

Analysis of Implementation of SMEs Tax Enforcement: The effects of tax justice dimensions, understanding of tax accounting on SME's tax compliance

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ABSTRACT

The purpose of this study was to determine the effect of understanding on tax accounting, tax justice toward tax compliance on SMEs tax. The research method applied in this study is quantitative deductive method. The population taken were SMEs registered in Department of Cooperatives SMEs, Trade and Industry in Banyumas, Purbalingga and Cilacap. The data were collected by using convenience sampling. They were collected through questionnaires and semi-structured interviews with 115 SMEs. The finding shows that the SMEs tax compliance is influenced by understanding on tax accounting and tax justice. In addition, this study also reveals that the majority of SMEs have lack of understanding about tax accounting and most respondents still doubt about tax justice. Thus, the recommendation of this research is to conduct a judicial review of Government Regulation No. 46 Year 2013 to conform to the principle of tax fairness, transparency in the field of taxation should be improved, and the bottom-up approach must be conducted prior to issuing regulations by the government, especially given the economic capacity of SMEs.

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh pemahaman tentang akuntansi pajak, keadilan pajak terhadap kepatuhan pajak atas pajak UKM. Pendekatan penelitian yang diterapkan dalam penelitian ini adalah pendekatan deduktif kuantitatif. Populasi dalam penelitian ini adalah UKM yang terdaftar di Dinas Koperasi, UKM, Perdagangan dan Industri di Banyumas, Purbalingga dan Cilacap. Metode pengumpulan data dalam penelitian ini menggunakan convenience sampling. Data dikumpulkan melalui kuesioner dan wawancara semi-terstruktur dengan 115 UKM. Temuan ini menunjukkan bahwa kepatuhan pajak UKM dipengaruhi oleh pemahaman tentang akuntansi pajak dan keadilan pajak. Selain itu, penelitian ini juga mengungkapkan bahwa mayoritas UKM memiliki kekurangan dalam pemahaman tentang akuntansi pajak dan sebagian besar responden masih meragukan keadilan pajak. Dengan demikian, rekomendasi penelitian ini adalah melakukan judicial review Peraturan Pemerintah Nomor 46 Tahun 2013 agar sesuai dengan prinsip keadilan pajak, transparansi di bidang perpajakan harus ditingkatkan, dan pendekatan bottom-up harus dilakukan sebelum mengeluarkan peraturan pemerintah, terutama mengingat kemampuan ekonomi UKM

1. INTRODUCTION

The government of Indonesia is assured that they would collect IDR 1,498.9 trillion (approx. USD \$112.7 billion) in tax revenue in 2017, up 16.8 percent from tax revenue realization of IDR 1,283.6

trillion in 2016. Meanwhile, in its latest Indonesia Economic Quarterly, released by the World Bank, it was stated that the 2017 State Budget of Indonesia was a more realistic one (compared to tax revenue targets in recent years). However, it emphasized

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further tax administration and policy reforms are required to meet the new target and to further improve fiscal policy credibility (Beck, 2017). Nevertheless, when compared with the potential of existing taxes, it is necessary to mention breakthroughs in the field of expansion and intensification of tax collection. The fact is, the level of compliance of taxpayers to meet their tax obligations is still very low. For individuals, tax payments are reported through the submission of tax returns only amounted to 8.5 million while the number of people actively working in Indonesia amounted to 110 million. That is, the ratio of active workers' tax return to the group only reached 7.73%; in other words, the level of tax compliance Personal People are still very low. For enterprises, the reported tax payments through the submission of tax return only amounted to 466 thousand, while the number of business entities that are domiciled fixed and active amounted to about 12.9 million. That is, the ratio of the number of active business entities' tax return only reached 3.6%; in other words the level of tax compliance agency is also still very low% (Direktorat Jenderal Pajak, 2011).

Based on Directorate of General Taxation data, the low level of compliance of the above resulted the low achievement of the tax ratio, which currently ranges from 11-12% whereas neighboring countries reaches more than 14%. (DirektoratJenderalPajak, 2011). Actually, there are still taxed potential of the SME sector, by looking at the contribution of SMEs to GDP of 61.9% and the contribution of the taxpayer in GDP amounted to 38.1%, there is still a chance to get the tax receipts agency of the SME sector. Based on data from the DirektoratJenderalPajak (Directorate of General Taxation), of the 2009, the corporate income tax receipts are still below 3%.

