

The Impact of Tax Reform, Subjective Norms, and Social Norms on SME's Tax Compliance during the Covid-19 Pandemic

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Abstract: *This study aims to determine the direction of tax reform, subjective norms and during social norms on SME tax obligations of SMEs in DKI Jakarta Region during Pandemic Covid-19 collected by questionnaires. Result shows partial taxation reforms and social norms have a positive impact on SME tax obligations, but subjective norms are not related to SME tax obligations. In addition, tax reform, subjective norms, and simultaneous social norms are positive for taxpayer compliance. This finding would be useful for DGT for brainstorming references of SME's policy and tax strategy.*

Keywords: *Tax Reform, Subjective Norms, Social Norms, and Tax Compliance*

Abstrak: Penelitian ini bertujuan untuk mengetahui arah reformasi perpajakan, norma subyektif dan norma sosial selama ini terhadap kewajiban perpajakan UKM di Wilayah DKI Jakarta pada Masa Pandemi Covid-19 yang dikumpulkan melalui kuesioner. Hasil penelitian menunjukkan reformasi perpajakan parsial dan norma sosial berpengaruh positif terhadap kewajiban pajak UKM, namun norma subyektif tidak berhubungan dengan kewajiban pajak UKM. Selain itu, reformasi pajak, norma subyektif, dan norma sosial secara simultan positif untuk kepatuhan wajib pajak. Temuan ini akan berguna bagi DJP untuk melakukan brainstorming referensi kebijakan dan strategi perpajakan UKM.

Kata Kunci: Reformasi Perpajakan, Norma Subjektif, Norma Sosial, dan Kepatuhan Perpajakan

INTRODUCTION

Taxes are mandatory contributions from the community to the state that are owed by individuals or entities that are coercive based on the taxation law, by not getting or experiencing rewards directly and are used for the needs of the state for the greatest possible benefit for the people's prosperity" Law No. 28 of 2007 concerning taxation.

Taxes are the main source of state revenue which accounts for around 80% of all state revenues (Ministry of Finance, 2022). Most activities will be difficult to implement without taxes. The use of taxes ranges from personnel spending to financing various development projects. More infrastructure and facilities are built as tax revenue increases. Since taxes are the main source of funding for a nation's development, it is evident that tax income plays a crucial role in maintaining the functioning of the government and funding development. (Ramdanyah & Taufik, 2017).

In the national economy, the SME business sector is significant. SMEs are the foundation of any nation's economy. When Indonesia had its economic

crisis in 1998, many huge corporations failed, but the MSME sector showed tremendous resilience in coping with the crisis (Berghaler et al., 2015).

Not only in developing nations like Indonesia but also in industrialized nations, MSMEs play a critical role in the development and economic progress. MSMEs are crucial to Indonesia's development and economic progress, but they also play a significant role in addressing the country's unemployment issue. Microbusinesses have expanded, leading to increased job and income prospects.

SMEs play a crucial part in the government's attempts to combat poverty and unemployment because they absorb a lot of labor (Costa et al., 2016). Data from the Ministry for the economy in 2018 stated that SMEs contributed around 60.34% of Gross Domestic Product (GDP). While data from the Ministry of Cooperatives and SMEs in 2017 shows that the country's high foreign exchange comes from this sector reaching Rp. 88.45 billion. SMEs contribute as much as 60% to the Gross Domestic Product (GDP) but only 1.5 million are registered as taxpayers with a

contribution of 2.2% to the total income tax revenue paid by taxpayers (Directorate General of Taxes, 2018).

Therefore increasing tax compliance from SMEs is an important alternative for achieving future tax revenue targets. The research aims to provide a reference for DGT to map strategies for increasing tax policies that are considered to encourage the growth of the SME industry, which in turn can increase tax revenue.

LITERATURE REVIEW

The Effect of Tax Reform on MSME Tax Compliance

Reforming the tax system helps ensure that taxpayers comply with the law. In this approach, the level of taxpayer compliance will improve the better the tax administration reform (Russell, 2010).

Taxpayers often complain about services that are complicated, take a long time, and lack attention when taxpayers need help. Due to these complaints, taxpayers are hesitant to fulfill their tax duties. Taxpayer non-compliance is certainly very detrimental because it can lead to not achieving the tax revenue targets set by the government (Erly, 2014). According to the aforementioned research, the first hypothesis H1 is proposed: Tax reform (X1) has a positive effect on DKI Jakarta SME taxpayer compliance.

The Effect of Subjective Norms on MSME Taxpayer Compliance

Taxpayer compliance can be impacted by the opinions of other persons or other groups. If the value of a person's subjective norms increases, then that person's taxpayer compliance will increase. The positive impact of subjective norms on individual taxpayer compliance has been demonstrated empirically (Suryani & Yushita, 2017).

