scope of the study in Central Java so that the results may not be generalizable to all of Indonesia. In addition, the cross-sectional data approach does not allow for analysis of changes in taxpayer behavior over time, and the use of limited variables does not cover other factors that may have an influence, such as culture, adoption of technology in taxation. For future research, it is recommended to expand geographic coverage to other regions to obtain more representative results, use a longitudinal approach to observe the dynamics of taxpayer behavior in the long term, and add variables such as digital literacy, adoption of tax technology, as well as cultural and psychological influences to provide a more holistic insight into the factors that influence MSME taxpayer compliance.

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Notifications ✕

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Pengaruh Pemahaman Undang-Undang HPP, Tarif Pajak, dan Efektivitas Sistem Perpajakan Terhadap Kepatuhan Wajib Pajak
THE EFFECT OF HPP LAW KNOWLEDGE, TAX RATES, AND TAX SYSTEM EFFECTIVENESS ON TAXPAYER COMPLIANCE

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ARTICLE INFORMATION

ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui bagaimana kepatuhan wajib pajak UMKM di Jawa Tengah dipengaruhi oleh pemahaman wajib pajak terhadap UU HPP, tarif pajak, dan efisiensi sistem perpajakan. Metodologi penelitian kuantitatif digunakan. Dengan menggunakan sampel sebanyak 100 responden dan teknik random sampling berdasarkan rumus Slovin, populasi dalam penelitian ini adalah para pelaku UMKM di Jawa Tengah. Regresi Linier Berganda merupakan metode analisis data yang digunakan. Temuan penelitian menunjukkan bahwa tarif pajak dan pengetahuan perpajakan berpengaruh positif terhadap kepatuhan wajib pajak UMKM di Jawa Tengah, sedangkan efisiensi sistem perpajakan tidak banyak berpengaruh terhadap kepatuhan wajib pajak. Pemahaman peraturan dan besaran tarif pajak yang ditetapkan pemerintah meningkatkan wajib pajak. perilaku kepatuhan. Sistem perpajakan di Indonesia berbasis teknologi dan belum sepenuhnya dipahami oleh UMKM sehingga sistem perpajakan tidak berjalan efektif.
Kata kunci: Pemahaman UU HPP; Tarif Pajak; Efektivitas Sistem Perpajakan; Kepatuhan Wajib Pajak

ABSTRACT

The purpose of this study was to ascertain how MSMEs' taxpayer compliance in Central Java was impacted by taxpayer understanding of the HPP Law, tax rates, and the efficiency of the tax system. Quantitative research methodology is employed. Using a sample of 100 respondents and a random sampling technique based on the Slovin formula, the population in this study was made up of MSME players in Central Java. Multiple Linear Regression was employed as the data analysis method. The study's findings show that tax rates and tax knowledge positively impact MSMEs' taxpayer compliance in Central Java, while the efficiency of the tax system has little bearing on taxpayer compliance. Understanding the regulations and the amount of tax rates set by the government increases taxpayer compliance behavior. The taxation system in Indonesia is based on technology and is not fully understood by MSMEs so the taxation system does not run effectively.
Keywords: *Knowledge of HPP Law*; *Tax Rates; Tax System Effectiveness; Taxpayer Compliance*

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INTRODUCTION

Micro, Small, and Medium Enterprises represent economic endeavors undertaken by most individuals in Indonesia, both individually and in groups. MSMEs are one of the economic activities that are very helpful in improving the economy in Indonesia and have spread widely throughout Indonesia (Hutapea et al., 2023). The surge in the number of MSMEs in Indonesia is partly attributed to the COVID-19 pandemic, even quite a few children still in school have set up their businesses. Indonesia has very abundant natural resources spread throughout Indonesia, making each MSME have its creative products (Maretaniandini et al., 2023).