Small and Medium Enterprises (SMEs) in Indonesia were, initially, seen as an important source of employment as well as a major driving force in economic development in the countryside. But, lately along with the intensifying globalization, it emphasizes the importance of SMEs in Indonesia that they also experienced a change that is expected to serve as one of the important sources of the increased non-oil exports as in the developed countries (Tambunan, 2002). With the increase in non-oil exports, the increase resource tax can also be used to increase state revenues. Thus, the presence of SMEs who are not willing to pay the tax would reduce the state revenues so this leads to the need for an evaluation of SME owner's tax compliance.

Tax compliance behavior is very important be-

cause at the same time there will be an attempt of tax evasion (tax evasion), which affects the amount of state uses a system of self-assessment, which taxpayer is given trust to calculate report and pay for itself, besides the tax collection. Thus, this requires the taxpayer to know the ordinance of taxation.

Individual taxpayers can use two ways of counting, first by using the norm and second use bookkeeping. In order to meet tax obligations, corporate taxpayers must understand the rules of taxation (Ernawati and Wijaya, 2011), thus, the taxpayer must use bookkeeping. Thus, the government cannot tap the potential SMEs tax, because lack of understanding of tax accounting and tax justice that impact on tax compliance.

This research is relevant to the identification of tax compliance issues related to SMEs. Thus in the long run might accelerate the growth of SMEs, where development is raised by taxes will also bring up new markets that can be immediately filled by SMEs. The similar studies about tax fairness and understanding of tax accounting and tax compliance had much to do in the international sphere (Amii and Perusall, 2008; Ferrar and Thorne, 2012; Lestari,2010; Larissa and Nichita,2012; Marissa and Ramona, 2012; PalilandMustachea, 2011; Saad, 2009). Nevertheless, there has been little research related SMEs tax conducted in Indonesia (Ernawati and Mellyana, 2011). In addition, these studies are generally done on an individual taxpayer and show little willingness to pay tax from company's viewpoint. This study is relevant to the vision and mission of the Directorate General of Taxation, which attempts to implement several programs to improve tax compliance and to broaden the tax base (DirektoratJenderalPajak, 2011).

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Characteristics of SMEs in Indonesia

According to Law No. 20 Year 2008 on Micro, Small and Medium Enterprises in article 3, it is stated that the Micro, Small, and Medium Enterprises aims to foster and to develop businesses in order to build national economy based on fair economic democracy. Micro, Small and Medium Enterprises (SMEs) in Indonesia occupy a strategic position in the map of economic development of Indonesia. Therefore, we need to realize that the SMEs are potential to be upgraded as the backbone of the country's economy, and should carried out repairs (Soetrisno, 2005).

SMEs have an important role in economy; at least 99.9% of all activities in Indonesia are dominated by SMEs. Thus, SMEs have a major contribution to the creation of employment and income (Kementrian Koperasi dan KUMKM, 2010). Based on the development of small and medium micro enterprises issued by the Ministry of Cooperatives and SMEs, SME business unit grew by 2.01%, labor absorbed SMEs increased by 3.32%, the GDP at

current prices increased 15.81%, while total SME of non-oil exports rose by 8.01% per year. Overall the development of SMEs in Indonesia has an increasing trend. Table 2.1 below shows the details of the SMEs performance based on the scale of business. Based on Table 2.1, the total growth of SMEs supports micro enterprises except for indicators of business units.

Table 2.1
Data Development of SMEs

| Scale Indicator | Business Unit (%) | Labor (%) | GDP at current prices (%) | Total exports value in non-oil and gas (%) |
|-----------------|-------------------|-----------|---------------------------|--|
| UMKM | 2,01 | 3,32 | 15,81 | 8,01 |
| Micro | 1,98 | 3,34 | 17,14 | 16,08 |
| Small | 4,93 | 3,01 | 13,16 | 3,15 |
| Medium | 3,64 | 3,07 | 14,51 | 9,16 |

Source: Ministry of Cooperatives and SMEs (2010)

Taxes Existence of SMEs for Indonesian Development

Taxes are dynamic, and they follow the development of economic and social life to demand an improvement in both systemic and operational. Taxation improved system in the form of remedial policies and tax administration system is expected to optimize the potential of taxation provided by upholding the principle of social justice. One effort to improve the tax system in Indonesia is the enactment of Law No. 36 of 2008, which is the fourth change of Act No. 7 of 1983 on Income Tax. Act No. 36 of 2008 was adopted on September 23, 2008 that came into effect on January 1, 2009.

There are five important changes in income tax regulations. The changes contained in Law No. 36 of 2008 which include : (1) changes in non-taxable income; (2) incentive for the contribution must be religious; (3) incentives for the public company securities exchange; (4) incentives for micro, small and medium enterprises in the form of tariff cuts up to 50%; and (5) a few points of non-tax revenues (non-tax), which can be the object of tax enactment of Act No. 36 of 2009 will certainly lead to mixed reactions from the public, especially those registered taxpayer, both individual taxpayers and taxpayer agency. The form of public reaction can be seen from the behavior of tax compliance.

