Pandemic And Digital Era: Income Tax Of Smes 10 ^Th ISCA 2020

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ABSTRACT

The Indonesian government sets the SME income tax at a rate of 0.5% final. These rules were made with the aim of keeping records by SMEs to facilitate implementation of compliance. However, this regulation is not very welcome, as evidenced by the lack of tax revenue from the SMEs sector added to this during this pandemic era. This research is a qualitative research with descriptive research type. Sampling was done by purposive sampling. In-depth interviews were conducted to find out more about how the pandemic era forced SMEs to become increasingly digital literate to carry out their tax obligations. Integration of digital information systems with simple supply chain management is needed in the administration of bookkeeping.

Keywords: Digital Era; Tax; SMEs

1. Introduction

Based on data from the National Development Planning Agency, the Central Bureau of Statistics, and the United Nation Population Fund, the number of MSME players in Indonesia in 2018 was 58.97 million people or around 23 percent of the total population of Indonesia who were MSME players. Based on this number, Indonesian SMEs in 2018 were able to contribute more than 60 percent of the Gross Domestic Product (GDP) and absorb more than 90 percent of the workforce in Indonesia. The size of SMEs, the large contribution to GDP, and the large absorption of labor prove the very vital role of SMEs in the Indonesian economy. However, data related to fulfilling the tax obligations of SMEs actually shows a contradiction. The number of SME taxpayers registered in the tax administration system as well as tax revenue originating from SMEs is still far from what it should be. So that the government imposes new rules which are expected to solve the problem.

Atawodi (2012) was found that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of SMEs. Other factors like multiple taxation and lack of proper

enlightenment affect tax compliance among the SMEs surveyed only to a lesser extent. Therefore, it is recommended that SMEs should be levied lower percentage of taxes to allow enough funds for business development and better chances of survival in a competitive market. The government should also consider increasing tax incentives such as exemptions and tax holidays as these will not only encourage voluntary compliance but also attract investors who are potential viable tax payers in the future.

The Indonesian government taxes SMEs through the income received by SMEs at a final rate of 0.5%. This rule is contained in Government Regulation (PP) No. 23 of 2018 concerning Income Tax on Income from Businesses received or obtained by taxpayers who have a gross turnover of up to 4.8 billion rupiah per tax year (PP 23/2018). Since the enactment of this provision, a total of 673,374 taxpayers who have not previously made tax payments have started to pay UKM Final Income Tax. There are also as many as 372,675 new taxpayers who are registered and making UMKM Final Income Tax payments. However, in 2020 the whole world will experience a period of pandemic as well as Indonesia. Strategic steps must be taken to overcome the problems that occurred in this pandemic era, especially regarding taxation for SMEs.

Most SMEs have difficulties in estimating tax payable, remembering tax deadlines, understanding taxation laws and complying with them. The issuances of Public Rulings are not helping SMEs to better understand the taxation laws. The respondents indicated that the tax authorities delayed in the tax refund process and slow in responding to tax correspondence. The SMEs also suffered additional compliance costs in terms of time spent and tax agent's fees. This study provides important insights on tax compliance complexities facing the SMEs in the business world. The findings suggest that the tax authorities to develop a simplified tax system for SMEs to lighten their tax compliance burden in the midst of economic downturn (Lai, 2011).

SMEs, especially in Indonesia, were severely affected by the COVID-19 pandemic. The decline in people's purchasing power coupled with a decrease in the turnover of SMEs is one of the reasons the government has set strategic steps to overcome it. The COVID-19 depression has caused an unprecedented economical daze for the Gaelic SME sector. The Indonesian government through PMK No. 86 of 2020 provides incentives to taxpayers affected by the COVID-19 pandemic. Not long after, according to the development of the situation and conditions affected by the PMK pandemic No. 86 of 2020 then updated with PMK No. 44 of 2020. The government expands recipients at once extending the period of granting tax incentives to December 2020.

