



## The Effect of Giving MSME Final Income Tax Incentives and Taxpayer Awareness on the Level of Taxpayer Compliance

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### Abstract

This study was conducted to test and analyze the effect of providing Final Income Tax incentives and taxpayer awareness on the level of compliance of Micro, Small, and Medium Enterprises Taxpayers in reporting Annual Tax Returns at the South Makassar Primary Tax Office. This study uses primary data by surveying 90 taxpayers as a sample with a simple random sampling technique from all MSME taxpayers who use tax incentives as many as 887 taxpayers. The analytical method used in this research is descriptive analysis and multiple linear regression analysis. The data were analyzed using the SPSS IBM Version 24 program. The results of this study indicate that the provision of Final Income Tax incentives has a positive and significant effect on the level of compliance of MSME taxpayers in reporting the Annual SPT at the South Makassar Primary Tax Service Office. The government-borne PPh Final PPh incentive policy (DTP) for the long term is no longer effectively implemented. Taxpayer awareness has a positive and significant effect on the level of compliance of MSME taxpayers in reporting the Annual SPT at the South Makassar Primary Tax Service Office.



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## 1 Introduction

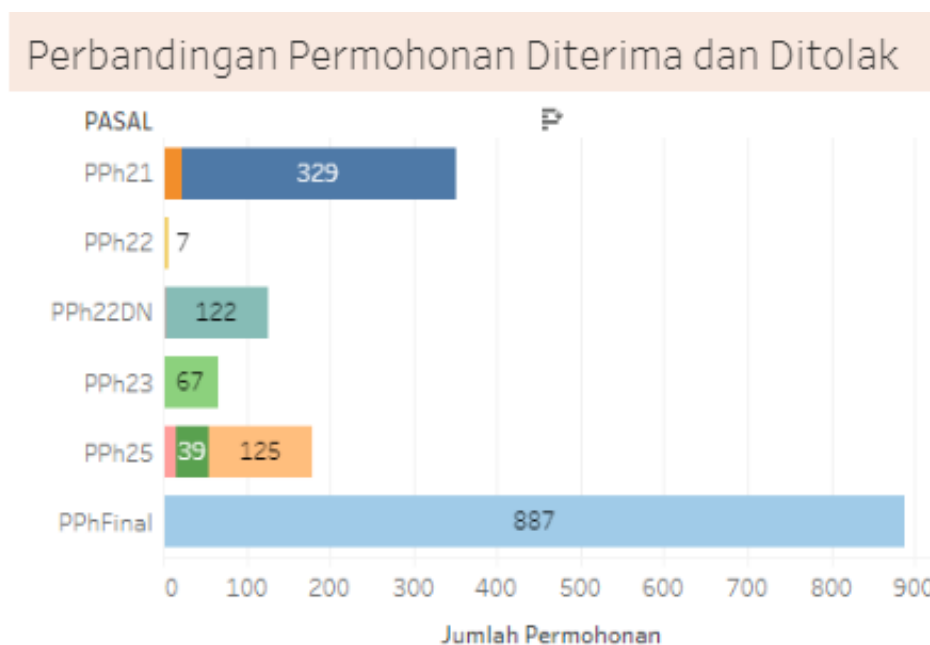
At the beginning of 2020, almost all countries were facing the Covid-19 pandemic in which many countries experienced an economic downturn, including Indonesia. Micro, Small, and Medium Enterprises (MSMEs) are also affected by the Covid-19 pandemic. MSMEs are the most significant sector to Indonesia's Gross Domestic Product (GDP) at 61 percent (Haspramudilla, 2020). Many MSMEs experience a decrease in income even to the point of closing their business. Restrictions on economic activity and human mobility are the causes of the decline in MSME income. Therefore, SMEs are currently experiencing turmoil. In response to this, the Directorate General of Taxes (DGT) has issued tax policies to deal with the impact of Covid-19 and maintain taxpayer compliance in a pandemic

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situation.

The government issued Regulation of the Minister of Finance of the Republic of Indonesia Number 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak. The regulation has undergone several changes. The government's latest regulation is Minister of Finance Regulation Number 82/PMK.03/2021 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic. Tax incentives are given as part of the National Economic Recovery program (PEN). The tax incentives provided by the government in PMK Number 82/PMK.03/2021 include Income Tax (PPh) Article 21, 4 Paragraph 2 (Final), 22, 23, and 25. MSMEs can take advantage of tax incentives for Final PPh. With the tax incentives, MSMEs that have stagnated in the pandemic is expected to be fresh and revived.