SMEs Tax Compliance

Compliance is an attitude that willing to do everything, in which based on the awareness and the

absence of coercion, which makes a person's behavior, can be as expected. Compliance also defines adherence as individual activities to carry out its obligations to contribute to the fulfilment of obligations in accordance with the regulations that govern them. Pris (2010) concluded that none of the dimensions of tax fairness a significant effect on the behavior of taxpayer compliance Agency. The different results from Richardson (2006) showed that the dimensions of tax justice associated with general fairness, exchange with government, and middle-income earners tax share / burden has a positive correlation with tax compliance in Hong Kong. However, the dimensions of justice of other taxes, such as the self-interest, tax rate structure and attitude towards taxation of the wealthy do not have a significant relationship. Likewise, a study done by Ami and Perusal (2008) found that only three dimensions of tax justice, namely general fairness, tax structure and self-interest, which has significant positive relationships towards tax compliance.

TAU on Tax Compliance

Tax accounting understanding (TAU) begins with a change in the system of official assessment system becomes a self-assessment system. The self-assessment system gives credence to the taxpayer to calculate its own tax return since 1983. The role of accounting and bookkeeping in line with the history of taxation in Indonesia (Agoes and Estranita 2009), even accounting implements an obligation of the taxpayer and the person who has

achieved a certain amount of gross income, this suggests that accounting is the most important basis for the calculation of tax payable. To prove it, Hidayat (2003) had an inventory accounting linkage with some tax liabilities, and almost happened on every taxpayer. Hidayat (2003), showed how the financial statements have various linkages (coherence) is strong with various tax obligations, whether the obligation to pay (taxes) or the emergence of tax debts, and can also arise obligation to withhold tax to other parties in connection with activities business is no exception and has a close link with tax audits.

One of the importance of financial statements in taxation, was to the extent that annual tax income reported without attached with the financial statements may be considered not delivered (article 4, paragraph [4] Act of Code of Criminal Justice). Even when taxpayers submit false financial statements, can be categorized as crimes taxation (Saidi and Eka, 2011), the crime of taxation may be considered committing a crime and punishable by a penalty of imprisonment for six years and a fine of four times the amount of tax payable or which is not / less deposited (Article 39, paragraph [1] Act of Code of Criminal Justice). Furthermore, the strategic role of accounting in the examination is indicated if the taxpayer cannot show evidence of accounting in a tax audit, the taxpayer may also be considered as tax crimes (Saidi and Eka, 2011) and may be subject has committed the crime of taxation. Taxpayers and employers taxable or may be subject to a maximum imprisonment of six years and a maximum fine of four times the amount of tax payable is not paid or underpaid if on purpose, namely: 1. Do not keep books or recording, or do not show the books, records or other documents, or 2. Show the books, records or other documents are false or forged as if true, that can cause a loss in state revenue (Article 39, paragraph [1] letter [g] Act of Code of Criminal Justice).

Criminal penalty will be doubled if the taxpayer repeat criminal offences in the area of taxation before the expiration of one year from the completion of sentence handed down prison (Saidi and Eka, 2011). No exaggeration, if the tax inspectors prioritize accounting substance in uncovering the truth of the transactions that have been carried out by the taxpayer, accounting precisely that urges professionalism in the conduct of tax inspectors noble conduct compliance testing on taxpayers. The most important impetus and the principle according to Hidayat (2011) is a tax audit should prioritize the substance of accounting in the financial state-

ments submitted by the taxpayer in the tax return.

Tax audit accounting ignores the substance has a tendency to mislead. Even Gunadi (2004) states that, the effectiveness of the tax administration system requires bookkeeping (accounting) with healthy and trustworthy manner. According to Pudyatmoko (2007), the tax inspectors in conducting the examination required to check and / or borrow the books and records of the taxpayer. The examiner authority is not without reason, but the authority to examine the books and accounting records belonging to the taxpayer intended to uncover the substantive truth of the transactions that have been carried out by the taxpayer. Substantive tax audit will be greatly assisted by financial data and reports generated by the accounting. Thus, this proves that the accounting has a strategic role in tax audits. Especially when referring to forward the demand.

