

# TAX INCENTIVES ON TAX COMPLIANCE ON MICRO SMALL MEDIUM ENTERPRISES DURING THE COVID-19 PANDEMIC

(Survey at the Department of Cooperatives,  
Micro, Small and Medium Enterprises in Bandung)

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## **Abstract**

*This study examines the application of tax incentives to micro, small and medium enterprises taxpayer compliance during the COVID-19 pandemic. Micro, small and medium enterprises medium taxpayers in Indonesia are given tax incentives by the government. The purpose of this study is to determine the existence of compliance in paying and declaring taxes during the pandemic. The COVID-19 pandemic factor affects the economic process, especially in the micro, small and medium sector. This research is in the form of research with the latest topics and is intended for micro, small and medium actors in the city of Bandung. Respondents amounted to 98 people. Although this study uses a small sample of micro, small and medium enterprises actors, the results cannot be concluded in general terms. The results of the study stated that the tax intensive enough to have an influence on the compliance of micro, micro, small and medium enterprises taxpayers.*

**Keywords:** Incentives and Compliance

## **Introduction**

Taxpayer compliance is defined as a condition that must be implemented and fulfilled by taxpayers. Paying taxes to exercise all tax rights and obligations taking into account the tax systems in Indonesia is an important aspect in introducing an

independent assessment system. The tax collection method in Indonesia uses a self-assessment system which shows that some of the calculations, payments and reporting are managed independently by actors who have tax obligations. In the social sciences of obedience theory, where they emphasize the importance of the socialization process in influencing individual compliance behavior. Individuals tend to obey the laws they deem appropriate and in accordance with their internal norms [1]. One of the very large contributions in tax revenue is obtained from the micro, small and medium enterprises sector. Law No. 20 of 2008, precisely in Article 1, micro, small and medium enterprises are often described as micro-enterprises, where production businesses are owned by individuals and/or individual business entities that meet micro-business standards regulated by law. Small Business is an independent productive economic business carried out by a private business entity or not a subsidiary, or a branch of a company that is indirectly held. part of a medium or large business that meets the standards expected of a small business[2-4]. According to the law, a medium-sized business is a stand-alone productive economic enterprise, which is carried out by individuals or non-commercial entities. As for micro business data,

Table 1

**Data on Micro, Small, Medium Enterprises  
Bandung City Year 2019 - 2021**

Total micro, small and medium enterprises	Micro business	Small business	Medium Enterprise
6.407	5.952	441	14

Source: Office of Cooperatives, Micro, Small and Medium Enterprises (2021).

Based on data from micro, small and medium enterprises in the city of Bandung, the number of micro enterprises is more than small and medium enterprises until 2021. Tax incentives are actions taken by the government against certain individuals or organizations who want to help the government, ranging from social field to improvement and research. This incentive policy is intended to encourage taxpayers to fulfill their current and future tax obligations. Indonesia currently provides two types of incentives for investors, namely PMK No. 35 of 2018 concerning the granting of corporate tax relief and PP No. 9 of 2016 concerning the Change of PP No. 18 of 2015, tax incentives for investors in certain business fields and/or certain regions.

**Literature Review  
Tax Incentive**

Tax incentives are a form of tax facility provided by the government to certain taxpayers in the form of reducing tax rates and aiming to reduce the amount of tax burden that must be paid. According to [5, 6] tax incentives are tax collections with the aim of providing a stimulus to generate government revenue and also provide an impetus towards economic development.

**Taxpayer Compliance**

Taxpayer compliance is the act of taxpayers in fulfilling their tax obligations in accordance with the provisions of the legislation and tax implementation regulations in force in a country Meanwhile, according to [1] obedient taxpayers are taxpayers who are aware of taxes, know the rights and obligations of taxation, care about taxes and

always pay taxes according to the provisions. Meanwhile, according to [1, 7] there are 2 types of taxpayer compliance, namely: (a) formal compliance, namely taxpayers whose obligations have been formally fulfilled according to tax laws (b) Material Compliance is a condition where taxpayers are substantively or principally comply with all material tax provisions, namely in accordance with the contents of the tax legislation.

### **Hypothesis**

A hypothesis is a provisional assumption or a temporary answer to a research question that requires data to test its truth, [8, 9]. It is temporary, because the answers given are only based on relevant theories, not based on empirical facts obtained through data collection. Based on the formulation of the problem that has been stated in the previous discussion of this research, the writer will test and state the research hypothesis as follows:

H1 = Effect of Tax Incentives on micro, small and medium Taxpayer Compliance.