According to Andrew & Sari (2021), tax incentives are tax policies provided by the government for certain taxpayers, both individuals and organizations that support the government. They are used to encourage and provide convenience for taxpayers to remain obedient in carrying out their current and future tax obligations. Based on the research results by Alfiana & Diana (2021), tax incentives, either partially or together with the variable understanding of taxation and awareness of taxpayers, have a significant effect on taxpayer compliance in submitting Annual Tax Returns (SPT). Rachmawati & Ramayanti (2016) stated that tax incentives in the form of ease of calculation, deposit, and reporting of income tax payable had a positive and significant effect on MSME taxpayer compliance. As of June 2021, there are 887 users of the final income tax incentive for MSME taxpayers. The following is a comparison graph of accepted and rejected applications for tax incentive facilities:

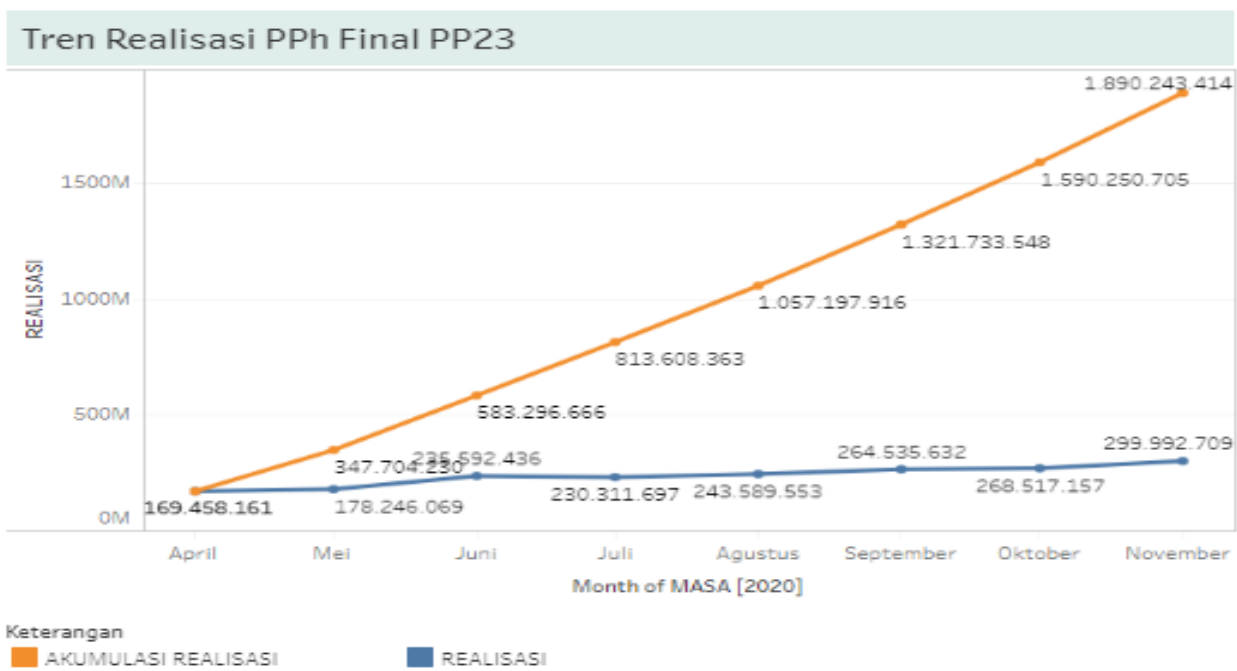


**Figure 1.** Comparative Data on Tax Incentive Applications as of June 2021 KPP Pratama South Makassar

**Source:** Primary Data Year 2021

The graph in Figure 1 shows that there are a total of 1,613 applications for tax incentives at KPP Pratama Makassar Selatan. Of the total applications for tax incentives, 40 applications were rejected because they did not meet the requirements, including two applications for Final income tax incentives. The Final Income Tax incentive realization at the South Makassar Pratama Tax Service Office,

namely the 2020 Final Income Tax incentive of Rp. 386,087,442. Figure 2 shows the realization of tax revenues in 2020 of IDR 1,069.98 trillion from the 2020 target of IDR 1,198.82 trillion or reaching 89.25% (pajak.go.id). Compared to 2019, the realization of tax revenues contracted by 19.71%. This is due to the still weak Indonesian economy due to the Covid-19 pandemic. According to the 2020 performance report data, the Compliance Ratio for Annual SPT Submission is 77.63% higher than the realization of the compliance ratio in 2019 of 73%. This shows that even in a pandemic, compliance has increased due to the intensive efforts made by DGT. Based on the compliance model (Pohan, 2017) consists of voluntary compliance and enforced compliance. There are different strategies for achieving compliance. Voluntary compliance is obtained from tax education and full-service provision. Tax education is aimed at raising public awareness and taxpayers. Enforced compliance is obtained from the provision of sanctions or law enforcement (Nurfadila & Muslim, 2021; Heryanto et al., 2020; Ahmad et al., 2020; Amin & Mispa, 2020).