According to Hidayat (2011), tax audit should give priority to the substance of accounting than the formal aspect, if the tax audit attempts to uncover the truth of reported transactions taxpayers in their tax returns. Thus, the tax compliance concerning fills, report and pay taxes payable correctly and timely. Compliance in paying taxes will be achieved if the taxpayer has to understand the accounting related to the calculation of the tax and the general provisions regarding liability and sanctions that would be obtained if the tax payers do not pay taxes. Based on the explanation above, it can be hypothesized:

H1: The understanding of SME's tax has a positive effect on tax compliance

The Influence of Tax Justice on Tax Compliance

Tax compliance behavior is very important because at the same time there will be an attempt of tax evasion (tax evasion), which affects the amount of state revenues. According to Jackson and Milliron (in Richardson, 2006), one of the key non-economic variables of tax compliance behavior is the dimension of tax justice. According to Richardson (2006) taxpayers tend to avoid paying taxes if they think the tax system is unfair. This shows the importance of tax fairness dimensions as variables that affect the behavior of the taxpayer compliance. Gerbing (1988), in Richardson (2006), conducted a factor analysis on a survey of 225 individuals in the American taxpayer and tax justice identifies five dimensions, namely:

General Fairness and Distribution of the Tax Burden. Exchange with Government. This dimensions relates with the benefits received from

the government as income tax paid . Taxation Attitude for the Wealthy. This dimension relates to the taxpayer of the income tax, which have payfairly for their specific provisions and a reduction given only for the rich.

Preferred Tax Rate Structure. This dimension relates to the structure of the preferred tax rate (e.g., progressive tax rate structure vs. flat tax rate structure / proportional); and

Personal Interests (Self-Interest). This dimension relates to the amount of taxes paid in person too high compared to others. Richardson (2006) conducted research on tax justice dimension as a variable tax compliance in Hongkong. Richardson (2006) examined whether dimensions developed by Gerbing (1988) will affect the level of compliance in Hong Kong, which has a different culture to the United States. Richardson (2006) in his study also adds a new dimension, namely, middle-income earners tax share / burden.

Middle-Income Earners Tax Share.The addition of these justice dimensions adapted to the culture and the existing taxation system in Hong Kong. Azmi and Perumal (2008) investigated the effect of tax justice towards tax compliance behavior in Malaysia. The study also develops research conducted by Gerbing (1988). The results of the factor analysis conducted on the dimensions of tax justice can be seen that there are three dimensions that significantly tax justice, namely tax fairness, the tax structure, and self-interest.

Differences on the results are influenced by differences in education or knowledge on taxation and culture, between Malaysia and another countries. This study still showed the inconsistency of the previous studies. The collection of balanced tax fairness in accordance ability indiscriminately will affect compliance taxpayer in establishing itself as an entrepreneur in a location subject to the tax. For example, of two businesspersons who have the same type of business and the circulation of business that is not much different if the taxpayer has become the operator of taxable and others have not yet become taxable entrepreneur, it will cause the lack of a sense of justice taxpayer. Thus, it can be hypothesized as follows:

H2: Tax justice has positive influence towards SME's tax compliance

3. RESEARCH METHOD

Research Sites

Research was conducted on SMEs in the district of Banyumas, Purbalingga and Cilacap. The reason for selecting these locations is that the district has a

number of SMEs, as a potential taxpayer SMEs. Therefore, research in this area is expected to represent a picture of small and medium micro enterprises. Besides the three districts and are located adjacent to one another and easily accessible also ease of access making it easier for researchers to obtain data and information.

Types of Research

This study uses quantitative methods. Quantitative approaches are collected from respondents using questionnaires as a data collection tool, in order to provide an explanation of the influence of some study variables. The quantitative method is carried out by survey method; the research took a sample of the population using questionnaires as the primary data collection tool, and individuals as a unit of analysis (Sugiyono, 2012: 14-15). This study analyzed the effect of the tax justice dimension, the understanding of tax accounting to the tax compliance.

Data Collection

This study uses primary data to collect the research data. Primary data relates to the information that is directly collected by the researchers in field by distributing a questionnaire containing some statements/questions in writing to the owners of SMEs or its accounting staff. The populations in this study are SMEs registered in the Department of Cooperatives Mimes (Micro, Small and Medium Enterprises) Industry and Trade Banyumas, Purbalingga and Cilacap. The sampling technique used is convenience sampling.

Operationalization of Variables

The variables used in this research as indicators of the variables can be measured as follows:

Understanding of Accounting Tax (X1)

Accounting is the process of identifying the financial data, process the relevant data processing to be converted into usable information for decision-making (Mursyidi, 2010: 17). Understanding of SMEs towards tax accounting is related to:

- 1) Understand about tax accounting in Indonesia
- 2) Understand about the calculation of sales turnover and taxes payable
- 3) Understand about over or underpayments
- 4) Understand about collecting the annual income tax on time
- 5) Understand about the latest SME-tax rules
- 6) Tax Justice (X2)

Fairness according to Indonesian dictionary is the same weight, not biased, non-partisan; favor the

right, hold the truth; and improper, arbitrary. While justice is the nature of (the act or treatment) fair, shake. Therefore, it can be concluded that Tax fairness is the nature (act or treatment) is not arbitrary or not biased on the existing taxation system (Pris, 2010). Tax Justice according to Azmii and Perusall (2008) is related to:

Public justice, with the overall fairness on tax system and tax distribution. Reciprocity with the Government related to reciprocal indirectly given by the government for tax paid by the taxpayer.

