



The Influence of Reducing Rates and Methods of Tax Calculation on Taxpayers Compliance of Small and Medium Micro Business: Experimental Study in Yogyakarta

Dewi Nawang Wulan and Etik Kresnawati

Accounting Study Program,
Faculty of Economics and Business,
Universitas Muhammadiyah
Yogyakarta

dewinawangwulan1997@gmail.com

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ABSTRACT

This study investigates whether the issuance of Government Regulation No. 23/2018 regarding the reduction of Micro, Small, and Medium Enterprises (MSME) tax rates and changes in reporting methods will affect the preferences of MSME taxpayer compliance. The study was carried out on MSME actors in Yogyakarta using experimental laboratory methods. The test results showed that the reduction in tax rates increased the preference for MSME taxpayer compliance. When they were given a choice to determine the method to be used in calculating taxes, 50% of participants chose to use the final tax rate, and the rest used the normal tax rate method. The chosen option was not based on the complexity of the method but because of the feeling of the fairer sense. At last, participants did not refuse when they were required to calculate tax using the normal tax rate method after seven years. The test results indicate that the issuance of Government Regulation No. 23/2018 will be able to increase MSME taxpayer compliance in the future.

INTRODUCTION

Taxes are mandatory contributions paid to countries by taxpayers, which the payment systems are in accordance with established regulations (Simanjuntak dan Mukhlis; 2012). Taxes contribute significantly to the State Budget (*Anggaran Pendapatan dan Belanja Negara (APBN)*), namely as a source of domestic revenue (Muliari dan Setiawan; 2012). In general, these contributions are used to finance general public expenditure in carrying out community welfare (Ojochogwu, Atawodi, Ojeka; 2015).

To increase tax revenue, not only the government but also the Directorate General of Taxes (DGT) has to carry out tax revenues for all citizens. With the adoption of policies relating to taxation carried out by the government and the DGT, the private sector is now beginning to be looked at by the government, where the private sector has significant power to increase tax revenue. What is meant by the private sector is Micro, Small, and Medium Enterprises (MSMEs).

To maximize revenue from the taxation sector at MSMEs, the government has made progress through the issuance of tax calculation regulations that are stated directly through Government Regulation Number 46 of 2013. The regulation explains that income tax on business income, which is received or obtained by taxpayers has a particular gross circulation. A critical policy in the regulation is the determination of a final tax rate of 1% of the turnover charged to taxpayers, both individuals and entities that the generate gross is no more than IDR 4,800,000,000.00 per year. Included in this category are MSME taxpayers. Furthermore, in July 2018 the government issued a new regulation, namely Government Regulation (PP) No. 23 of 2018. There are three critical issues related to the regulation, namely (1) Decreasing the final tax rate burden for taxpayers with a particular gross circulation, from 1% to 0.5% of turnover, and (2) Taxpayers can choose to use the final 0.5% scheme, or use the normal scheme referred to the article 17 of Law Number 36 Year 2008 concerning Income Taxes, (3) For personal taxpayer, the final scheme is only valid for a maximum of seven years. Furthermore, they are required to do normal bookkeeping and tax rate schemes.

The simplicity and ease in the new regulation

are expected to have an impact on increasing tax revenue, especially those originating from MSME actors. The incentive of reducing the tax rate to 5% has the potential to encourage the participation of MSME taxpayers to play a role in development. Likewise, the seven-year deadline provides an opportunity for MSME taxpayers to prepare themselves before carrying out tax rights and obligations in general in accordance with the provisions of the Income Tax Act.

Research on compliance of MSME taxpayers has been conducted by Kartika and Aji (Kartika dan Aji; 2015) and Andayani (Andayani; 2018) related to the perception of MSME taxpayers regarding the application of Government Regulation No. 46/2013. In different respondents' settings, the results of the study generally showed that taxpayers' perceptions related to justice, understanding, socialization, and tax sanctions had a positive effect on MSME taxpayer compliance in Yogyakarta and Jakarta. To the author's knowledge, except for Tatik [6], until now there has been no research that explores the impact of the issuance of Government Regulation (PP) No. 23 of 2018 related to the reduction of the MSME tax rate and its calculation methods.