The COVID-19 pandemic has significantly increased the number of MSMEs in Indonesia, as shown by information collected by the Ministry of Cooperatives and SMEs, In 2021, Indonesia was home to 64.2 million micro, small, and medium enterprises (MSMEs). The number of MSMEs fostered in Central Java was 180,579 while the number of workers was 1.32 million people in 2022, up from 1.31 million in 2021. MSMEs turnover also increased from IDR 68.242 trillion in 2021 to IDR 68.581 trillion in 2022. By focusing research in Central Java, deeper insights can be obtained into the tax compliance of MSMEs in Central Java which has great potential and ultimately can provide relevant implications for the development of tax policies for MSMEs throughout Indonesia (dinkopukmjateng, 2023).

The problems faced by MSMEs in Central Java are related to tax regulations that often change, which is a major challenge in understanding and fulfilling tax obligations. The inability of taxpayers to quickly adapt to regulatory changes contributes to low levels of tax compliance in Central Java, one of the regions with the highest concentration of MSMEs and a large economic contribution. Although this problem also occurs at the national level, the complexity of regulations in Central Java is more prominent due to the large number of fostered MSMEs and the large workforce that depends on this sector, so this problem requires special attention to ensure business sustainability and compliance.

The management of the MSME industry still experiences several difficulties due to limited human resource competencies, so it has not been optimal in carrying out tax obligations, this stands in contrast to the anticipated growth of MSMEs, which is expected to boost revenue in the tax sector, some factors influence the increase in the realization of tax revenue, namely compliance with tax obligations following the laws that have been determined and complies with the obedient taxpayer (Riskiliali et al., 2022). The Minister of State for the Coordination of Taxes, Cooperatives and SMEs, Teten Masduki, stated that this encouragement of taxpayers, to show increased adherence to tax payment responsibilities, considering that the taxpayers (MSME actors) who pay taxes are only 0.5 percent of MSMEs. Teten also emphasized that MSME actors have great potential as taxpayers (Hutapea et al., 2023).

Law Number 7 of 2021 about the Harmonization of Tax Regulations Law (HPP Law) was passed by the federal legislature on the 29th of October of that year (Pemerintah Indonesia, 2021). Numerous circumstances served as the impetus for the HPP Law's promulgation. First, to decrease the fiscal deficit and boost the tax ratio by implementing policies that increase revenue from tax efficiency. Second, changes to the overall laws

and tax processes, income tax, value-added tax, excise, and carbon tax rules are necessary to improve tax revenue results. Initiatives like voluntary taxpayer disclosure programs are also necessary (Irawan, 2021). A statement by the Minister of Finance, Sri Mulyani Indrawati, the Law on the HPP, was passed not to burden the people. Instead, the HPP Law should focus on supporting low-income groups and companies categorized as micro, small, or medium enterprises.

The Harmonization of Tax Regulations Law regulates the turnover thresholds applicable to MSME taxpayers. For MSMEs with a turnover of less than or equal to IDR 500 million, a rate of 0% is imposed. turnover above IDR 500 million to IDR 4.8 billion is imposed at a rate of 0.5%. The 0% rate is an incentive given by the government to MSMEs so that MSMEs in Indonesia can grow and develop. Bangun et al. (2022) stated that there were significant changes between before and after the implementation of this tax regulation. harmonization law which contains changes to MSME income tax rates, makes taxpayers increase their tax compliance.

This can provide benefits for individual MSMEs in the form of lower taxation (Cendana & Pradana, 2021). The HPP Law states that MSMEs will receive incentives in the form of MSMEs have a free-of-tax gross revenue cap of up to 500 million rupiahs annually. The non-taxable gross turnover limit means that MSMEs having earnings of no more than 500 million rupiah per year are exempt from the 0.5% final income tax rate. The tax computation is only performed if the turnover reaches five hundred million rupiahs.

In HPP Law, the government aims to establish a more efficient tax system that can stimulate economic growth for the MSME sector (Riskillah et al., 2022). Fulfillment of tax obligations needs to be supported by an understanding of Tax Regulations, namely the ability of taxpayers to know and apply knowledge about their taxes. The Republic of Indonesia uses the self-assessment method in its tax procedures. This system allows taxpayers to independently determine the amount of tax they are required to pay (As'ari, 2018). This system allows taxpayers the freedom to calculate, report, pay, and account for their owed taxes independently, as provided by the tax authority.