Personal interests / related to whether the amount of tax paid Mandatory personal tax too high when compared with another mandatory tax.

The specific terms / related special provisions granted to certain taxpayers, such as tariff reduction incentive for companies go public and SMEs. Tax rate structure related to a preferred tax rate structure (e.g. tariff structure of progressive tax vs. flat tax rate structure / proportional).

Tax Compliance (Y). Tax Compliance is compliance of taxpayers to meet obligations' taxation in accordance with the provision regulation legislation and regulation implementation taxation apply in a country. According to Rahayu (2010: 139), tax compliance is related to:

- 1) Compliance taxpayer in the register
- 2) Compliance on annual income tax notification
- 3) Compliance in counting and payment of taxes owed

4) Compliance in payment arrears

The all questionnaires assessed using a 5-point Likert scale, and data is processed using multiple regression with SPSS 21.

4. DATA ANALYSIS AND DISCUSSION

Respondents Characteristics

Respondents in this study are the owners of SMEs in the district of Banyumas, Purbalingga and Cilacap. With the total respondents were 124 SMEs. Using the formula of Slovin, the population of SMEs in Banyumas district business unit amounted to 381,918, Purbalingga amounted to 171 166-business units, and Cilacap amounted to 184 859-business units. Thus, the total populations of this study were 737 943-business units. Slovin formula obtained by the minimum number of samples that must be met by 110 questionnaires distributed, there were 132 questionnaires were returned and 17 incomplete questionnaires so that it can be used in this study was 115. From the questionnaire has been filled, it found the characteristics of respondents as follows:

a. Based on Gender

Based on gender, the sample consists of total 115 respondents, of the 84 respondents, or 73.05 percent of the male sex and 31 respondents, or 26.95 percent are female. For more details can be seen in table 4.1 below.

Table 4.1
Respondent characteristic by gender

| Gender | frequency | Percentage (%) |
|--------|-----------|----------------|
| Male | 84 | 73,05 |
| Female | 31 | 26,95 |
| Total | 115 | 100,00 |

Sources: Processed primary data, 2014

b. Based on Age

Based on age, total sample of the 115 respondents, 4% of respondents or 3:48 aged less than 25 years, 51 respondents or 44.35% were aged 26-35 years, as many as 42 respondents or 36.52% were aged 36-45 years, 12 respondents or 10.43% aged 46-55 years

and the remaining 6 or 5.22% of respondents over the age of 55 years. It can be concluded that the majority of respondents in this study came from the productive age. For more details can be seen in Table 4.2.

Table 4.2
Respondent Characteristic based on Age

| Year | Frequency | Percentage (%) |
|---------------|-----------|----------------|
| Below 25 year | 4 | 3,48 |
| 26-35 year | 51 | 44,35 |
| 36-45 year | 42 | 36,52 |
| 46-55 year | 12 | 10,43 |
| Upper 55 year | 6 | 5,22 |

| | | |
|-------|-----|--------|
| Total | 115 | 100,00 |
|-------|-----|--------|

Sources: Processed primary data, 2014

Table 4.3**Respondent characteristics based on the length of business experiences**

| Length of business | Frequency | Percentage (%) |
|--------------------|-----------|----------------|
| 1-10 years | 68 | 59,13 |
| 11-20 years | 34 | 29,57 |
| >20 years | 13 | 11,30 |
| Total | 115 | 100,00 |

Sources: Processed primary data, 2014

Table 4.4**Respondent characteristics based on Education Level**

| Education level | Frequency | Percentage (%) |
|---------------------|-----------|----------------|
| Elementary | 14 | 12,17 |
| Junior High School | 35 | 30,44 |
| Senior High School | 47 | 40,87 |
| Bachelor and Master | 19 | 16,52 |
| Total | | 100,00 |

Sources: Processed primary data, 2014

c. Based on the length of business experience

Based on the length of business experience, of the total 115 respondents, by 68 respondents or 59.13% have been making efforts 1-10 years, 34 respondents or 29.57% has opened an 11-20 year old and 8 respondents or 15.10 % had been making efforts over 20 years. For more details, it is summarized in Table 4.3