In addition, another study conducted by Putri (2014) entitled shows that subjective standards significantly and favorably influence taxpayer compliance, so hypothesis two H2: Subjective Norms (X2) positively impact taxpayer compliance in DKI Jakarta Province SME.

The Influence of Social Norms on SME Taxpayer Compliance

Due to the fact that social norms are the outcome of interpersonal interactions among group members, which take the shape of perceptions in reaction to accepting or rejecting all issues pertaining to problems in their lives, social norms have a considerable impact on the level of compliance of individual taxpayers. Taxpayers who are motivated by the shared objective of carrying out their tax obligations in accordance with tax regulations understand that these obligations can only be carried out by cooperating or agreeing upon a mutually beneficial course of action in the social context in which they are required to be paid. This concurs with

Festo's, (2013) study, which found that social norms had an impact on taxpayer compliance.

In addition, research conducted by (Cialdini et al., 1990) examined social norms which refer to norms that have the nature of orders that contain descriptive normative about taxpayer compliance, the results concluded that social norms affect taxpayer compliance so H3 is proposed: Norms Social (X3) has a positive effect on the taxpayer compliance of SME DKI Jakarta Province.

METHODS

Associative research techniques and a quantitative approach are used in this study. The quantitative approach is a methodical strategy used in scientific studies to examine parts, phenomena, and their relationships. An associative study seeks to ascertain the relationship between two or more variables.

The population in this study is 100 people of SMEs in the DKI Jakarta who meet the qualifications, including having an NPWP, reporting their taxes, and being registered by the government. Moreover, the sampling technique used in this study is the purposive sampling technique which is determined based on certain considerations adjusted to the objectives or formulation of the problem in the study. The population is 40,464 respondents, who are registered as members of the DKI Jakarta agency's SMEs, it can be concluded as follows:

$$n = \frac{40,464}{1 + 40,464(10\%)^2} = 99.9$$

It has been decided that the sample of this study is 100 SME's respondents in Jakarta.

Tax Compliance

The Tax Law on General Provisions and Tax Procedures defines taxpayers as people or entities, such as taxpayers, tax collectors, and tax collectors, who have tax rights and obligations in accordance with the rules of tax laws and regulations ((Directorate General of Taxes, 2018). However, Dwianika & Biasini, (2021) measures tax compliance with a humanities approach with the following formulations: 1). Registration in the system; 2). Reporting of complete and accurate information; 3). Timely payment of tax obligations.

Social Norms

Social norms are a device in which they are made so that relations in a society can run as expected. All norms that are made will experience a process in a society so that these norms are recognized, valued, known and obeyed by members of the public in people's lives in their daily lives (Soekanto Soerjono, 2012).

With regard to taxation, social norms allow for geographical concentration because individuals who

are close to each other will be more likely to want to be part of a group in their proximity, social norms can influence in various situations, and this shows that social norms can affect taxpayer compliance in pay taxes (Jimenez & Iyer, 2016).

Formulation of measurement of social norms variables, namely: 1). Obeying taxes because you want to be an example for the home environment; 2). Feel ashamed of the environment if you don't pay taxes; and 3). Obedient to pay taxes because of encouragement from the surrounding environment.

Subjective Norm

Subjective norm refers to an individual's interpretation of the pressure that a person feels to engage in a particular action or not (Ajzen, 1991). Another understanding of subjective norms is the perception that forms certain behaviors in individuals regarding social influences (Dharmawan & Baridwa, 2017).

Subjective norms are also interpreted as someone who believes about what should be done according to other people's thoughts, along with their motivation to be able to fulfill these expectations. Taxpayers will tend to consider the expectations of other people, including those closest to them and those around them, before doing something (Rita Yuliana dan Isharijad, 2014).

The influence of other people's expectations is not all the same, some are very strong to influence, some tend to be ignored. From the theory of planned actors there are three components, namely attitudes towards behavior, beliefs and subjective norms capable of controlling the behavior of a person's intention to show certain behaviors. Measurement of subjective norms refers to (Putri, 2014) Normative beliefs and motivation to comply.

Tax Reform

Triwigati (2013) states that both a limited and comprehensive understanding of tax administration are possible. In a strict sense, it refers to the administration and fulfillment of taxpayers' rights and duties, including administration and fulfillment both at the taxpayer's location and the tax office. Reforming the tax system is the greatest way to boost voluntary tax compliance, public trust, and tax integrity.

With a good administrative system, it is hoped that the government will be able to optimize the realization of tax revenues and increase taxpayer compliance. The modernization of tax service administration through the use of information and communication technology is one form of tax reform that is being encouraged. Of course, at this point, tax administration is no longer relevant if it employs cassette tape technology to produce the best results in this digital era (Dwianika et al., 2022).