Previous research on MSMEs in North Sumatra conducted by Riskillah et al. (2022) shows that the HPP Law has a considerable beneficial effect on MSME taxpayer compliance, whereas taxation had no effect on it. In accordance with a study done by Aulia et al. (2023), it was stated that the implementation of taxes on the knowledge and socialization of taxation had a favorable influence on MSME compliance with taxes in the Garut Regency. Depending on the description of the background and the number of taxpayers on a large misunderstanding of this matter and the still rare research discussing the above. Therefore, the researcher is interested in conducting a study to find out how the changes in the HPP Law and tax rates affect taxpayer compliance and the effectiveness of the taxpayer compliance. The author uses a sample of MSMEs in Central Java.

This study is related to compliance theory. According to Hany et al. (2023), tax compliance is an obligation to God, to the government, and to fellow citizens as taxpayers to meet all tax responsibilities and assert their tax rights. Compliance theory presents moral and utilitarian views on obeying the law.

Individuals are mostly driven by their personal interests and react to cultural shifts. Although the normative method deals with values that go against their interests, people often obey the law better when it aligns with their internal standards (Anugrah & Fitriandi, 2022).

The relationship between compliance theory and this research is that compliance can encourage a person's actions to be in greater compliance with relevant tax legislation, namely the Tax Harmonization Law by considering the benefits obtained. Taxpayers who carry out their tax obligations can provide benefits to the state and will receive the benefits indirectly. In accordance with this study, several factors, including tax performance, tax rates, and tax understanding, affect conformance.

According to Kartikasari & Yadnyana (2020), knowledge of taxation fosters awareness among taxpayers to comply and obey their tax obligations, including knowledge of MSME taxpayers regarding the HPP Law where MSME taxpayers understand and know about the HPP Law and apply it in their tax activities.

Research by As'ari (2018) shows tax expertise has a significant effect on compliance with tax laws. Aulia et al. (2023) demonstrated that taxpayer knowledge affects their compliance with MSMEs. Based on the proposed conflict, this study expects that MSMEs' tax compliance in Central Java would be impacted by their awareness of the HPP Law.

The taxable level represents the taxpayer's real tax burden. The corporation is one of the subjects of income tax, namely the corporate tax subject. The relevant tax bracket represents the ratio of the responsibility for taxes to taxable earnings. The phenomena of the effective tax rate may be observed by the tax ratio between the tax burden and the turnover owned by MSMEs (Murtiningtyas et al., 2023). MSMEs have a larger tax burden when the federal government sets an additional tax rate. Income tax is a levy determined by tax laws and applied to taxable earnings.

PP number 23 of 2018 places MSME taxpayers in the 0.5% earnings tax rate if their annual gross turnover is less than 4.8 billion. The research by Rahayu & Suaidah (2022) noted that the tax rate has a positive and substantial impact on the adherence of MSME taxpayers. The fairness of determining tax rates for MSMEs is that the outcomes affect compliance. The higher the determination of the tax rate imposed on income, the more taxpayers will comply in fulfilling their obligations. Therefore, this study expects that there is an influence of MSME tax rates on MSME taxpayer compliance in Central Java.

Productivity is defined as the utilization of infrastructure, facilities, and resources in a specific quantity that is predetermined to generate a variety of commodities for the service activities that are performed. In line with Gibson (2018) and Mardiasmo (2019), productivity is the attainment of agreed-upon aims for collaborative endeavors. Competence is the capacity of a unit to accomplish the intended objectives. Effectiveness is used to measure the relationship between the results of a tax levy and the objectives that have been set. The formula used is effectiveness equals the tax revenue target divided by the tax revenue realization multiplied by 100%. Murtiningtyas et al. (2023) showed that the variable of MSME taxpayer compliance is favorably influenced by the opinion of tax efficacy. Therefore, this study anticipates that the efficacy of the tax system will have an

impact on MSMEs' tax compliance in Central Java.