Of the total 115 respondents, 14 respondents or 12.17% have a primary education level, 35 respondents or 30.44% have a junior high school education, 47 respondents or 40.87% have a high school education / vocational and 19 respondents or 16.52% have S1 education level. Summary of this information can be seen in Table 4.4.

d. Based on Type of Business

Of the total 115 respondents, 3% of respondents, or 2,617 a diversified business eyelashes and wigs, 47 respondents or 40.87% is the typical foods business, 24 respondents or 20.86% is the grocery business. Boutiques and convection consists of 12 respondents or 10.43%, Services workshop as much as 6 respondents or 5.21%, hotel by 4 respondents or 3.47%. For tour and travel as much as 5 respondents or 3.47%, clinics and pharmacies as much as 5 respondents or 4.34%, laundry services by 9 respondents or 7.83%. Hence, the majority of respondents came from the type of business typical food and grocery. For more details can be seen in Table 4.5.

Tabel 4.5**Respondent Characteristic Based On Business Type**

| Business type | Frequency | Percentage (%) |
|--------------------------|-----------|----------------|
| Eyelashes and wigs | 3 | 2,61 |
| Foods | 47 | 40,87 |
| Grocery | 24 | 20,86 |
| Boutiques and convection | 12 | 10,43 |
| Services workshop | 6 | 5,21 |
| Hotel | 4 | 3,47 |
| Tour and Travel | 5 | 4,34 |
| clinics and pharmacies | 5 | 4,34 |
| laundry services | 9 | 7,83 |
| Total | 115 | 100 |

Sources: Processed primary data, 2014

Data Analysis

Validity of the instrument

The validity test of the questionnaire in this study was conducted by SPSS 21 for Windows. Validity and reliability analysis conducted on 10 respondents outside of the sample. The questionnaire includes a variable understanding of tax accounting, tax fairness, and tax compliance. Based on the calculations obtained, the validity of the statement on the attitude (X1) value is greater than r -table at 0.182. Thus, it can be said that the statement incorporated in the variable understanding of tax accounting (X1) is valid for the instrument used in the research. And based on calculations obtained, whitening validity with each statement on a variable tax justice (X2) the value is greater than r -table. Thus, it can be said that the statement incorporated in tax fairness variable (X2) is valid for the instrument used in the research. The validity on any statement on tax compliance variable (Y) value is also greater than r -table. Thus, it can be said the statement incorporated in tax compliance variable (Y) is a valid and reliable instrument to be used in research.

Reliability Test

The research instrument can be said to be reliable if the test of the score is above the minimum standards of reliability that is > 0.60 . (Nunnally, 1967 cited Ghozali, 2013:47). The results of the reliability test of the questionnaire show that all the items contained in the variables X1, X2, and Y were reliable because it has a value of Cronbach alpha > 0.60 .

Classical Assumption Testing

Before performing regression, analysis it performed classical assumption that includes:

Normality test

Normality test aims to test whether related variables and independent variables in the regression model has a normal distribution or not. A good regression model is one that has a normal or near-normal distribution. Besides that used graph nor-

mal probability plots comparing the cumulative distribution of real data with a cumulative distribution of the normal distribution. If a normal distribution, then the line that represents the actual data will form a diagonal line following the line (Hair et al., 1998). Based on the normal graph display and plot of the output data, they show that the residual of the research data were normal, thus the regression model was fit for use because they meet the assumptions of normality.

Multicollinearity test

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not happen correlation between independent variables (Ghozali, 2007). The detection of the presence or absence of Multicollinearity in this study show that the result of the calculation of variance values inflections

factor (VIF) also showed the similar thing, it show that there is no independent variables that have a VIF value of more than 10. Therefore, it can conclude there is no multicollinearity problem between independent variables in the regression model.

Heterocedasticity test

A good regression model is show homoscedasticity did not contain heterocedasticity problem. Detection of heterocedasticity is used to see whether there is a specific pattern on the chart. The graph above shows the points are spread randomly, do not form a particular pattern is clear, and spread both above and below the 0 (zero) on the Y axis.

Analysis Descriptive Statistics

Descriptive statistics were used to provide information about the characteristics of the studied variables. The independent variables were used that understanding of tax accounting (X1), tax justice (X2) and tax compliance descriptive analysis results can be seen at 4.6.-4.8.