This research refers to the exploratory research conducted by Tatik [6]. By interviewing five MSMEs actors in Sleman Yogyakarta, the results showed that respondents objected to the imposition of a 1% tax rate and welcomed the reduction in the tax rate to 0.5%. Respondents stated that they were willing to pay a tax of 0.5% because the tax they paid was small. The interview results also showed that taxpayers hoped to obtain more details information and guide about taxation to take care of the tax payments. The results of the study were still vague because of the small number of respondents. Researchers also have not yet explored further the issuance of Government Regulation (PP) No. 23 of 2018 related to the obligation to use the normal calculation method after previously the taxpayer chose to use the 0.5% final tax method.

This study aims to examine the impact of reducing tax rates on taxpayer compliance, preferences of MSMEs to the choice of the tax calculation method at the beginning of reporting and the following seven years of liability using the normal method if previously choosing to use the 0.5% final tax method. The study was conducted using an experimental laboratory method with

participants of SMEs in Yogyakarta. The experiment began with taxation and tax training for SMEs. The results of the present study are expected to be a preliminary description of the government's success expectations in increasing tax revenues by issuing Government Regulation (PP) No. 23 of 2018. The socialization and training provided at the beginning of the implementation were also expected to provide information and input for the Directorate General of Tax in Yogyakarta Regional Office.

Literature Review and Hypothesis Development Attribution Theory

Attribution theory explains when observing a person's behavior with regard to internal and external factors. These two factors are classified by looking at their specificity, consensus, and consistency [7]. Behavior that is under the personal control of the individual itself is behavior due to internal factors, for example, ability, knowledge, or effort. While behavior that is influenced from outside the individual is behavior due to external factors: such as luck, opportunity, and the environment

Theory of Planned Behavior

Theory of Planned Behavior (TPB) revealed by Ajzen (Ajzen; 1991) is the extension of the Theory of Reasoned Action (TRA). This theory states that attitudes toward behavior, subjective norms, and perceived behavioral control together form the intention and behavior of individual behavior. If it is related to the issuance of Government Regulation (PP) No. 23 of 2018 and compliance of UMKM Taxpayers, based on TPB's behavioral control it can be explained that someone is obedient to pay their tax obligations because they comply with the laws and regulations that have been set.

Social Learning Theory

Social learning theory is a theory that explains that the process of social learning to determine the influence of a model on an individual includes the process of attention, the process of detention, the process of motor reproduction and the process of affirmation (Bandura; 1977). This theory is the basis that is changing one's behavior/opinion about a method which requires time to process. Researchers used social learning theory to assess MSME taxpayers' perceptions of the obligation

to use the normal tax calculation method after being given seven years if previously they used the final tax calculation method. The long period was expected to have a positive impact on MSME taxpayer compliance in fulfilling its tax obligations.

The effect of reducing tax rates on MSME taxpayer compliance

The reduction in tax rates is expected to affect the compliance of MSME taxpayers in fulfilling their tax obligations. Research conducted by Ananda, et al. (Andayani; 2018) regarding tax compliance of MSMEs using the questionnaire method shows that the reduction in tax rates has a positive effect on increasing taxpayer compliance. Taxpayer compliance will increase if the tax rate charged is small or low. Likewise research conducted by Prawagis et al. (Pragwagis; 2016) which shows that taxpayer compliance is strongly influenced by the tax rates charged. Taxpayers will choose a low tax rate because it will make it easier to calculate the tax payable.

The importance of the number of tax rates in tax compliance is also shown by Julianto (Julianto; 2017) who examines the compliance of MSME taxpayers in Semarang using the questionnaire method. The research explains that to increase taxpayer compliance, the most supportive factor is the imposition of tax rates. If the specified tax rate is low, it will increase taxpayer compliance. Tax rates are an encouragement for taxpayers so that they are willing to pay their tax obligations.