In the current pandemic era, several SMEs are helped by the ongoing digital era. SMEs, especially in Indonesia, have experienced an increase in digital use due to the COVID-19 pandemic which requires restrictions on direct contact between human resources and compliance with other health protocols that have been established by the Government. Digitalization in Indonesia before the COVID-19 pandemic was very little applied by SMEs, especially micro and small businesses. So this research needs to be done to find out how SME tax compliance during the Covid 19 pandemic is faced with the existing digitalization era and how to continue to increase tax revenue through SME taxpayer compliance. This requires special attention. SMEs can work together with the government in realizing a strong economy from the independence and resilience of SMEs. In-depth interviews were conducted to find out more about how the pandemic era forced SMEs to

become more digitally literate to carry out their tax obligations. Integration of digital information systems with simple supply chain management is needed in keeping records or bookkeeping.

2. Literature Review

2.1 SMEs

SMEs play an important role in the evolution of the country's economy. The definition and criteria of SMEs are based on several aspects, namely the number of workers, income, and assets. The definition of SMEs in Indonesia according to the Law of the Republic of Indonesia Number 20 of 2008 consists of micro, small and medium enterprises. A micro business is a business that has a net worth of Rp. 50,000,000 outside land and buildings, and have sales of at most Rp. 300,000,000. Small business is a business that has a net worth of more than Rp.50,000,000 to a maximum of Rp. 500,000,000 excluding land and buildings for business premises and has annual sales of more than Rp.300,000,000 and a maximum of Rp.2,500,000,000. meanwhile, medium-sized enterprises are those that have a net worth of more than Rp. 500,000,000 excluding land and buildings and has annual sales of more than Rp. 2,500,000,000 and a maximum of Rp. 50,000,000,000 (UU No. 20 Tahun 2008).

The World Bank divides the characteristics of Micro, Small and Medium Enterprises (MSMEs) based on the number of workers, namely Micro Enterprises with 10 employees; Small businesses with 30 employees; and Medium Enterprises with the number of employees up to 300 people.

SME play an important part in emerging economies. SMEs make 80 percent of the new business in emerging economies. Likewise, most people with formal businesses in the emerging economies make employment in the SME. Around half SMEs do not have access to assets to supplu development. They typically believe on private monies and loans from friends or household, called angel investors, rather than conventional loans. Capital that comes from personal money or even from angel investors will always be used by UKM to run their business. However, in business practice, SMEs face many challenges to innovate for their business sustainability.

Vande Vrande (2009) find that SMEs pursue open innovation primarily for market-related motives such as meeting customer demands, or keeping up with competitors. Their most important challenges relate to organizational and cultural issues as a consequence of dealing with increased external contacts. There was no difference in innovating between the manufacturing and service industries, but SMEs with a medium scale carried out more open innovation compared to smaller scale businesses, namely micro and small scales.

2.2 TAX FOR SMEs

Taxation has become an important source of revenue for governments around the world. Tax revenue collection is important for the government to ensure its funding. As such, any activity that promotes tax non-compliance such as tax fraud has put pressure on the government to prevent revenue leaks. In 2014, it was estimated that 'black' economies had reached 10% of GDP in

developed countries and could reach 70% in developing countries. Among the various tax administration strategies and other global actions to combat tax non-compliance or tax fraud is the role that penalties and sanctions play. The tax sanction system in a country affects tax compliance behavior. Tax sanctions (rate and punishment, knowledge and education and psychological behavior of taxpayers) have a significant effect on tax compliance behavior (Yunus, 2017).

When SMEs develop, SME owners automatically create jobs and increase domestic income. Of course, this income can be spent and invested domestically. Each government pays special attention to SMEs through the field of law and the establishment of regulations that can affect the sustainability and resilience of SMEs. Effective regulations will always provide opportunities for SMEs to continue to grow and innovate. The government stipulates Government Regulation Number 23 of 2018 concerning Income Tax on Income from Businesses Received or Obtained by Taxpayers With Certain Gross Turnover on June 8, 2018.The purpose of this Government Regulation is to issue a learning period for Taxpayers who have a certain gross turnover to be able to keep bookkeeping before being subject to Income Tax with the general regime so that it is easier to carry out tax obligations. The issuance of this regulation is based on the objective of encouraging the public to participate in formal economic activities by providing convenience and simplicity to taxpayers who have a certain gross turnover in carrying out their tax obligations with a given period of time.