**Figure 2.** Realization Report of Final Income Tax Incentives of KPP Pratama South Makassar  
**Source:** Primary Data Year 2021

According to Pravasanti & Pratiwi (2021), taxpayer compliance is influenced by awareness, understanding, sanctions, and services. Meanwhile, Latief et al.'s (2020) research prove that taxpayer compliance is influenced by trust in the government, tax incentive policies, and tax benefits. From the study of literature and information obtained, no one has conducted research specifically on the effect of final income tax incentives on compliance levels; previous research has analyzed chiefly the effect of tax incentives as a whole. The MSME sector is the most significant contributor to GDP in Indonesia, but it is not too large in terms of tax revenue. Based on the 2020 South Makassar KPP Pratama performance report, the realization of Final PPh revenue is Rp. 386,087,442 from the total tax revenue of South Makassar KPP Pratama of Rp. 1.009 Trillion. MSMEs are one of the sectors that need to develop their level of compliance, given the potential for significant tax revenues from the MSME segment.

Taxpayer compliance is substantial because it is an indicator of increasing tax revenue. The development of taxpayer compliance at the South Makassar KPP Pratama can be seen as follows.

**Table 1. Realization of KPP Pratama South Makassar Annual SPT Compliance**

Info	Report Year	
	2019	2020
SPT realization	43,536	49,692
• Institution/Agency	3,354	3,561
• Non-Employee Tax Object	3,767	5,561
• Employee Tax Object	36,415	40,570

**Source:** Primary Data Year 2021

The realization of compliance with the KPP Pratama South Makassar Annual SPT in 2020, 49,692, increased compared to 2019, which was 43,536. The MSME Taxpayer compliance ratio in 2020 KPP Pratama Makassar Selatan is 31.2%, which has increased compared to 2019, which was 8.6%. This can indicate whether the tax incentives provided effectively increase MSME taxpayer compliance. Furthermore, research on the effect of tax incentives, especially final income tax incentives, needs to be done to find the answer. Tax awareness has been a concern of the DGT for a long time. Various efforts have been made, including tax education to increase awareness of taxpayers and tax inclusion to increase awareness of taxes for the millennial generation. Taxpayer awareness refers to the behavior of taxpayers who understand the tax system to encourage increased taxpayer compliance in reporting the Annual SPT. As Aprilianti (2021) mentioned, taxpayer awareness, either partially or simultaneously with the variables of tax socialization, tax incentives, and the three-samsat system, significantly affects taxpayer compliance.

Theory of Planned Behavior (Theory of Planned Behavior) explains that a person behaves obediently based on his intentions (Sari, 2018: 298). Behavioral intentions link between final income tax incentives and taxpayer awareness with MSME taxpayer compliance. Planned Behavior Theory can explain the relationship between final income tax incentives and MSME taxpayer compliance; the behavioral intentions described can link the final income tax incentives with MSME taxpayer compliance. Many studies from previous studies have raised this issue. The results of Diana and Sudaryanti's research (2021) prove that the provision of tax incentives positively affects the level of compliance of individual taxpayers in reporting tax returns (SPT). Latief et al. (2020), in their research on the Effect of Trust in the Government, Tax Incentive Policies, and Tax Benefits on Taxpayer Compliance, found that trust in the government, tax incentives, and tax benefits have a positive effect on taxpayer compliance.

**H1:** The Provision of Final Income Tax Incentives affects the Compliance Level of MSME Taxpayers in Reporting Annual Tax Returns at the South Makassar KPP Pratama.

The relationship between taxpayer awareness and MSME taxpayer compliance can be explained by Planned Behavior Theory, behavioral intentions explained can link taxpayer awareness with MSME taxpayer compliance.

**H2:** Taxpayer Awareness affects the Compliance Level of MSME Taxpayers in Reporting Annual Tax Returns at the South Makassar KPP Pratama.