The first hypothesis of this study examines the effect of reducing tax rates on MSME taxpayer compliance. As of July 1, 2013, the government issued Government Regulation Number 46 of 2013 which stipulates a tax of 1% of the turnover for taxpayers with a particular gross circulation, including MSMEs. To increase taxpayer compliance which is considered still low, in July 2018, the government issued a new regulation No. 23 of 2018, which sets a tax rate of 0.5% of turnover. The reduction in tax rates is expected to increase taxpayer compliance, especially MSMEs, in paying taxes.

The issuance of Government Regulation (PP) related to the reduction in tax rates is consistent with the attribution theory argument (Robbins dan Judge; 2013) and TPB (Ajzen; 1991) that the government as the regulator has the authority to make policies that can encourage individuals to

behave in certain ways. The results also showed that the reduction in tax rates could encourage taxpayers to fulfill their tax obligations. Based on this explanation, the following hypotheses were derived:

H1: Decrease in tax rates has a positive effect on MSME taxpayer compliance

The effect of the choice of tax calculation method in reporting taxation

A calculation method is a calculation option given to taxpayers to make calculations based on turnover and based on bookkeeping. If it is connected with TPB (Ajzen; 1991) namely the choice of tax calculation method arises because of the intention or choice of individual who later can understand the differences in the choice of existing methods. Thus, they choose the method because the assessment of one individual is not due to other people's factors.

Previous research conducted by Pakpahan (Pakpahan; 2015) shows that the financial statements obtained from the understanding of accounting are essential to calculate the amount of taxable income after fiscal correction in accordance with tax regulations. Taxpayers agree that bookkeeping and recording is a method for calculating the amount of tax that must be paid by the taxpayer to the tax office while research conducted by Irene and Sandra (Irene dan Sandra; 2015) explained that the calculation method using bookkeeping has a positive effect on taxpayer compliance. If it is compared to doing simple calculations, the tax burden to be paid is lower when calculated by keeping books. The bookkeeping method provides benefits for entrepreneurs to find out more in detail about the state of their financial statements.

The second hypothesis is the influence of the choice of tax calculation method. Taxes use a rate of 0.5% and a tariff of 1%, which both of them use the calculation of turnover. However, in this new regulation if the taxpayer has never paid taxes, from the beginning they chose to calculate using a turnover, then it has exceeded the seven-year tax period, they are required to use bookkeeping. Bookkeeping calculations are very different from the use of calculations that are directly multiplied by turnover. By keeping books, the taxpayer must calculate in advance how much income earned and how much the costs are borne. Based on this explanation the following hypotheses were derived:

H2: The level of convenience will affect the choice of the MSME tax calculation method.

The effect of the obligation to use bookkeeping methods in reporting taxation

In Government Regulation (PP) No. 23 of 2018, it is stated that the taxpayer of MSMEs has the freedom to choose the tax calculation method that will be reported. However, after seven years, MSME taxpayers are required to use the tax calculation method at the normal rate in accordance with the provisions of the Income Tax Act. Thus, if at the beginning of the calculation the taxpayer chooses to use a calculation with a final tax of 0.5%, the next seven years they must use the normal calculation method. This regulation is different from the previous regulation which does not require the choice of normal methods after a certain time.

The tax calculation method using the final method has the advantage of being simple. However, this method becomes unfair for taxpayers whose business operational costs are not covered by the turnover obtained (experiencing losses) because they have to pay taxes based on turnover. On the other hand, the method of calculation by bookkeeping does not seem as simple as the final tariff method. However, this method will be fairer for taxpayers.