It's critical to do this so that taxpayers may experience how simple it is to pay their taxes. One of the reasons why taxpayers don't comply with tax laws is because the administrative procedure is challenging, ineffective, and inefficient, which results in high compliance expenses (Cita, 2017). Measurement of tax reform in this study (Islami, 2017): 1). Communication adjustment; 2). Use of information technology; 3). Socialization through electronic and print media; and 4). Facilities and infrastructure.

RESULT AND ANALYSIS

Respondents who met the criteria and data that could continue processing consisted of 60% women and 40% men. The dominance of 20-30 years is 72%, 21% is 31-40, 5% is 41-50 years, and the remaining 2% is in the 51-60 year age range. The types of SME businesses recorded were 38% for clothing, 36% for food, 8% for handicrafts, 6% for agribusiness, 4% for services, 3% for technology and printing, and 2% for arts.

A review of the results of the descriptive analysis reported that the minimum number of respondents was 12 and the maximum number of respondents was 20, with an average value of 16.39. In the tax reform variable, a standard deviation of 2.26 is obtained, which indicates good research results because it is smaller than the average obtained, namely (2.26 < 16.39).

In the second variable, subjective norms, the minimum answer for this variable is 12 and the maximum for respondents is 30, with an average of 24.05. While the subjective norm variable gets a standard deviation of 3.63 where this figure shows good research results because it is smaller than the average obtained, namely (3.63 < 24.05). In the third variable, social norms, the minimum answer for this variable is 10 and the maximum for respondents is 20, with an average of 15.99.

The social norm variable gets a standard deviation of 2.50 where this figure shows good research results because it is smaller than the average obtained, namely (2.50 < 15.99). The last variable is taxpayer compliance, the minimum answer on this variable is 8 and the maximum respondent is 30, with an average of 24.19. While the taxpayer compliance variable gets a standard deviation of 4.02 where this figure shows good research results because it is smaller than the average obtained, namely (4.02 < 24.19).

Tax Reform Against Taxpayer Compliance

The results of the validity and reliability tests reported that the Tax Administration Reform variable obtained a score of 1,639 with the highest score being 5 and the lowest being 1.

Tabel 1. Data Analysis of Tax Adm Reform

No	Respons	Tax Administration Reform			
		Scale	F	%	Score
1	Strongly Agree	5	117	29	585
2	Agree	4	208	52	832
3	Hesitant	3	72	18	216
4	Disagree	2	3	1	6
5	Totally Disagree	1	0	0	0
Total		400	100		1639

To determine t table, the value of α used is 0.05 with degree of freedom = $n - 2 = 100 - 2 = 98$. Using the values of α and degree of freedom that have been determined, the value of t table is 1.66055.

To determine t table, the value of α used is 0.05 with degree of freedom = $n - 2 = 100 - 2 = 98$. Using the values of α and degree of freedom that have been determined, the value of t table is 1.66055. The results of testing the t statistical test (partial test) are as follows:

Table 2. t Test Result

Model	Unstandardized Coefficients			Standardized Coefficients		t	Sig.
	B	Std. Error		Beta			
1	(Constant)	.628	.175			3.582	.001
	SQRT_X1	.360	.103	.326		3.507	.001
	SQRT_X2	.121	.083	.135		1.457	.149
	SQRT_X3	.398	.098	.377		4.071	.000

a. Dependent Variable: SQRT_Y

SQRT_X1= Tax Reform; SQRT_X2=Norma Subjectif, SQRT_X3= Norma Sosial; SQRT_Y=Tax Compliance

Based on table 2, the regression coefficient for the tax reform variable is 0.360. This states that for every one increase in tax reform, it will increase taxpayer compliance by 0.360.

The results of testing the hypothesis have a t count of $(3.507 > 1.66055)$ and a significantly smaller value is obtained than the significant value that should be $(0.001 < 0.005)$, so that the tax reform variable is accepted or has a significant positive effect on taxpayer compliance.

Subjective Norm of Taxpayer Compliance

The results of the validity and reliability tests obtained a score of 2,404 with the highest weight score being 5 and the lowest being 1 for subjective norm statements as shown in table 3.

Table 3. Subjective Norm Data Analysis

No	Respons	Tax Administration Reform			
		Scale	F	%	Score
1	Strongly Agree	5	162	27	810
2	Agree	4	300	510	1200
3	Hesitant	3	119	20	357
4	Disagree	2	18	3	36
5	Totally Disagree	1	1	0	1
Total		600	100		2404

Sources: Data Processed (2023)

Based on table 3, the regression coefficient for the subjective norm variable is 0.121. This states that for every one increase in tax reform, it will increase taxpayer compliance by 0.121. The results of testing the hypothesis have a t count of $(1.457 > 1.66055)$ and no significant value is obtained that is smaller than the significant value that should be $(0.149 > 0.005)$, so that the subjective norm variable does not affect taxpayer compliance.