### **Methods**

In this research, quantitative methods are used, in which the data is collected or obtained from primary data. Collecting the data directly with a questionnaire. This questionnaire was distributed to the respondents in the hope that the respondents gave their opinion on the indicators related to the variables being studied. The basis used to express the agreement of the respondents is the five Likert scale, which is a tiered rating measure. After the data is collected, the data will be processed using three types of statistical analysis methods. Micro, small and medium Taxpayers who are registered with the Small and Medium Enterprises Cooperatives Office of Bandung City are the population in this study. The sample selection method uses the Slovin formula because the behavior of the population is not known with certainty. There were 98 respondents who participated in this study, 61 people (62%) were male and 37 people (38%) were female. The participants in this study were the respondents who had a turnover of <Rp 300,000,000 as many as 68 people (69%) who were included in the micro business criteria, followed by respondents who had a turnover of Rp 300,000,000 - Rp 2,500,000,000 as many as 19 people ( 19%) who are included in the criteria for small businesses, and 11 people (11%) who have a turnover > IDR 2,500,000,000 are included in the criteria for medium businesses.

### **Results and Discussion**

The data processing program used in this study uses SPSS version 26 software which will be used to process validity test data, classical assumption tests, and hypothesis testing. In this study, the results of the analysis used 98 respondents.

Validity Test Results

*Table 2*

**Tax Incentive Variable Validity**

		VAR00001	VAR00002	VAR00003	insentif perpajakan
<b>VAR00001</b>	Pearson Correlation	1	.407	.336	.769
	Sig. ( 1- tailed)		.000	.001	.000
	N	98	98	98	98
<b>VAR00002</b>	Pearson Correlation	.407	1	.327	.762
	Sig. ( 1- tailed)	.000		.001	.000
	N	98	98	98	98
<b>VAR00003</b>	Pearson Correlation	.336	.327	1	.736
	Sig. ( 1- tailed)	.001	.001		.000
	N	98	98	98	98
insentif perpajakan	Pearson Correlation	.769	.762	.736	1
	Sig. ( 1- tailed)	.000	.000	.000	
	N	98	98	98	98

Source: SPSS Data Processing Version 26

Based on the validity test on the tax incentive variable, all statement instruments have a correlation value above 0.30. It is concluded that all statement instruments used in the tax incentive variable are valid.

Validity of Micro, Small and Medium Enterprises Taxpayer Compliance Variables

Table 3

**Correlation**

		VAR00001	VAR00002	VAR00003	Kepatuhan perpajakan UMKM
<b>VAR00001</b>	Pearson Correlation	1	.706	.715	.889
	Sig. ( 1- tailed)		.000	.000	.000
	N	98	98	98	98
<b>VAR00002</b>	Pearson Correlation	.706	1	.791	.916
	Sig. ( 1- tailed)	.000		.000	.000
	N	98	98	98	98
<b>VAR00003</b>	Pearson Correlation	.715	.791	1	.920
	Sig. ( 1- tailed)	.000	.000		.000
	N	98	98	98	98
<b>Kepatuhan perpajakan UMKM</b>	Pearson Correlation	.889	.916	.920	1
	Sig. ( 1- tailed)	.000	.000	.000	
	N	98	98	98	98

Source: SPSS Data Processing Version 26

Based on the validity test on the tax knowledge variable, all statement instruments have a correlation value above 0.30. It is concluded that all statement instruments used in the micro, small and medium enterprises taxpayer compliance variable are also valid.

Table 4

Cronbach's Alpha	No Of Items
.624	3

Source: SPSS Version 26 . Output Results

From the table above, the value of Cronbach's Alpha for the tax incentive variable is 0.624, because the Cronbach's Alpha value is less than 0.70, it can be concluded that the tax incentive variable only meets the criteria of moderate reliability.

Micro, Small and Medium Enterprises Taxpayer Compliance Variable Reliability

Table 5

**Reliability Statistics**

Cronbach's Alpha	No Of Items
.894	3

Source: SPSS Version 26. Output Results

From the table above, the results of the Cronbach's Alpha value of the taxpayer compliance variable are 0.894, because Cronbach's Alpha is greater than 0.70, it can be concluded that the micro, small and medium enterprises taxpayer compliance variable has met the reliable criteria.

Table 6

**Kolmogorov Smirnov. Normality Test**

		Unstandardized Residual
N		98
Normal parameter, a, b	Mean	.00000000
	Std. Deviation	2.45455802
Most Extreme Difference	Absolute	.089
	Positive	.089
	Negative	-.079
Test Statistics		.089
Asymp. Sig. ( 2-tailed)		.056

Source: SPSS Version 26 . Output Results

Judging from table 6 above, the value of Kolmogorov Smirnov is 0.089 and the significance value is 0.056. With that, the significance value generated in this study is more than 5% which is a significant level of significance, namely (0.056 > 0.05), it can be concluded that Ho can be accepted or the residual data is normal, or it can also be said to be feasible to use because it meets the assumption of normality.