The third hypothesis that would be tested in this study was the preference of MSME taxpayers in addressing the tax calculation obligation using the accounting method (normal) after seven years using the final tax rate method. Social Learning Theory (Bandura; 1977) hints that the influence of the model on one's place requires a process of attention, a process of detention, a process of motor reproduction, and an affirmation process. The seven-year timeframe provided by the government for taxpayers who initially chose to use the final tax rate method is an effort to improve taxpayer compliance to switch to the normal tax calculation method. This timeframe is considered sufficient for the taxpayer for the learning process so that it will not burden the taxpayer. Based on this explanation, the following hypotheses were derived:

H3: The obligation to calculate taxes using the normal method does not burden MSME taxpayers who previously used the final tax calculation method.

RESEARCH METHOD

The research participants were MSMEs who lived in Yogyakarta. The sample used was 31 SMEs in Yogyakarta. Sampling in this study used targeted techniques (purposive sampling), namely MSMEs, who were running their business and got a turnover of not more than 4.8 billion IDR per year.

The sampling technique in this study was carried out in several stages, namely:

1. The researcher designed the announcement of the experiment by not explicitly mentioning the experiment, but using the term training.
2. Researchers were looking for contact persons for the MSME group. Next, the researcher asked for help to inform the members of each group about the training. The groups that were given information were MSME Club UIN Jogja, Jogja Creative House, and MSME Jogja. Researchers informed them through various social media (Instagram, Line, and WhatsApp).
3. After the announcement has been informed to several MSME groups, prospective participants who wished to attend the training were asked to fill out a link on Google Drive.
4. Next, the researchers summarize the recapitulation of the google drive link, where 71 prospective experiment participants registered.
5. Two days before the implementation, the researcher confirmed the prospective participants who had registered to attend the training event.
6. Confirmation results indicated that none of the participants resigned. However, on the day of service, only 32 people out of 71 attended.
7. Of the 32 people present, 31 participants could be used as research samples. One participant eliminated as a participant in the experiment because he did not follow the event from the beginning.

Research data obtained through experimental laboratory methods within-subjects design. This study used laboratory experiments because it aims to determine the cause and effect relationship of reducing tax rates to taxpayer compliance and convenience preferences to the choice of calculation methods in tax reporting.

Experiment Protocol

Participants who were present became the experimental participants following the training and carrying out treatment. Before entering the room, participants were asked to fill out the attendance list. Randomization was done by asking participants to take a random lottery number. This method was done to avoid dishonest by cheating/ collaborating among participants who previously knew each other.

Before being given the treatment, participants were asked to fill out a statement of willingness to participate. After signing the consent letter, participants got material and training from the speaker. Each participant received the material that has been prepared by the researcher in envelope 1 with a code sheet C. After getting the material, the speaker then provides training to participants regarding tax calculation based on a 1% tariff on the D1 code question sheet, 0.5% tariff on the coded question sheet D2 and calculations were based on bookkeeping (normal) in the question sheet coded E1 (January 2019 period) and E2 (February 2019).

After being given training, participants were asked to solve cases that have the same level of difficulty as they did independently. The material was provided by the researcher in envelope 2. At this stage, participants were asked to do tax calculations independently related to the calculation of 1% tax on the F1 code answer sheet, tax calculation with a 0.5% tax rate on the F2 code answer sheet, tax calculation based on bookkeeping in G1 and G2 code sheets. After all the independent problems have been done, participants were asked to answer questions that would be used by researchers to test hypotheses. At the end of the session, random prize draws and souvenirs were held.

VARIABLE MEASUREMENT

Independent Variable

The first independent variable was the reduction in tax rates from 1% to 0.5%. The researcher provided treatment in the form of the first tax calculation of turnover multiplied by a tax rate of 1% (case F1), and the second of turnover multiplied by a 0.5% tax rate (case F2). Then, participants answered questions related to their preference for calculations using the two rates, namely whether a significant reduction in the value

of the tax paid was calculated using a 0.5% rate compared to 1%. Previously, participants were also asked for information on whether they paid tax at 1% before the issuance of the new regulation.