## 2 Research Method

This research was conducted at the South Makassar KPP Pratama office. This study uses primary data obtained by distributing questionnaires to respondents. Answers from respondents will be measured using an ordinal scale designed to determine how strong or weak the respondent's level of agreement with a topic or object is (Sugiyono, 2020). This scale uses five categories, for answers Strongly agree will be given a score = 5, Agree = 4, Disagree = 3, Disagree = 2, Strongly disagree = 1). The population in this study were all MSME taxpayers who took advantage of the tax incentive facilities at the South Makassar KPP Pratama. The number of MSME taxpayers who take advantage of tax incentives is 887 taxpayers. In this study the sample was obtained using the Slovin formula. The results of calculations using the slovin formula show that the number of samples needed in this study is 90 taxpayers.

$$n = \frac{887}{1+887(0.1)^2} = 89,87$$

To process the data from the research, the researchers used qualitative descriptive analysis methods and multiple linear regression analysis. Qualitative descriptive analysis is used to describe descriptively the characteristics of respondents and research variables through the distribution of frequencies, averages, and percentages. Multiple linear regression analysis in this study was used to determine the effect of providing Final Income Tax incentives and taxpayer awareness on the level of compliance of MSME taxpayers in reporting Annual SPT at KPP Pratama South Makassar. The formula used is:

$$Y = b_0 + b_1X_1 + b_2X_2 + e$$

Description:

Y	= MSME Taxpayer Compliance Level in Annual SPT Reporting
X1	= Final Income Tax Incentives
X2	= Taxpayer Awareness
b0	= constant
b1-b2	= Regression coefficient
e	= Standard error

The data collected will be analyzed through several stages of testing such as validity test, reliability test, normality test, heteroscedasticity test. The hypothesis proposed in this study will be tested using the coefficient of determination test, partial test, and simultaneous test.

## 3 Result and Discussion

### Result

The data obtained in this study came from filling out a questionnaire through a google form which the respondent answered. Respondents are MSME taxpayers who receive tax incentive facilities in the South Makassar KPP Pratama area as many as 90 taxpayers.

**Table 2. Characteristics of Respondents**

Characteristics	Info	Frequency	Percentage (%)
Gender	Man	69	76.7
	Woman	21	23.3
	<b>Total</b>	<b>90</b>	<b>100.0</b>
Age	26 - 35 Years	10	11.1
	36 - 45 Years	21	23.3
	46 - 55 Years	32	35.6
	>55 Years	27	30.0
	<b>Total</b>	<b>90</b>	<b>100.0</b>
Education	SMA	11	12.2
	Diploma	41	45.6
	S1	37	41.1
	S2	1	1.1
	<b>Total</b>	<b>90</b>	<b>100.0</b>

**Source:** Primary Data Year 2021

Validity testing calculates the correlation between each statement with the total score using Pearson Product Moment. This shows that the correlation value for each statement item as a research instrument is more significant than 0.207. Thus, it can be concluded that all the questionnaires used in this study were tested for validity so that they can be used to make measurements

**Table 3. Validity Test Results**

Variable	Item	r-calculated	r-estimated	Info
Final Income Tax Incentives	1	0,775		
	2	0,777		
	3	0,840		
	4	0,755	0,2072	Valid
	5	0,870		
	6	0,837		
Taxpayer Awareness	1	0,767		
	2	0,682		
	3	0,752		
	4	0,724	0,2072	Valid
	5	0,744		
	6	0,739		
MSME Taxpayer Compliance Level in Annual SPT Reporting	1	0,764		
	2	0,722		
	3	0,780		
	4	0,738	0,2072	Valid
	5	0,822		

**Table 4. Reliability Test Results**

Variable	Alpha Cronbach	Info
Final Income Tax Incentives	0,895	Reliable
Taxpayer Awareness	0,863	Reliable
MSME Taxpayer Compliance Level in Annual SPT Reporting	0,823	Reliable

Source: Primary Data Year 2021

The results of the reliability test as shown in table 4 show that all the variables used as instruments in the study are reliable because the Cronbach alpha value of each variable is greater than 0.60 so that it can be used as a data collection tool, so it can be said that all of them are reliable. Furthermore, the classical assumption test was carried out consisting of a multicollinearity test, a heteroscedasticity test, and a normality test.