Providing justice to taxpayers who have a certain gross turnover who are able to do bookkeeping, so that taxpayers can choose to be subject to income tax based on the general tariff of the Income Tax Law. The income tax rate imposed in this Government Regulation is 0.5% and is final. The advantage of being subject to income tax based on this government regulation is that taxpayers can fulfill their tax obligations in an easy and simple way. Taxpayers (WP) who can take advantage of the final rates based on this Government Regulation are individual taxpayers and corporate taxpayers in the form of cooperatives, limited partnership, firms, or limited liability companies that receive or earn income from businesses with a gross turnover not exceeding Rp. 4.8 billion in one Tax Year. Gross turnover in 1 (one) year from the last Tax Year before the Tax Year concerned, which is determined based on the total gross turnover of the business, including gross turnover from branches.

Taxpayers who have a certain gross turnover deposit each Tax Period by themselves based on the gross turnover of the previous Tax Period, no later than the 15th day of the following month after the relevant Tax Period ends; or withheld or collected by Tax Withholder or Collector in the event that the relevant WP conducts a transaction with a party appointed as Tax Withholder or Collector. In the event that the WP has just started a business and still shows a loss, the WP may choose not to be subject to this Government Regulation by submitting a notification to the Director General of Taxes. The tax policy applied to SMEs is registering for a NPWP and establishing themselves as taxable entrepreneurs; deposit and report personal income tax and other taxes, and collect value added tax, deposit it, and report it if determined as a taxable entrepreneur.

SME entrepreneurs are quite sensitive to tax problems. SME entrepreneurs generally feel laity and uncooperative towards taxes issues. Thus, the Directorate General of Taxes and its lineup are expected to conduct a more intensive socialization and training related to the existing tax laws, while also continuing to improve the weaknesses and loopholes that can be exploited by the

taxpayer to take action fraud and tax evasion. Getting closer to the SMEs entrepreneurs as well as reinforcing tax penalties to taxpayers who neglected the tax regulations are expected to increase their willingness to be obedient in paying their taxes (Brainyyah, 2012).

Newman (2018) interrogated literature so as to ascertain if SMEs in the developing country under study possessed tax knowledge and also to identify the possible elements that constitute tax knowledge among SMEs. Other factors that could be influencing noncompliance among SMEs were identified as well as methods which could be adopted by tax Authority to increase awareness and compliance SMEs. The study accepted that SMEs in this especial development land do not follow with tax law. They have but canonic tax knowledge and lack a deeper discernment of tax issues. It also emerged that enhancing levy awareness on its own without addressing the high tax rates and corruption testament not definitely brownie on tax conformity behaviorism amongst SMEs. The study counsels that an introductory tax course be introduced, possibly as an elective topic at the beginning of higher learning education so that students are aware of their accountabilities as future taxpayers. This breeding adjustment could be expected to help crop amenable taxpayers.

3. Research Methodology

Interviewing is one of the best admitted plans for gathering qualitative facts. Dissimilar qualitative question plans generally use emerge from the point of view of aggregate trains that resolution in wide changes amongst question nears. Qualitative methods are used to understand the phenomenon from the perspective of participants, namely SMEs and the government, namely respondents from the tax office. Researchers have a desire to grow knowledge, expand knowledge, and also experience SMEs regarding their tax obligations. This qualitative design is also used to better utilize diverse research paradigms for future investigations (Turner, 2010). This study examines the perspectives of participants through interactive strategies, namely direct observation, in-depth interviews, and complementary (recording) techniques. Interviewing is often the primary data collection strategy in qualitative studies. In-depth interviews are used to assess needs, refine programs, identify problems, and plan strategic planning.

Getting good data in an interview is dependent on your asking well - chosen open - ended questions that can be followed up with probes and requests for more detail (Merriam 2009). Triangulation is a combination of at least two or more theoretical perspectives, methodological approaches, data sources, researchers, or data analysis methods. The purpose of using triangulation is to reduce, eliminate, or compensate for the deficiencies of one strategy, increasing the ability to interpret findings (Veronica A. Thurmond, 2001). Triangulation is used to check and establish data validity by analyzing it from multiple perspectives. triangulation of data sources is applied to explore the truth of information through observations and interviews with SMEs and the government, in this case the taxation agency.