Social Norms Against Taxpayer Compliance

The overall score of social norms is 1,600 with the highest score being 5 and the lowest being 1 for statements of social norms, shown in Table 4.

Table 4. Data Analysis of Social Norm

No	Respons	Tax Administration Reform			
		Scale	F	%	Score
1	Strongly Agree	5	116	29	580
2	Agree	4	185	46	740
3	Hesitant	3	83	21	249
4	Disagree	2	15	4	30
5	Totally Disagree	1	1	0	1
Total		400	100		1600

Sources: Data Processed (2023)

Table 4 reports that the data is good and can be used in the next analysis process.

Based on table t Test, the regression coefficient for the social norm variable is 0.398. This states that for every one increase in social norms, it will increase taxpayer compliance by 0.398. The results of testing the hypothesis have a t count of $(4.071 > 1.66055)$ and a significant value is obtained that is smaller than the significant value that should be $(0.000 < 0.005)$, so that social norms are accepted or have a significant positive effect on taxpayer compliance. The regression results look like the following:

$$Y = 0,628 + 0,360 + 0,121 + 0,398 + 0,175$$

Remarks:

Y : Tax Compliance

a : Constanta

b1, b2, b3 : Regression Coefficient

X1 : Tax Reform

X2: Subjective Norm

X3: Socia Norm

e : Error

Simultant Test (F)

The F test is used to determine whether a regression model is significant or not by determining whether the independent variables or independent variables included in the model have a combined influence on the dependent/related variable. Based on the probability value = 0.05 if the probability > 0.05 then the hypothesis is rejected but if the probability < 0.05 then the hypothesis is accepted (Ghozali, 2016). Using the f table value, the α used is 0,05 with a degree of freedom for the numerator $k-1 = 4-1 = 3$ and the denominator $n-k = 100-4 = 96$. So the f table value is 2.70.

Table 8. Simultant Test Result

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.453	3	12.818	33.929	.000 ^b
	Residual	36.267	96	.378		
	Total	74.721	99			

a. Dependent Variable: SQR_T_Y

b. Predictors: (Constant), SQR_T_X3, SQR_T_X1, SQR_T_X2

Based on the results of the simultaneous testing, the calculated F value is 33.929. This shows that the calculated F value is greater than F table ($33.929 > 2.70$) and has a significant value of 0.000 which is smaller than the probability value of 0.05 ($0.000 < 0.05$). This shows that tax reform, subjective norms, and social norms simultaneously significantly affect taxpayer compliance.

Based on the results of testing the hypotheses in this study, it shows that the first hypothesis (H_1) is that tax reform has a significant effect on the compliance of DKI Jakarta SME taxpayers. So that the better the tax reform is implemented, the taxpayer compliance will increase.

The findings of this study demonstrate the necessity of tax reform in order to boost taxpayer compliance. According to the test results, tax reform significantly and favorably impacted SME taxpayer compliance in the DKI Jakarta region. The results of this study are in line with Berly's research (2010), which states that tax administration reform affects taxpayer compliance, and is consistent with previous research conducted by Satriyo (2010).

The primary objective of tax administration reform is to assist the public in meeting their tax duties, which means that with tax administration reform that can meet and facilitate the needs of taxpayers, tax administration reform can also increase taxpayer compliance (Waluyo, 2011). Technology-based tax administration systems have developed tax information systems such as e-system-based services such as e-filing, e-payment, and taxpayer accounts which aim to increase taxpayer compliance. Evidently, SMEs in Jakarta have carried out their tax obligations properly.

CONCLUSION

In DKI Jakarta, tax reform has a marginally significant impact on SME taxpayer compliance which agrees with Berly's research findings from 2010 that tax reform significantly affects taxpayer compliance. Subjective norms in DKI Jakarta have no discernible impact on how well SME taxpayer compliance is maintained.

Social norms, on the other hand, are distinct and very slightly affect MSME taxpayer compliance in DKI Jakarta. This is in line with the research conducted by Festo's (2013). The simultaneous impact of DKI Jakarta's MSME taxpayer compliance with tax reform, subjective norms, and social norms is substantial. This shows that tax reform, subjective norms, and good social norms will increase MSME taxpayer compliance in the DKI Jakarta area.

Implications

This research is expected to have implications for several things, SME taxpayers to further improve the management of their financial and tax reports so that they continue to be sustainable, and the government as a policy maker also supports SME to develop so that it has an impact on increasing tax revenue. Besides that, for academics, it can add information and be used as a reference for further research on the same issue.

Suggestion

For future researchers, it is better to expand the research sample and not only take samples from MSMEs but compare them with established companies so as to increase the validity of the research. As well as choosing other variables that are thought to have a strong influence on taxpayer compliance that are more relevant to current issues.

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