**Table 5. Normality Test Results**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		90
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.44702362
Most Extreme Differences	Absolute	.073
	Positive	.073
	Negative	-.061
Test Statistic		.073
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>
Exact Sig. (2-tailed)		.702
Point Probability		.000

Source: Primary Data Year 2021

The normality test results using the One-Sample Kolmogorov-Smirnov Test in table 5 show that the significant asymptotic value is 0.200 greater than 0.05 (5%), so it can be said that the data is usually distributed. The heteroscedasticity test shows whether there is an inequality of variance from one residual to another observation. The regression model that meets the requirements is a similarity in variance from the residuals of one observation to another, which is fixed or is called homoscedasticity. One of the statistical tests that can be used is the Glejser test. The criterion for deciding on the heteroscedasticity test in this study is if the significant value (sig.) between the independent variable and the absolute residual is more significant than 0.05, then there is no heteroscedasticity problem.

**Table 6. Heteroscedasticity Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.307	.979		2.355	.021
	Final Income Tax Incentives	-.043	.036	-.150	-1.176	.243
	Taxpayer Awareness	.000	.036	.001	.006	.995

Source: Primary Data Year 2021

Based on the results of heteroscedasticity testing with the Glejser test in table 6, the significant value of the Final Income Tax Incentives variable (X1) is 0.243, and the Taxpayer Awareness variable (X2) is 0.995. The significant value of the two independent variables is greater than 0.05, so it can be

said that there is no heteroscedasticity problem. The multicollinearity test aims to test whether the regression model is found to have an independent (independent) correlation. Detection of the presence or absence of multicollinearity is by analyzing the correlation matrix of the independent variables. The existence of multicollinearity can be seen through the value of VIF (Variance Inflation Factors) or its tolerance value. The existence of multicollinearity can be known if the VIF value  $> 10$  or vice versa by looking at the tolerance value  $< 0.1$  and vice versa. If the VIF value of each variable is  $< 10$ , and the tolerance value is  $> 0.1$ , it can be said that there are no symptoms of multicollinearity, or the relationship that occurs between independent variables can be tolerated so that it will not interfere with the regression results.

**Table 7. Multicollinearity Test Results**

Variable	Collinearity Statistics	
	Tolerance	VIF
Final Income Tax Incentives	0,687	1,455
Taxpayer Awareness	0,687	1,455

**Source:** Primary Data Year 2021

Based on the SPSS output, it can be concluded that the Tolerance value for the Final Income Tax Incentive (X1) variable is  $0.687 > 0.100$  with a VIF value of  $1.455 < 10.00$ . The Tolerance value of the Taxpayer Awareness variable (X2) is  $0.687 > 0.100$  with a VIF value of  $1.455 < 10.00$ . Based on the value of VIF and tolerance, it can be said that all independent variables in this study were not found to have multicollinearity symptoms.

This test is intended to determine how the independent variable (free) consisting of the Provision of Final Income Tax Incentives and Taxpayer Awareness simultaneously (together) affects the Compliance Level of MSME Taxpayers in reporting the Annual SPT at the South Makassar Tax Service Office.

**Table 8. F Test Results**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	343.300	2	171.650	80.135	.000b
Residual	186.355	87	2.142		
Total	529.656	89			

**Source:** Primary Data Year 2021

In table 8, it is obtained that  $F\text{-count} = 80.135 > F_{\text{table}} = 3.10$ , and has a significance level of 0.000. Because the probability of 0.000 is much smaller than 0.05, it can be said that the regression model that has been used can increase MSME Taxpayer Compliance in reporting the Annual SPT, or it can be said that the variables of Final Income Tax Incentives and Taxpayer Awareness together affect MSME Taxpayer Compliance Level in reporting Annual SPT at the South Makassar Primary Tax Service Office.

**Table 9. T-test results**

Variable	t value	Sig.
Final Income Tax Incentives	7,782	0,000
Taxpayer Awareness	3,925	0,000

**Source:** Primary Data Year 2021

Based on the results of research that examines the effect of the Provision of Final Income Tax Incentives on the Compliance Level of MSME Taxpayers in reporting the Annual SPT, the value of  $t$  count = 7.782 >  $t$  table = 0.2072 with a significance level of 0.000 which is smaller than the level of = 0.05 (5%). These results indicate that statistically, there is an effect of Variable (X1) Provision of Final Income Tax Incentives on MSME Taxpayer Compliance Levels in Annual SPT reporting. Thus, the first hypothesis, which states that the Provision of Final Income Tax Incentives affects the Compliance Level of MSME Taxpayers in reporting the Annual SPT at KPP Pratama Makassar Selatan, is proven (H1 is accepted).