The second independent variable was the level of ease of the tax calculation method. The choice of the tax calculation method for MSMEs was for those who had never reported taxation. Participants were asked to answer a question if MSMEs wanted to report their taxation, then which method they preferred to use. Furthermore, participants were asked to choose the reason why they chose to use the method.

The third independent variable was the choice of the tax calculation method for MSME entrepreneurs who initially chose to use the calculation method based on turnover. The question asked was after seven years of taxation, would they still choose to use a calculation method based on turnover or according to taxation rules by being required to use bookkeeping. This answer compared the number of MSME perpetrators who still used the calculation method based on the turnover with the number of MSME actors who chose according to the rules, namely by using bookkeeping.

Dependent Variable

The dependent variable in this study was taxpayer compliance, which was measured by giving a question to SMEs who had never paid tax. With a decrease in tax rate from 1% to 0.5%, whether they would be willing to pay obligations in taxation. If the participant answered "Yes" then, an assessment number 1 would be given. However, if the answer "No," they would be given a value of 0.

Next was the preferred choice method to be used in calculating taxes. If they answered "5% of turnover" then they would be given a rating of 1, but if they answered "bookkeeping" it would be given a value of 0.

Manipulation Check Test

Manipulation check test in this experiment was by giving questions to participants to determine whether participants understood the given tasks. Participants were given two questions from four assignments. The first assignment was about 1% tax rate, the second assignment was about 0.5% tax rate, the third assignment was based on opening tax in January, and the fourth

was taxation based on bookkeeping in February. Two manipulation questions might be answered incorrectly by participants because they forgot the assignments that had been done before. The thing that determined whether participants passed the manipulation check was when their answers in working on all four types of problems (F1, F2, G1, and G2) were correct.

Hypothesis testing

The first hypothesis examined the effect of reducing the tax rate from 1% to 0.5% on MSME taxpayer compliance. Testing this hypothesis was done by c^2 two-sample test. From this test, it would be known whether the reduction in tax rates affected the taxpayer's preference to comply with his obligation to pay taxes. The data used to answer hypotheses were the response of the participants when comparing tax calculations with tax rates of 1% and 0.5%. The analysis was also done by first separating taxpayers who had and had not paid taxes before the issuance of the tax rate reduction regulation. For new taxpayers, vital information to be obtained was whether they were willing to pay taxes after there was a reduction in tax rates from 1% to 0.5%.

The second hypothesis examined the preference of the MSME tax calculation method preference. Testing this hypothesis was done by c^2 two-sample test. The data compared was the number of participants who chose to use the final tax rate method and the number of participants who chose to use the method based on bookkeeping. The researcher also proposed answer choices as to why the participants chose the method to explore participants' preferences.

The third hypothesis examined the preference for changing obligations using the accounting method in reporting taxation. Testing this hypothesis was done using the c^2 two-sample test. The data used was the response of participants who chose to use the final tax rate method. The question that would be tested was after seven years, whether they preferred to continue using the final tax rate method or according to the rules that were using the normal tax rate by keeping bookkeeping. If the participant after the enactment of the new regulation preferred to bookkeeping, then the obligation to calculate taxes using the accounting method was considered not to burden the taxpayer.

RESULTS AND DISCUSSION

Manipulation Check Test

The results of the manipulation check test showed that all participants and all cases worked on independent assignments correctly. It shows that they had no difficulty in calculating tax liabilities using the final tax rate method of 15% and 0.5%, likewise, when they were asked to calculate taxes using the normal method of accounting. Thus, the results of the work of all participants could be used for hypothesis testing even though there were participants who incorrectly answered the choice of calculation methods in questions 1 and 2.