RESEARCH METHODS

The sample of individuals included in the present research were MSMEs taxpayers in Central Java with a population of 183,181 MSMEs sourced from the Central Java Province in 2023. Using the random sample technique and Slovin's algorithm, 100 respondents were chosen from an overall population of 183,181 individuals. This approach ensures that the number of samples taken has an adequate level of representation of the entire population. By considering the appropriate level of confidence and margin of error, the Slovin formula provides a valid mathematical basis for determining a sufficient sample size, so that the research results are reliable and have high generalization to the target population. This sampling method also minimizes the risk of bias, ensuring that everyone in the society has an equal chance of being picked as a response. The amount of samples taken in this study is estimated using the Slovin formula, which is as follows.

$$n = \frac{N}{1+N.(e)^2}$$

Description:

n = the sample size.

N = the size of the population.

e = error margin.

Based on the provided formula, the minimum number of samples needed for this study with a ten percentage point margin of uncertainty is as follows:

$$n = \frac{183,181}{1 + 183,181(0.1)^2}$$

n = 99.98 (rounded up to 100 samples)

In this sampling method, certain criteria have been developed that can be utilized to choose samples in order to receive samples that are precisely what is needed, which are as follows:

1. The individuals who responded are Central Javan MSME taxpayers.
2. Respondents are active MSME taxpayers registered with Cooperatives and MSME services.
3. Respondents are active MSME taxpayers who have businesses in the MSME category.
4. Respondents are MSME taxpayers who have NPWP.

This study makes use of a survey. Using a five-point Likert scale, the poll's responses were evaluated. The Likert scale is a type of poll used to gather answers; it has five levels: One represents Strongly Disagree (STS), two represents Disagree (TS), three represent Neutral (RR), four represent Agree (S), and five represent Strongly Agree (SS) (Ghozali, 2021).

This study employs statistical information types. The data used to achieve the objectives of the author's study uses a questionnaire. The knowledge of tax regulation harmonization law (KHL) was measured using 8 items. The MSME tax rates (MTR) were measured using 8 items. The effectiveness of the tax system (TSE) was measured using 5 items meanwhile the MSME taxpayer compliance (TPC) was measured using 6 items.

The researcher's method of distributing the questionnaire is by coming directly to MSME owners should seek clearance from MSME actors to determine when they are prepared to participate in this study. If the MSME actors agree, the investigator will distribute a survey to gather responses to assertions about MSME taxpayer compliance.

The present study conducted reliability and validity examinations on the piece of

equipment utilized. Ghozali (2021) said that validity is a test used to assess the validity of the instrument used in the request for information. Whenever the coefficient of determination is greater than the coefficient table value, the completed survey is deemed valid.

Reliability is the degree of consistency of the instrument in question. An instrument can be said to be good if it has consistent results in testing (Ghozali, 2021). It is considered dependable if the Cronbach alpha is 0.70 and is said to be unreliable if the Cronbach alpha < 0.70. This study also carried out a classical assumption test before doing hypotheses testing. This study's traditional premise test comprises a multicollinearity test and a normality test.

To ascertain whether or not the residuals in research variables may be distributed regularly, the normality test is utilized. A sig value greater than 0.05 indicates that the residual is regularly distributed. According to Ghozali (2021), multicollinearity determines if a particular independent variable and another independent variable in a regression model are linearly connected. Good test results indicate the absence of multicollinearity between independent variables in the regression model, meeting the criteria of tolerance value > 0.1 and VIF value < 10.

Data is analyzed using a multivariate longitudinal regression model. Using the technique of multiple linear regression, the goal is to identify the dependent variable's mean amount is calculated using the previously established values of every single independent variable. The computation for multiple linear regression is as follows:

$$TPC = \alpha + \beta_1 KHL + \beta_2 MTR_2 + \beta_3 TSE_3 + \varepsilon$$

Description:

TPC = MSME Taxpayer Compliance

α = Constant

β_1,β_2, β_3= Regression Coefficient

KHL = Knowledge of HPP Law

MTR= MSME Tax Rates

TSE = Tax System Effectiveness

ε = Error

This study continues the data analysis with coefficient determination test, F-test, and t-test. Depending on Ghozali (2021), the coefficient of determination is used to evaluate the extent to which independent variables account for variations in dependent variables. The F-test can be utilized to demonstrate all independent variables. The investigation's model includes a dependent variable with simultaneous/joint impact. Finally, the t-test is used to demonstrate and quantify the impact of each independent variable (KHL, MTR, TSE) on the dependent variable (TPC). The degree of importance utilized was 5% (0.05).