Based on the research results that examine the effect of Taxpayer Awareness on MSME Taxpayer Compliance Levels in reporting the Annual SPT, the value of  $t$  count = 3.925 >  $t$  table = 0.2072 with a significance level of 0.000 which is smaller than the level of = 0.05. These results indicate that statistically, there is an effect of Variable (X2) Taxpayer Awareness on MSME Taxpayer Compliance Levels in reporting Annual SPT. Thus the second hypothesis, which states that Taxpayer Awareness affects the Compliance Level of MSME Taxpayers in reporting the Annual SPT at KPP Pratama Makassar Selatan, is proven (H2 is accepted). The coefficient of determination is a measure to determine the percentage of influence given by variables X1 and X2 simultaneously on variable Y. If the value of the correlation coefficient is known, then the coefficient of determination can be obtained by squaring it. A relative value means that the independent variable provides almost all the information needed to predict the dependent variable.

**Table 10. Coefficient of Determination Test Results**

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,805	0,648	0,640	1,464

Source: Primary Data Year 2021

Based on table 10, the R number is 0.805. This shows a solid relationship between the variables of Final Income Tax Incentives and Taxpayer Awareness of the Compliance Level of MSME Taxpayers in reporting the Annual SPT. Adjusted value 2 is 0.640. It means that the MSME Taxpayer Compliance Level variable in reporting the Annual SPT (Y) can be explained by the variables of Final Income Tax Incentives (X1) and Taxpayer Awareness (X2) at the South Makassar KPP Pratama, which is 64.0%. While the rest (100% - 64.0% = 36.0%) is influenced or explained by other variables not tested in this research model. The interpretation results can be concluded that there is a solid relationship of 64.0% of Final Income Tax Incentives and Taxpayer Awareness of the Compliance Level of MSME Taxpayers in reporting the Annual SPT at KPP Pratama South Makassar.

After knowing the strength of the relationship either partially or simultaneously, researchers can continue regression analysis to predict how much increase or decrease in the dependent variable if there is a change in the increase or decrease in the independent variable..

**Table 11. Regression Equation Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.569	1.671		.939	.350
	Final Income Tax Incentives	.481	.062	.597	7.782	.000
	Taxpayer Awareness	.242	.062	.301	3.925	.000

a. Dependent Variable: MSME Taxpayer Compliance Level (Y)

Source: Primary Data Year 2021

Thus the regression equation is:

$$Y = 1,569 + 0,481 X_1 + 0,242 X_2$$

The constant value,  $b_0 = 1.569$ , means that if the variable Final Income Tax Incentives ( $X_1$ ) and the Taxpayer Awareness variable ( $X_2$ ) do not change, the MSME Taxpayer Compliance Level in Annual SPT Reporting is 1.569. The regression coefficient of the Final Income Tax Incentive ( $X_1$ ) variable is 0.481, this means that the existence of Final Income Tax Incentives will increase MSME Taxpayer Compliance in Annual SPT Reporting with the assumption that the  $X_2$  variable is constant. The regression coefficient of the Taxpayer Awareness variable ( $X_2$ ) is 0.242, this means that with the increase in Taxpayer Awareness, it will increase MSME Taxpayer Compliance in Annual SPT Reporting with the assumption that the  $X_1$  variable is constant.

## Discussion

### **The Effect of Final Income Tax Incentives on MSME Taxpayer Compliance Levels in Annual SPT Reporting.**

Based on the study results, it was found that the provision of Final Income Tax incentives had a positive and significant effect on the Compliance Level of MSME Taxpayers in Annual SPT Reporting at the South Makassar Primary Tax Service Office. In this study, the variable of Final Income Tax Incentives uses two indicators, namely fairness in providing tax incentives and the impact of tax incentives. From the two indicators for the provision of Final Income Tax incentives measured by the researcher, it can be concluded that the provision of Final Income Tax incentives at KPP Pratama Makassar Selatan has been implemented very well. The majority of taxpayers think that tax incentives have been given relatively to MSME taxpayers and encourage MSME business progress that has been affected by the Covid-19 pandemic. Theoretically, Zolt (2014) defines tax incentives as an exemption from taxation, tax exemption, certain tax deductions or credits, special tax rates, or deferred tax obligations. The findings of this study support the research of Alfiana and Diana (2021) that the tax incentives due to Covid-19, either partially or simultaneously (together), have a significant effect on taxpayer compliance in submitting Annual Tax Returns. The results of this study indicate that taxation aims to stimulate the use of taxes not only to generate government revenue but also to create an impetus for economic development. In addition, several other studies have also found that tax incentives affect taxpayer compliance; for example, a study conducted by Aprilianti (2021) found that, simultaneously, tax incentives affect taxpayer compliance. Meanwhile, partially, tax incentives have no significant effect on taxpayer compliance during the Covid-19 pandemic. This is different from the results of this study; based on the results of data processing from the respondent's questionnaire, it was found that the Final Income Tax incentives either partially or simultaneously affect the MSME Taxpayer Compliance Level in Annual SPT Reporting at the South Makassar Primary Tax Service Office.