Table 1. The answer of the Manipulation Check

Information	Correct Answer		Wrong Answer	
	Total	%	Total	%
Calculation Result	31	100	0	0
Question 1	29	93	2	7
Question 2	22	71	9	29

Source: research data, 2019

Participant Demographic Data

The following is a general description of the participants involved in this study:

Table 2. Participant Demographic Data

Criteria		Total;	%
Gender	Male	7	22,6
	Female	24	77,4
Age	20-30 years	25	80,6
	31-40 years	3	9,7
	41 years and more	3	9,7
Business fields	Culinary	11	35,5
	Craft	2	6,6
	Fashion	7	22,5
	Automotive	3	9,6
	Agrobusiness	1	3,2
	Electronic and gadget	1	3,2
	Sharia Savings and Loans	1	3,2
	Minimarket	1	3,2
	Trade	1	3,2
	Construction Services	2	6,6
NPWP ownership	Yes	4	12,9
	No	27	87,1

Criteria		Total;	%
Business duration	<1 year	21	67,7
	One year	3	9,6
	2-4 years	5	16,1
	>5 years	0	0,0
Turnover per year	<24 million	26	83,9
	24-50 million	1	3,2
	> 50 million	4	12,9
Educational level	Higher Education /equal	9	29,0
	D3	2	6,5
	S1 (Undergraduate)	20	64,5
	S2 (Graduate)	0	0,0

Source: Research data, 2019

The effect of reducing tax rates on MSME taxpayers' compliance

The first hypothesis tested in this study was the effect of reducing the final tax rate from 1% to 0.5%. From 31 participants, four people have fulfilled their tax obligations, and 27 participants have not fulfilled their tax obligations. All participants responded that a reduction in the final tax rate by 0.5% was a significant value. While of 27 participants who had not yet paid taxes, four were not willing to pay taxes despite a reduction in tax rates, while the rest (23 participants) were motivated to pay taxes by reducing rates to 0.5%. The test results with c^2 two-sample test showed there was a significant difference between the number of taxpayers who were willing to pay at a rate of 1% and 0.5% (Asym.sig = 0,000). These results indicated that the reduction in tax rates had a positive effect on compliance of MSME taxpayers to pay taxes. Thus, it can be concluded that Hypothesis 1 in this study was supported.

The results of this study support the research of Ananda, et al. (Ananda, Kumadji, Husaini; 2015) and Prawagis, et al. (Pragwagis; 2016) which use respondents of MSMEs who are registered as taxpayers in KPP Batu. The results of this study indicate that tax rates affect the taxpayer compliance of MSMEs. Furthermore, results from Ananda, et al. (Ananda, Kumadji, Husaini; 2015) shows that 44.8% of respondents want a tax rate of less than 1%. The results of this test are also in line with Julianto's research (2017) which conducted in Semarang City, which showed that tax rates affect tax compliance of UMKM registered at the Semarang Cooperative Office.

However, the three studies did not specifically

explore the reduction of the MSME tax rate because the studies were conducted before the issuance of Government Regulation (PP) No. 23 of 2018. The researchers developed the results of the present research while strengthening the results of the initial research conducted by Tatik [6]. With the experimental method that was preceded by training, participants could calculate, know, and feel the impact of the tax reduction. They would pay the tax if they used the 1% and 0.5% tariffs. Their choices are expected to truly reflect good intentions for tax compliance because it is based on the knowledge they have. Thus, issuing new regulations related to MSME tax rate reduction, in practice, is expected to have a positive impact on government efforts to improve compliance of MSME taxpayers who before the enactment of these regulations have not fulfilled their obligations to pay taxes.

The effect of the choice of tax calculation method in reporting taxation

The second hypothesis tested in this study was the participants' preference for the choice of the tax calculation method to be paid, namely the final 5% tax method and the normal method of accounting which rates referred to tax rate article 17. Hypothesis testing was done by comparing the choice of tax calculation methods based on the level of convenience felt by participants.

The results of the questionnaire tabulation showed that 19 participants (61%) chose to use the tax calculation method with bookkeeping according to article 17 tariffs, while 12 participants (39%) chose to use the final tax calculation method of 0.5% of turnover. Participants who chose to use the bookkeeping method selected the reason because the tax paid would be fair according to the benefits they got, instead of considering the ease of calculation. The test results using the c^2 two-sample test on the choice of method, and the reasons showed insignificant results (Asym.sig = 0.209).