RESULTS AND DISCUSSION
Results

This study carried out data quality testing (validity and reliability test) before doing some data analysis. The outcome of the accuracy test for the knowledge of the HPP Law is presented in Table 1.

Table 1. Knowledge of the HPP Law Validity Test

Items	R-Count	Conclusion
KHL1	0.791	
KHL2	0.792	
KHL3	0.700	
KHL4	0.681	Valid
KHL5	0.738	
KHL6	0.742	
KHL7	0.427	
KHL8	0.326	

Source: Processed Primary Data (2024)

According to Table 1, the eight elements of knowledge of HPP Law have values ranging from 0.326 to 0.792, which are deemed legitimate since the computed r > r table, namely 0.196. Additionally, Table 2 displays the outcome of the validity test for the MSME tax rate.

Table 2. Validity Test of MSME Tax Rate

Items	R-Count	Conclusion
MTR1	0.603	
MTR2	0.276	
MTR3	0.563	
MTR4	0.607	Valid
MTR5	0.381	
MTR6	0.621	
MTR7	0.429	
MTR8	0.514	

Source: Processed Primary Data (2024)

Table 2 indicates that the eight factors pertaining to MSME tax rates have values between 0.276 and 0.621 which are declared valid because the calculated r > r table, namely 0.196. Meanwhile, the result of the validity test on the effectiveness of the tax system is presented in Table 3.

Table 3. Validity Test on the Tax System Effectiveness

Items	R-Count	Conclusion
TSE1	0.512	
TSE2	0.710	
TSE3	0.422	Valid
TSE4	0.500	
TSE5	0.596	

Source: Processed Primary Data (2024)

Table 3 indicates that the five elements pertaining to the effectiveness of the tax system have values ranging from 0.422 to 0.710, which are deemed genuine due to the computed r > r table, namely 0.196. Additionally, Table 4 displays the outcome of the MSME taxpayer compliance.

Table 4. Validity Test of MSME Taxpayer Compliance

Items	R-Count	Conclusion
TPC1	0.546	
TPC2	0.775	
TPC3	0.780	Valid
TPC4	0.641	
TPC5	0.655	
TPC6	0.599	

Source: Processed Primary Data (2024)

Based on Table 4, it can be concluded that the 6 statement items regarding MSME taxpayer compliance have values between 0.546 and 0.780 which are declared valid because the calculated r > r table, namely 0.196.

To measure the reliability of the instrument, this study employs a reliability statistics test on each variable. The result of the reliability test is presented in Table 5.

Table 5. Reliability Test

Variable	Cronbach's Alpha	N of Items
Knowledge of HPP Law	0.801	8
Tax Rates	0.761	8
Tax System Effectiveness	0.827	5
Taxpayer Compliance	0.742	6

Source: Processed Primary Data (2024)(2024)

Table 5 above shows that the MSME tax rates have a Cronbach's Alpha value of 0.761 meanwhile the knowledge of HPP Law has a value of 0.801. The tax system effectiveness value is 0.827 while MSME taxpayer compliance is 0.742. It may be concluded that all of the independent and dependent variables are reliable because the Cronbach's Alpha value is higher than 0.60.

In order to verify that the regression model created in this study is a BLUE model, this study utilizes common assumption tests. Basic premise tests include testing for multicollinearity and normality tests. The findings of the normality test are displayed in Table 6 below.

Table 6. Normality Test

	Unstandardized Residual
N	100
Asymp. Sig. (2-tailed)	0.200

Source: Processed Primary Data (2024)

Table 6 shows an Asymp. Sig. (2-tailed) value of 0.200 > 0.05. Therefore, the residual is considered to have a normal distribution due to the Asymp. Furthermore, the multicollinearity test result is shown as follows in Table 7.