Table 4.6
Descriptive statistics

| Variable indicator | N | Minimum | Maximum | Mean | Standard Deviation |
|---------------------------------|-----|---------|---------|---------|--------------------|
| Understanding of Tax Accounting | 115 | 8 | 22 | 14,782 | 2,747 |
| Tax Justice | 115 | 11 | 24 | 17, 739 | 3,214 |
| Tax Compliance | 115 | 5 | 21 | 16,582 | 3,760 |

Source: SPSS output

Table 4.7
Regression Coefficient

| Model | Unstandardized Coefficients | | Standardized Coefficients Beta | T | Sig. | Correlations | | | Collinearity Statistics | |
|---------------------------------|-----------------------------|------------|-----------------------------------|-------|------|--------------|---------|------|-------------------------|-------|
| | B | Std. Error | | | | Zero-order | Partial | Part | Tolerance | VIF |
| (Constant) | 3.742 | 2.009 | | 1.862 | .065 | | | | | |
| Understanding of tax accounting | .319 | .119 | .233 | 2.683 | .008 | .381 | .246 | .216 | .857 | 1.166 |
| Tax Justice | .458 | .102 | .391 | 4.508 | .000 | .479 | .392 | .362 | .813 | 1.124 |

a. Dependent Variable: Tax Compliance

Source: SPSS output

Table 4.8
Simultaneous Regression

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 Regression | 445.255 | 2 | 222.627 | 21.371 | .000 ^b |
| Residual | 1166.711 | 112 | 10.417 | | |
| Total | 1611.965 | 114 | | | |

a.. Dependent Variable: Tax Compliance

Source: SPSS output

The descriptive statistics results in Table 4.6 shows 115 respondents who are the SMEs owner in Banyumas, Cilacap, and Purbalingga. The minimum value is the smallest value in a data range and the maximum value is the largest value in a data range. Mean (average value of a data range) is a measure of data center when the data was sorted from smallest to largest or vice versa, while the standard deviation is a measure of deviation from an average value of the data.

The understanding of tax accounting has an average amounted to 14.782 with a minimum value of 8 and a maximum value of 22. This shows that the percentage of influence attitudes towards tax compliance behavior of most small-value of 8 and 22 with the most centralized data on the size of 14.78. The standard deviation of 2.747 indicates that the data is spread with a distribution amounting to 2,747 and the maximum deviation value means a possible investment is +2.747 or - 2.747 from the average (14.782).

Tax justice variable has an average of 17.739 with a minimum value of 11 and a maximum value of 24. This shows that the percentage of tax fairness influence on the behavior of the smallest tax compliance is worth 11 and 24 with the most centralized data on the size of 17.73. The standard deviation of 3.214 indicates that the data is spread with a distribution amounting to 3,214 and the maximum deviation value means a possible investment is +3.214 or -3.214 on average (17.739). Variable tax compliance had an average of 16.582 with a mini-

um of 5 and a maximum value of 21. This shows that the percentage of tax compliance behavior of most small-value of 5 and 21 with the most centralized data on the size of 16.58. The standard deviation of 3.760 indicates that the data is spread with a distribution amounting to 3.760 and the maximum deviation value means a possible investment is +3.760 or -3.760 on average (16.582).

Multiple Regression Analysis

This study uses multiple regression analysis to predict how the situation (increase or decrease) the dependent variable, when two or more independent variables as predictors factors. Based on the results of the study using SPSS version 21, it is obtained multiple linear regression output as shown in the table 4.7.

Based on the calculation of multiple linear regression analysis in Table 4.7, it is obtained the following equation: $Y = 3.742 + 0.319 X_1 + 0.458 X_2 + e$. From the above equation regression model can be described as follows:

- The constant of 3.742 states that if the independent variable is considered zero, then the probability of tax compliance SME owners by 3.742.
- X_1 regression coefficient of 0.319 means that an understanding of tax accounting positive effect on tax compliance SMEs owners, and if the value of the other three variables regression coefficient is maintained (no change), the change in attitude variable of 1% would lead to tax compliance SME owners rose by 0.319.

- c. X2 regression coefficient of 0.458 means that the tax fairness positive effect on tax compliance SMEs owners, and if the value of the other variable regression coefficient is maintained (no change), the subjective norm variable change of 1% would lead to tax compliance SME owners rose by 0.458.

Based on the calculation in table 4.9, the coefficient of determination (Adjusted R Square) of 0.263. This means that large variations in the variable tax compliance SMEs owners can be explained by understanding the variable tax accounting and tax fairness 26.3% while the remaining 73.7% influenced by other variables outside the research model.