The population in this study are SMEs in Indonesia. The sample was selected by purposive sampling technique, namely businesses on the micro, small, and medium scale. Samples were selected at each scale in order for researchers to know more deeply about taxation on micro, small and medium scale businesses.

4. Result

UKM in Indonesia consists of 4 scales, namely, micro, small and medium enterprises. Extracting information is carried out at each business scale. The main characteristic found in SMEs in this case is that the majority of SMEs have not succeeded in separating their personal and business assets. Assets or all assets with economic value are combined into one of private ownership and the business. Some SMEs realize that mixing their personal and business assets creates new difficulties in running their business. The absence of good financial management makes it difficult to make business decisions related to business expansion and makes it a taxpayer who complies with the tax obligations of his business. The mixing of assets in SMEs is most visible in the conditions for the use of money, namely personal money with money for business. This condition occurs in many micro and small scale businesses, including using business money for personal needs.

Several medium-scale businesses have already separated between personal and business assets. This practice occurs because of the availability of skilled human resources in the fields of accounting and finance in their business. These human resources have a big role in helping SME owners keep records and bookkeeping by categorizing personal and business asset ownership. This causes many medium-scale businesses to comply with the tax obligations imposed on them.

Through in-depth observation, micro and small-scale businesses do not do much bookkeeping or recording due to a lack of knowledge of the importance of recording or bookkeeping. They do not know that recording or bookkeeping can be used as a basis for calculating taxes. Another problem that causes them not to keep records or bookkeeping is the lack of time available to record or record every transaction that occurs in their business. Micro and small scale businesses run their business processes from morning to night, so it is very difficult to find time to record or record business transactions because the business owner runs their business operations directly. Both during the pandemic and before the pandemic, many business owners were still running their business operations because there was little income that could be used to pay the salaries of employees in charge of business finance and production. This also cannot be separated from the result of unavailability of records and books. So recording and bookkeeping are important and fundamental in an effort to find out the business position, make strategic decisions, and are used as a basis for calculating taxes.

Due to the lack of knowledge about recording or bookkeeping business transactions and the separation of personal and business assets, it is difficult for SMEs to know the development of their business, especially measured in nominal currency. This causes SMEs to feel low income, which makes them reluctant to fulfill their tax obligations.

SMEs TAX DIGITAL ERA

On the government side, the information system needed by SMEs broadly based according to the principle of the taxation system in Indonesia (self-assessment), which calculate, pay, and the report itself. The principles in question are broadly divided into 3, namely: the System for Recording or

Bookkeeping of Business Gross Turnover (Turnover), the Income Tax Payment System, and the Reporting System.

One of the obstacles faced by SMEs is the lack of knowledge in recording / bookkeeping business gross turnover. Most SMEs do not carry out the process of making notes / bookkeeping. On this matter, the gross turnover value of the business / profit and loss cannot be obtained. According to the custom of SMEs, they "only" run their businesses without supporting administrative records. Whereas by keeping records, SMEs can get a turnover value which will later be used as the basis for calculating their taxation aspects. Likewise, by doing bookkeeping, SMEs can get a lot of information, including: the amount of income, the amount of expenses (including the cost of production, operating costs, and other costs), business loss / profit, cash flow reports, and can even view information related to assets / debts / obligations of SMEs, which then all the information can be used by SMEs to determine future SME business strategies. In the aspect of taxation, SMEs can fulfill tax obligations by implementing their own calculation process by making a turnover recap for 12 months which will be used as the basis for calculating their income tax, with the formula = monthly turnover x 0.5% tax rate. If this method is carried out in a disciplined manner, it can be avoided from several unwanted cases such as: negligence of payments, absence of records / monthly turnover recap which later creates difficulties in the reporting process.

In addition, a simple bookkeeping process is implemented by making a simple loss / profit statement, cash flow statement and balance sheet. Actually, for new UMKM taxpayers or with a turnover of <4.8 billion a year, it is easier with the recording process only (related to the tax calculation process). However, for the continuity process, it would not be a problem if the PUBLIC players made simple bookkeeping. Apart from being the basis for future business strategies, this bookkeeping can be an administrative exercise for MSME players in the future, after the turnover has increased (> 4.8 billion) which will be the basis for calculating the tax from the value of losses / profits of business actors.