Table 7. Multicollinearity Test

	Tolerance	VIF
Knowledge of HPP Law	0.860	1.163
Tax Rates	0.816	1.225
Tax System Effectiveness	0.910	1.098

Source: Processed Primary Data (2024)

According to Table 7, the result of the multicollinearity test of the knowledge of HPP Law has tolerance values of 0.860 and 1.523 for VIF values. The tax rates have tolerance values of 0.816 and 1.225 for VIF values, while the tax system effectiveness has tolerance values of 0.910 and 1.098 for VIF values. Thus, the tolerance is larger than 0.1 and the VIF is less than 10. Therefore, it can be concluded that multicollinearity among independent variables is absent.

This study continues the data analysis after there is no classical assumption problem arises. This study presents the results of the multiple linear regression study, t-test, f-test, and degree of choice test in order to obtain the

hypothesis testing. Table 8 below displays the multiple linear regression results.

Table 8. Multiple Linear Regression

Model	Unstandardized Coefficients	
	B	Std Error
(Constant)	5.348	3.537
Knowledge of HPP Law	0.183	0.064
Tax Rates	0.241	0.118
Tax System Effectiveness	0.275	0.168

Source: Processed Primary Data (2024)

Based on Table 8, the following regression equation findings were derived:

TPC=5.348+0.183KHL+0.241MTR+0.275TSE+e

The previously mentioned model provides a partial depiction of the correlation between the independent and dependent variables. Based on the equation, if all the independent variables (tax rates, tax system effectiveness, and knowledge of HPP Law) are constant (unchanging), the value of Y (MSME taxpayers compliance) is 5.348. The regression coefficient for knowledge of HPP Law (KHL) is 0.183. This means that every unit increase in the tax knowledge variable will result in a 0.183 increase in the MSME taxpayer compliance value. The positive coefficient suggests a one-way relationship between knowledge of HPP Law and MSME taxpayer compliance.

The coefficient for the tax rates variable (MTR) is 0.241, meaning that for every unit increase in the tax rates variable, the MSME taxpayer compliance value rises by 0.241. The regression coefficient for the tax system effectiveness (TSE) is 0.275. It means that every increase in tax system effectiveness will drive the increase of the MSME taxpayers' compliance value by 0.275. The relationship between tax system effectiveness and MSME

taxpayer compliance is unidirectional when the coefficient is positive.

The t-test was used to test the effect of each independent variable on the dependent variable. The result of the test for this study is shown in Table 9 below.

Table 9. T-Test

Model	B	T	Sig.
(Constant)	5.348	1.512	0.134
Knowledge of HPP Law	0.183	2.877	0.005
Tax Rates	0.241	2.042	0.044
Tax System Effectiveness	0.275	1.637	0.105

Source: Processed Primary Data (2024)

Based on Table 9, the following explanation is considered. The knowledge of HPP Law exhibits a significant result of 0.005 < 0.05 with an estimated regression coefficient of 0.183, a t-calculated of 2.877, and a t-table of 1.985 (df=100-3-1=96). Consequently, the H1 is supported. Thus, knowledge of HPP Law positively affects MSME taxpayer compliance.

The tax rates have a significant result of 0.044 < 0.05, according to the regression findings. The t-calculated value is 2.042 > t table of 1.985 (df=100-3-1=96) and the regression coefficient is 0.241. The H2 is therefore supported. Thus, it can be said that the tax rates have a positive impact on MSME taxpayer compliance.

The tax system effectiveness has a significant value of 0.105 > 0.05, a t-calculated of 1.637 < a t-table of 1.985 (df=100-3-1=96), and a regression coefficient of 0.275. Thus, the H3 is not supported. Therefore, the tax system's effectiveness has no significant influence on MSME taxpayer compliance. Additionally, the F-test result is shown as follows in Table 10.