Table 4.9.
The coefficient of determination

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .526 ^a | .276 | .263 | 3.22755 | .276 | 21.371 | 2 | 112 | .000 | 1.884 |

a. Predictors: (Constant), Tax justice, Understanding of Tax Accounting

b. Dependent Variable: Tax Compliance

Table 4.8 Illustrates the simultaneous effect understanding of tax accounting and tax justice against the owner of SME tax compliance. Based on a 95% probability level ($\alpha = 0.05$) and the degree of freedom ($n-k-1$) obtained F table amounted to 2.46 whereas the F test calculation results obtained by value of 21 371. Thus the F value > F table thus, the understanding of tax accounting and tax justice has a significant influence simultaneously on tax compliance. Therefore, based on the result, the hypothesis 1 and hypothesis 2 show that the partial effect of variable understanding of tax accounting, tax compliance against the owners of SMEs. Based on a 95% probability level ($= 0.05$) and the degree of freedom ($n-k$) obtained the t table 1.962 while the t test calculation results obtained t count as follows: Understanding of Tax Accounting 1.962 Tax Justice 1.962 2.683 4.508. Based on the calculation of t test, it showed that understanding of tax accounting and tax justice is greater than t table, thus it can be concluded that each significant effect on tax compliance SME owners, moreover Ha1 and Ha2 accepted.

Discussion

The effect of understanding of tax accounting to tax compliance

Based on these results, the understanding of tax accounting has a significant effect on tax compliance. It can be seen that the characteristics of SME's adherence and knowledge in taxation because most of respondents education were junior and senior high school. This result is consistent with the results of the study Muslim (2007: 11), the higher the level of knowledge and understanding of the taxpayer to the tax laws, the less likely the taxpayer to violate these regulations thus increasing the level of

tax compliance. The level of understanding of the taxpayer taxation can be measured based on the understanding of taxpayers on the obligation to calculate, pay, and submit tax payable (Lester, 2010).

Based on the results of this research, of 115 respondent only 30 people understand accounting taxation in general in Indonesia, sales turnover and the method of calculation of tax payable. Most respondents did not agree with the rules related to SME tax rate of 1%. This is possibly due to the tax base is calculated from gross income, the cost to acquire, collect and maintain income, then if in the books of the taxpayer no losses are not recognized and cannot be compensated horizontally with income from sources or other activities, As a result, under any circumstances (profit or loss) of the company will always be assumed to earn positive.

Therefore, the company is subject to final income tax of 1% on gross turnover. This treatment theoretically ability to pay, or less in line with the principle of netting effect or horizontal compensation which is also stipulated in the Income Tax Act.

By using a final tax income rates by 1%, SMEs which form of business entity disadvantaged and not disadvantaged when the percentage of taxable income to gross income may reach 8%. It can be formulated as the following: $1\% \times \text{gross income per month} = 12.5\% \times 8\% \times \text{gross income a month}$. 12.5% rate is the rate of article 31 E of the Income Tax Law. If SMEs in the form of business entity is able to achieve a percentage of taxable income above 8%, the SMEs in the form of business entity will be benefited by paying less income tax than the previous one. And vice versa, SMEs will pay higher income tax when the percentage of taxable income is less than 8% of the gross income, they will still pay

income tax even though the final loss condition.

Effect of tax Justice against tax compliance

Based on the research results, the variable tax fairness performs a significant effect on tax compliance. The majority of respondents stated that the tax system, the distribution of taxes, tax benefits for SMEs and the imposition of tax rate of 1% based on sales turnover is still sensed of fairness. In terms of fairness in taxation (equity principle), the imposition of the final income tax incompatible with the principle of justice because it does not reflect the ability to pay (ability to pay).

Fair taxation is that the greater the income tax to be paid. Since the final income tax is calculated directly from the taxation of, gross income is not in accordance with the concept of tax justice. This led, on the size of the net income of a person or business entity will not affect the amount of tax to be paid because the tax is calculated by multiplying the rate directly against gross income. Even at a loss too, with the imposition of final income person or business entity must pay taxes. Therefore, Government Regulation No. 46/2013 is a choice between simplicity of administration of justice. However, apparently, the Government Regulation No. 46/2013 prefers to simplify the exclusion of efficiency and fairness of tax.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The Government Regulation No. 46 year 2013 can be summed up as a means for the Government to provide simplification of taxation and taxpayers reach belonging to the group "hard to tax," and as a means for extracting the tax potential that has not been explored. In this research the understanding of tax accounting and tax fairness significant effect on tax compliance on SMEs. Therefore, the government in this case needs to consider both factors in the tax rules for issuing regulations have an impact on tax compliance.

The understanding the tax accounting in SMEs could be improved by increasing the dissemination of the latest regulations by the Directorate General of Taxation, this will improve compliance with tax obligations imposed SMEs. Therefore, it is necessary to review the Government Regulation 46/2013 on tax matters SMEs because of the imposition of income tax on turnover is already clearly does not meet the principles of justice. The definition of income listed in the Act is clear, and it is the one who should be the object of a tax, not a turnover.

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