**Linearity Test**

Table 7

			Sum of Square	df	Mean Square	F	Sig.
Kepatuhan WP UKKM Insentif perpajakan	between Groups	Combined	528.803	12	44.067	7.893	.000
		Linearity	418.977	1	418.977	75.040	.000
		Devition from linearity	109.827	11	9.984	1.788	.060
	Within groups		474.584	85	5.583	1.788	
	Total		1003.388	97			

Source: SPSS Version 26 . Output Results

It can be seen from table 7 that the linearity test results can be seen that the value of significant linearity is 0.0 which indicates less than 0.50, it is concluded that there is a linear relationship between two variables, namely tax incentives (X) and taxpayer compliance (Y). ). In addition, it can also be concluded from the deviation from linearity of 0.069 > 0.05 which also states that there is a linear relationship between the two variables.

Heteroscedasticity Test

Table 8

**Glejser Test**

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	1.457	.474		3.072	.003
Insentif perpajakan	.046	.054	.085	.839	.404

Source: SPSS Version 26 . Output Results

In the Glejser test above, it can be seen that the significance result is 0.404 > 0.05, with this it can be concluded that there is no heteroscedasticity in the regression model.

Simple Linear Regression

Table 9

**Simple Linear Regression**

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	2.243	.719		3.120	.002
Insentif perpajakan	.684	.082	.646	8.296	.000

Source: SPSS Version 26 . Output Results

The regression equation formed is:

$$Y = 2.243 + 0.684 X + e$$

Judging from the table above, it can be seen that = constant of 2.243, which means that the independent variable which is a tax incentive is constant (value 0) which makes the dependent variable, namely micro, small and medium enterprises taxpayer compliance, is worth 2.243. Furthermore, if the regression coefficient value of the tax incentive variable shows 0.684, it means that if the tax incentive variable is constant (value 0), it can be concluded that the dependent variable which is micro, small and medium enterprises taxpayer compliance has increased by 0.684.

Hypothesis testing

Hypothesis Testing t-test

Table 10

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	2.243	.719		3.120	.002
Insentif perpajakan	.684	.082	.646	8.296	.000

Source: SPSS Version 26 . Output Results

The results of the t-test (partial) in the regression model above, the significance value of the tax incentive variable is 0.000 <0.05. But apart from that, it can also be reviewed from the results of the comparison, namely tcount and ttable, as evidenced by the above test results, tcount is 8.296, and ttable is 1.966. So from these results it can be concluded that tcount > ttable is 8.296 > 1.966, so with this the conclusion that can be obtained is that H1 is accepted, so partially the tax incentive variable has a significant influence on the taxpayer compliance variable.

Goodness of Fit Test

Table 11

**Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error Of the Estimate
1	.646	.418	0.411	2.46731

Source: SPSS Version 26 . Output Results

From the results of the determination coefficient test table above, it proves that the R Square value is 0.418, which means that the independent variable, namely tax incentives, can explain the dependent variable, namely tax compliance, which is 41.8%, but 58.2% can be explained by other variables. other than this variable.

Quadrant Leveling Test

Table 12

**Quadrant Assignment Value**

quadrant	R Square Value	Goodness of Fit Test	
		Model Fit	Model's Kindness
II	41.80%	Strong enough	Pretty good

From the results of the research test above, the determination of the quadrants in table 5.17 above, explains the R Square value of 41.8%, which means that the variables in this research model have a fairly strong level of model suitability and a fairly good level of model goodness.

The results of the research on tax incentives show that the total value of the actual score obtained from the questionnaires that have been distributed and formed the tax incentive variable shows the general result of 3.27 which is included in the fairly good category. This shows that respondents' answers regarding tax incentives for micro, small and medium enterprises taxpayers in Bandung are included in a fairly good category. Tax incentives consist of indicators of tax incentives against the covid-19 pandemic, indicators of tax incentives on being accepted by taxpayers, indicators of tax incentives given to taxpayers.

The results of the study prove that tax incentives have a significant effect on the compliance of micro, small and medium enterprises taxpayers in Bandung City. Results study This is in accordance with the opinion expressed by [10, 11] which states that tax incentives collect taxes with the aim of providing incentives to generate government revenue and also provide incentives increase taxpayer compliance in carrying out tax obligations. With the provision of tax incentives, especially during the COVID-19 pandemic, it can help ease the burden of taxpayers' tax obligations and can also increase taxpayer awareness of compliance.

### Conclusions

Based on the results of the research and discussion in the previous chapter, it can be concluded that the existence of tax incentives during the covid-19 pandemic on taxpayer compliance is to ease the tax obligations of micro, small and medium enterprises taxpayers by not having to pay taxes during 2020. Which encourages micro, small and medium enterprises taxpayers who are affected by Covid-19 19 will continue to operate until the situation improves. Based on the results of the study, it is shown that for subsequent research, other variables that can affect taxpayer compliance are also related to the pandemic period and after the pandemic period.

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