In the Theory of Planned Behavior, a person behaves obediently based on his intentions. If the intention is firm, then the desired behavior is formed. According to Ajzen (in Sari, 2018: 298), intention to behave is determined by three factors: attitude toward behavior. Beliefs determine attitudes toward behavior about the consequences of a behavior. Beliefs are related to an assessment of behavior, namely an assessment of the benefits or losses that arise if carrying out or not carrying out the behavior. The relationship that emerges from this theory to the results of research for the variable of Final Income Tax Incentives is based on the distribution of respondents' assessments; the

majority of taxpayers state that Final Income Tax incentives provide benefits, namely being able to encourage the progress of MSME businesses affected by the Covid-19 pandemic. This creates confidence in taxpayers in the benefits obtained from Final Income Tax incentives. This belief ultimately manifests the obedient attitude of the Taxpayer. Based on the results of data processing, the distribution of respondents' assessments of the Compliance Level of MSME Taxpayers in the Annual SPT Reporting at the South Makassar Primary Tax Service Office is 46 Taxpayers (51.1%) answered strongly agree to fill out the Annual SPT by the provisions of the legislation, 38 Taxpayers Taxes (42.2%) answered agree. Six taxpayers (6.7%) answered less agree. These results show that most taxpayers strongly agree to be obedient, namely, filling out the Annual SPT by the provisions of the legislation.

The policy of providing tax incentives for taxpayers whose businesses are affected by the Covid-19 pandemic is contained in the Minister of Finance Regulation (PMK) Number 82/PMK.03/2021 concerning amendments to the Minister of Finance Regulation Number 9/PMK.03/2021 concerning Tax Incentives for Taxpayers. Impacted by the 2019 Corona Virus Disease Pandemic. The government continues to provide six tax incentives that taxpayers can utilize, including:

1. Income Tax Incentives (PPh) Article 21 Borne by the Government (DTP) are given to employees who work for companies engaged in one of 1,189 specific business fields determined with a maximum annual gross income of IDR 200 million.
2. PPh Final PPh 23 DTP incentives for Micro, Small, and Medium Enterprises (UMKM) taxpayers.
3. Final PPh incentives for DTP Construction Services, specifically for taxpayers who receive income from construction service businesses in the Acceleration of Improvement of Irrigation Water Use (P3-TGAI) program.
4. Article 22 Income Tax incentives, in the form of Article 22 Import Income Tax Exemption, encourage taxpayers to engage in one of 132 specific business fields, which previously amounted to 730 business fields.
5. Article 25 Income Tax incentives, in the form of a 50% reduction in Article 25 PPh installments from Article 25 PPh installments that should be payable to affected taxpayers by the determined Classification of Business Fields (KLU).
6. Value Added Tax (VAT) incentives, in the form of accelerated restitution (preliminary return on excess tax) for low-risk Taxable Entrepreneurs (PKP) engaged in one of 132 specific business fields. Previously, 725 business sectors received incentives for accelerated restitution with the condition that the amount of overpayment was a maximum of IDR 5 billion.

The tax incentive calculated in this study as the independent variable X1 is the Final PPh PP 23 DTP Incentive for Micro, Small, and Medium Enterprises Taxpayers (MSMEs). Based on the results of data processing with the calculation of two indicators, namely justice in the provision of tax incentives and the impact of tax incentives, it was found that the provision of Final Income Tax incentives either partially or simultaneously (together) has a significant effect on the Compliance Level of MSME Taxpayers in Reporting Annual SPT at the South Makassar Primary Tax Service Office. The study of Benvenutt et al. (2016) regarding The Effectiveness of Tax Incentive Policies in the Diffusion of Electric and Hybrid Cars in Brazil, when the government considers various policies and combines them into scenarios, the study shows how vital tax incentives are for the diffusion of electric and hybrid cars. The results of Loupatty's research (2021) prove that applying tax incentives in the short term is very effective in helping taxpayers affected by Corona Virus Disease 2019.