The test results showed that the presumption of taxpayers tended to choose the method of tax calculation because of the ease of the method, was not entirely correct. Participants had other arguments related to their choice of a method that was fairness of the tax they had to pay. Although the final tax calculation method was more straightforward than bookkeeping, it did not necessarily make participants to choose the method. Only 12

participants chose the turnover-based calculation method compared to 19 participants who chose the bookkeeping method. Thus, Hypothesis 2 in this study was not supported.

However, the results of this study added insight into the conclusions of previous research conducted by Pakpahan (Pakpahan; 2015), and Irene and Sandra (Irene dan Sandra; 2015). The research result of Pakpahan (Pakpahan; 2015) who use taxpayer respondents registered at Pekanbaru KPP shows that the ease of calculation will increase one's understanding of calculating the amount of tax charged while the results of this study were not the case. Although it was not statistically more significant, the number of participants who chose the bookkeeping method was higher than the method based on the final tax rate. It means that the choice of method is not solely for reasons of convenience (Pakpahan; 2015). The test was conducted on participants who chose to use the tax rate method in testing hypothesis 2, as many as 12 participants. From this number 6 participants (50%) chose to continue using the calculation based on the tariff, while the rest (50%) chose to follow the rules of moving using the bookkeeping method. The test results using c^2 two-sample test showed that the number of participants in the two groups was not significantly different (Asym. sig=1). However, if all participants were used, out of the 31 participants who chose and would use the accounting method, there were 25 people. This number is significantly different from the number of participants who choose to continue using the final tax rate method (Asym.sig = 0.001). Based on the results of this test, it can be concluded that the bookkeeping method does not burden the taxpayers, so it can be concluded that hypothesis 3 is supported.

If it is related to social learning theory, a span of seven years is a long enough time to understand how to report taxes with bookkeeping for taxpayers who initially chose to use the final tariff method. It can be seen from the 50% of participants who chose to follow the rules even though they chose to use the final tax rate. It can be concluded that the obligation to calculate taxes using bookkeeping does not burden the taxpayer. Given the tax period, taxpayers can make the best use of time to learn to compile bookkeeping properly, and taxpayers prefer to comply with established regulations. Over the time of seven years, taxpayers who are in this

study not willing yet to switch methods are expected to understand how to calculate with accounting. It is an input for the tax manager, especially the Directorate General of Taxation (DJP) Yogyakarta region to conduct socialization and training in tax calculation using bookkeeping methods.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

From the results of this experimental study, it can be concluded that MSMEs responded positively to the reduction in tax rates from 1% to 0.5%. It is indicated by the willingness of MSMEs who have not yet paid taxes to become willing to pay taxes. The reduction in tax rates motivated MSMEs in Yogyakarta to carry out their tax obligations. Related to the choice of the calculation method, the argument that MSMEs will prefer a specific method is because the facilitator factor is not supported. Most MSMEs consider that the choice of method is not because of the level of ease in reporting obligations, but they see fairness in tax payments. It is evident from 61% of participants who chose to use the bookkeeping method.

Furthermore, the test results related to the obligation to carry out bookkeeping after seven years showed that the majority of participants chose to use the bookkeeping method. Participants who previously chose to use the calculation method with the final tariff, 50% are willing to follow the rules of switching to the bookkeeping method. The results of this study provide a positive picture of the attitudes and reasons for MSME actors in responding to the issuance of Government Regulation (PP) No. 23 of 2018. There are still SMEs who are reluctant to switch to the calculation method after seven years of taxation as input for Directorate General of Taxation in the Yogyakarta region to further enhance tax socialization and training MSME.

However, the results of this study need to be addressed wisely because it does not adequately describe the real events that exist in the Yogyakarta region due to the small number of participants involved (31 participants out of 71 who registered). Therefore, further research is expected to use better methods to be able to increase the participation of MSME actors in similar research, so that conclusions become more robust than before.

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