The Income Tax Payment System for SMEs can go through a kind of virtual account code with the term ID Billing code. The initial obstacle faced by UKM players was the limited ability in the process of making the intended ID Billing. The problems include: not having a device that supports the internet and not knowing the tax code that must be deposited. Moreover, the tax payment process must be done every month. This makes SMEs have to come to the Tax Service Office to create ID Billing codes or through ID Billing code generation services which in fact add to the costs incurred. After that, SMEs in the payment process must go to the POS / Bank / ATM / Banking office. Broadly speaking, the obstacle faced by SMEs is the inability to process the payment. This is what makes SMEs sometimes lazy to pay, which ultimately results in low SME tax payment compliance. Although there are several innovations from the Tax Office by making an application like SMS Billing, which makes it easier for SMEs by simply typing in the required format (at least including the NPWP number, type of tax payment and payment period). After the SMS Billing application, the Tax Service Office will respond by sending the ID Billing code to the taxpayer / SME actor. After that, SMEs still have to pay to the POS / Bank / ATM / Banking Offices. Broadly speaking, what taxpayers / SMEs expect is the ease in the payment process, for example being able to make one-stage payments at minimarket outlets (due to the large & scattered number of minimarkets).

In fulfilling its obligations in terms of annual income tax reporting, it has been simplified and accommodated through online media using e-filling on the djponline.pajak.go.id site. Apart from online media, reporting can also be accommodated through manual reporting to the Tax Service Office or via courier / POS services provided that the taxpayer does not have and activate the E-FIN number. With this online facility, the obstacles faced by SME taxpayers are actually getting minimal. Constraints that may occur are returned to the taxpayer's compliance in reporting. So if all the facilities have been prepared by the Tax Office, but the Taxpayer does not comply with their reporting obligations, a low level of compliance will result. Solutions that can be done include providing socialization and reminders / reminders to taxpayers to carry out their annual income tax reporting obligations on a regular basis.

5. Conclusion

The majority of SMEs have difficulty estimating the tax payable they must pay, considering the deadlines for their tax payment obligations, understanding the tax laws imposed on them and complying with them. The issuance of regulations regarding the taxation imposed on SMEs also does not help SMEs to better understand tax laws. In the current era of the Covid 19 and digital pandemic, tax revenue from SMEs has decreased due to the pandemic. In addition, the obstacle is the lack of knowledge of the importance of recording implementation which makes SMEs not know accurately about the value of their turnover. The lack of knowledge of simple bookkeeping which is divided into a loss / profit statement, cash flow statement, and balance sheet makes it difficult to develop a future business strategy. The next obstacle that was found to be hindering was the lack of technical knowledge regarding the payment of final income tax through the income tax payment system, including making ID billing, tax codes to be deposited, the use of SMS billing, and even payments via third parties.

Government Regulation Number 23 of 2018 holds a lot of goodness for UKM players. The specified time period is intended to provide sufficient time for SMEs to learn to keep bookkeeping. In addition to the purpose of calculating net income which will be the basis for calculating taxes, bookkeeping is needed to show the company's performance. When a company wishes to expand its business and requires an injection of funds, on a certain scale the bank will examine the health of the company through financial reports. The financial statements are of course prepared based on books containing the journals of each transaction. Clean bookkeeping will also help business actors to be more orderly in using cash or other resources. This is certainly beneficial in protecting business actors from bankruptcy because they are not competent in managing finances.

So that in this digital era, the role of recording and bookkeeping plays an important role in overcoming the problem of tax revenue from SMEs. So that the existence of an information system on digital-based recording and bookkeeping is felt to be very helpful for SMEs in carrying out business records and bookkeeping. Of course, the information system contained in an application should be easy to understand, operate and not impose costs on SMEs. Additional challenges faced are education on the use of digital information systems and the importance of keeping records and bookkeeping for SMEs. In other words, financial literacy is no less important to apply to SMEs.

Newman (2018) recommends that an introductory tax course be introduced, perhaps as an elective subject at the beginning of higher learning education so that students are aware of their

responsibilities as future taxpayers. This education method could be expected to help cultivate responsible taxpayers.

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