However, this tax incentive policy is not adequate in the long term due to factors including efficiency factors, adequacy factors, and smoothing factors. , responsiveness factor, and accuracy factor. This research is in line with the latest policy from the government, namely the application of the HPP (Taxation Circular Harmonization) law, wherein the law regulates PTKP (Non-Taxable Income) for the MSME sector businesses IDR 500,000,000. With the new regulation, the Regulation of the Minister of Finance Number 82/PMK.03/2021 is no longer valid. The government sees that the provision of tax incentives in the form of PPh Final PP 23 Diborne by the Government (DTP) incentives is no longer adequate to be implemented in 2022.

### **The Effect of Taxpayer Awareness on MSME Taxpayer Compliance Levels in Annual SPT Reporting**

Based on the study results, it was found that taxpayer awareness had a positive and significant effect on MSME Taxpayer Compliance Levels in Annual SPT Reporting at the South Makassar Primary Tax Service Office. The self-assessment system, which is still being implemented in taxation in Indonesia, makes the awareness factor of taxpayers important in increasing taxpayer compliance. The government cannot expect taxpayers to be obedient and obedient if taxpayers do not know how to comply. In this study, the variable Taxpayer Awareness uses three indicators: Awareness of the tax function, Awareness of the benefits of taxes paid, and Awareness that taxes are regulated by law. From the three indicators, it can be concluded that most taxpayers are aware that taxes are used to benefit the community, nation, and state. Taxes provide benefits for advancing people's welfare, and paying taxes is a citizen's obligation regulated by law. Theoretically, Aprilianti (2021) defines taxpayer awareness as an impulse that arises without any pressure from other parties to pay taxes and fulfill their tax obligations. According to the results of research by Widiastini and Supadmi (2020), taxpayer awareness is directly proportional to taxpayer compliance, where when taxpayer awareness increases, compliance also increases positively. The results of this study support the research of Widiastini and Supadmi (2020); Taxpayer Awareness has a positive and significant effect on MSME Taxpayer Compliance Levels in Annual SPT Reporting at the South Makassar Primary Tax Service Office. The results of this study are also in line with the research results by Pravasanti and Pratiwi (2021); taxpayer awareness affects taxpayer compliance and risk preferences. Similar to the results of research from Widiastini and Supadmi (2020), his research shows the sincerity and willingness of taxpayers to fulfill their obligations as seen from the taxpayer's understanding of the motor vehicle tax function, namely as a support for regional development.

In the Theory of Planned Behavior, a person behaves obediently based on his intentions. In taxpayer awareness, the intention to behave is determined by the subjective norm factor. Subjective norms are a person's feelings or assumptions about the expectations of those around him if he carries out or does not carry out certain behaviors. This is what raises awareness of taxpayers to comply about awareness of the tax function, awareness of the benefits of taxes paid, and awareness that taxes are regulated by law. From this awareness of taxpayers, respectful behavior arises, namely carrying out tax obligations on time. Based on the results of data processing with the calculation of three indicators, namely awareness of the tax function, awareness of the benefits of taxes paid, and awareness that taxes are regulated by law, it was found that Taxpayer Awareness, either partially or simultaneously (together) had a significant effect on the level of MSME Taxpayer Compliance in Annual SPT Reporting at the South Makassar Primary Tax Service Office. According to the results of multiple linear regression, the b1 coefficient of the X1 variable (Final Income Tax Incentives) is 0.481, and the b2 coefficient of the X2 variable (Taxpayer Awareness) is 0.242. These results show that the independent variable is the most dominant in influencing the Compliance Level of MSME Taxpayers

in Annual SPT Reporting. Suppose the regression coefficient value is further away from zero (0), the more dominant. So it can be concluded that the variable X1 (Giving of Final Income Tax Incentives) is the most dominant in influencing the Compliance Level of MSME Taxpayers in Annual SPT Reporting at KPP Pratama South Makassar.

## 4 Conclusion

The results of this study found that the provision of Final Income Tax incentives had a positive and significant effect on the Compliance Level of MSME Taxpayers in Annual SPT Reporting at the South Makassar Primary Tax Service Office. This study indicates that the Final Income Tax incentives provided by the government can give taxpayers confidence to behave obediently in fulfilling their tax obligations. The PPh Final PPh 23 borne by the government (DTP) incentive policy is no longer effectively implemented for the long term. In response to this, starting in 2022, the government will enact the HPP (Harmonization of Taxation Regulations) law, which regulates PTKP (non-taxable income) for MSME sector businesses of IDR 500,000,000. Taxpayer awareness has a positive and significant effect on MSME Taxpayer Compliance Levels in Annual SPT Reporting at the South Makassar Primary Tax Service Office. The study results show that the increased awareness of taxpayers about their functions, benefits and obligations by the law will increase taxpayer compliance.

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