Table 10. F Test

Model	F	Sig.
Regression	8.998	0.000

Source: Primary Data Processing (2024)

Table 10 displays the results of the F test, which indicate that the computed F value is 8.998, which is more than the crucial value of 2.70 in the F-table (8.998 > 2.70). Additionally, the significance threshold of 0.000 is lower than the 0.05 criteria (0.000 < 0.05). Therefore it can be said that knowledge of HPP Law, tax rules, and tax system effectiveness simultaneously has a significant effect on MSME taxpayer compliance in Central Java. Meanwhile, the ability of all independent variables to explain the variations in the dependent variables is presented in Table 11 below.

Table 11. Test of Correlation of Differentiation

Model	Adjusted R Square
1	0.195

Source: Processed Primary Data (2024)

Table 11 indicates that the adjusted R square value is 0.195. It is concluded that knowledge of HPP Law, tax rates, and tax system effectiveness can explain 19.5% variations in MSME taxpayer compliance in Central Jawa. In the meantime, other factors not covered in this study account for the remaining 80.5%.

Discussion

Depending on the prior premise, MSMEs' knowledge of HPP Law has a positive effect on their compliance with taxation. The learning process creates both internal and external elements in the environment surrounding the tax agency, both verbally and in writing, which will improve the understanding that was previously lacking to become better, thus the knowledge about

taxation will increase. The knowledge of HPP Law will affect the individual's understanding and assessment of tax compliance. The more knowledgeable taxpayers are about tax regulations, the better they comprehend the advantages of adhering to tax obligations, which will ultimately enhance taxpayer compliance. The findings of this study align with investigations carried out by Mintje (2016), Indrawan & Binekas (2018), and Putra (2020) which reveal that tax knowledge has a beneficial impact on MSME compliance among taxpayers.

The findings of this study show that tax rates have a notable positive impact on MSME taxpayer compliance. Tax rates are rates that reflect the actual tax burden borne by taxpayers, therefore MSMEs that have a large tax burden also have large incomes. The study's findings demonstrated favorable outcomes among tax rates and tax compliance, where when the tax rates set are effective and on target, it will increase compliance for taxpayers, especially for MSMEs because the current tax rates are very favorable for MSME actors. This study is consistent with studies carried out by Rahayu & Suaidah (2022) and Murtiningtyas et al. (2023) which claimed that tax rates significantly improve MSME compliance among taxpayers.

The findings of several tests showed that the tax system effectiveness had no significant effect on tax compliance among MSME taxpayers. According to Gibson (2018), productivity is the accomplishment of predetermined goals through teamwork. This study demonstrates that MSME taxpayer compliance is not much impacted by Indonesia's present tax structure, mainly due to low levels of technological literacy and limited understanding of tax regulations among this group. These difficulties weaken the efficiency of the self-

assessment system since numerous taxpayers find it hard to understand the benefits of compliance. To enhance the efficiency of the tax system and its influence on adherence, efforts should focus on improving accessibility, providing comprehensive taxpayer education, and leveraging technology to simplify the tax reporting and payment process. Addressing these gaps will enable the tax system to better support taxpayers in meeting their obligations and ultimately contribute to higher levels of compliance among MSME taxpayers.

CONCLUSION

This study aims to examine the effect of knowledge of HPP Law, tax rates, and tax system effectiveness on taxpayer compliance among MSMEs in Central Java. Based on the preceding discussion, it can be inferred that knowledge of HPP Law and tax rates positively impacts taxpayer compliance. Furthermore, the tax system's effectiveness has no substantial impact on taxpayer compliance. This study has several limitations, including the limited scope of the study which only covers Central Java so the results may not be generalizable to other Indonesian areas. In addition, the cross-sectional data approach does not allow for analysis of changes in taxpayer behavior over time, and the use of limited variables does not cover other factors that may have an influence, such as culture, and adoption of technology in taxation.

Based on the limitations of this study, there are some issues to be addressed in future studies. It is suggested that future study expands geographic coverage to other regions to obtain more representative results. Additionally, future studies may use a longitudinal approach to observe the dynamics of taxpayer behavior in the long term. Future

studies can examine other variables such as digital literacy, adoption of tax technology, as well as cultural and psychological influences to provide a more holistic insight into the factors that influence MSME taxpayer compliance.

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