THE IMPACT OF TAX KNOWLEDGE, TAXPAYER AWARENESS, AND THE REDUCTION IN PPH RATES ON THE COMPLIANCE OF INDIVIDUAL TAXPAYERS UMKM OWNER IN GRESIK DISTRICT

PENGARUH PEMAHAMAN PERPAJAKAN, KESADARAN WAJIB PAJAK, DAN PENURUNAN TARIF PPH TERHADAP KEPATUHAN WAJIB PAJAK ORANG PRIBADI PEMILIK UMKM DI KABUPATEN GRESIK

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ABSTRACT
This study aims to test empirically the effect of understanding taxation, taxpayer awareness, and reducing pph rates on the compliance of individual taxpayers who own MSMEs in Gresik District. The type of research used is quantitative research. The sample consists of taxpayers in the Gresik Pratama KPP working area. Determination of the sample in this study using probability sampling technique, namely simple random sampling and obtained as many as 100 respondents. The data collection technique used a questionnaire. This research analysis technique uses the PLS method and is tested using the SmartPLS 4.0 program. The results of this study indicate that understanding taxation has a positive and significant effect on taxpayer compliance, taxpayer awareness has a positive and significant effect on taxpayer compliance, a decrease in pph rates has a positive and insignificant effect on taxpayer compliance.

Keywords: *Tax Knowledge, Tax Awareness, Income Tax Rate Reduction, Taxpayer Compliance*

ABSTRAK

Penelitian ini bertujuan untuk menguji secara empiris pengaruh pemahaman perpajakan, kesadaran wajib pajak, dan penurunan tarif pph terhadap kepatuhan wajib pajak orang pribadi pemilik UMKM di Kabupaten Gresik. Jenis penelitian yang digunakan adalah penelitian kuantitatif. Sampel terdiri dari wajib pajak UMKM yang berada di wilayah kerja KPP Pratama Gresik. Penentuan sampel pada penelitian ini menggunakan teknik *probability sampling* yakni *simple random sampling* dan diperoleh sebanyak 100 responden. Teknik pengumpulan data menggunakan kuesioner. Teknik analisis penelitian ini menggunakan metode PLS dan diuji menggunakan program SmartPLS 4.0. Hasil penelitian ini menunjukkan bahwa pemahaman perpajakan berpengaruh positif dan signifikan kepatuhan wajib pajak, kesadaran wajib pajak berpengaruh positif dan signifikan kepatuhan wajib pajak, penurunan tarif pph berpengaruh positif tidak signifikan terhadap kepatuhan wajib pajak.

Kata Kunci: Pemahaman Pajak, Kesadaran Pajak, Penurunan Tarif PPh, Kepatuhan Wajib Pajak

INTRODUCTION

Indonesia is one of the countries that ranks fourth with the highest population in the world. According to data from Badan Pusat Statistik (2023), Indonesia has a total population of 278.8 thousand people. In this case, the government is making an effort to make its citizens live peacefully, one of which is imposing taxes. *According to* Rianty & Syahputera (2020), tax is considered the safest and most potentially one of the state cash receipts because it is reciprocal for the long term and with the existence of a policy then compulsory tax compliance in the tax receipt will be easier to form.

One way to see the level of tax compliance is through how many disciplined taxpayers report the Annual Tax Letter. Here is the percentage of compliance with tax obligations of individuals and national bodies through the Annual SPT reporting period 2020 to 2023 is rising every year.

Table 1. Percentage of Compliance The Annual Tax Letter

Year	Percentage
2020	77,36%
2021	84,07%
2022	86,80%
2023	88,70%

Source: Direktorat Jenderal Pajak (2023)

Direktorat Jenderal In this regard, efforts have been made to improve tax compliance and optimize tax receipts, both through socialization, the issuance of new policies on taxation and the expansion of the tax base, including the optimization of tax receivables from sectors that have great potential as tax contributors that have so far not exhausted their potential.

According to Direktorat Jenderal Pajak (2019), The sector that has not yet explored its potential is the UMKM sector. While the contribution of UMKM to paying taxes is very important in supporting the development of the country because taxes are one of the sources of receipt of the internal sector. The number of UMKM in 2023 in Indonesia is 65.4 million, of which the UMKM has contributed to GDP of 61.9% and has also absorbed local workforce as much as 97% (Kementerian Koperasi dan UKM, 2023).

Gresik District is one of the areas that has a large area with a high population density in East Java Province. In addition to being known as an industrial city because there are many large industries in it, Gresic District is also one of those cities that have a number of small industries such as UMKM which development is quite fast. According to Diskoperindag Kabupaten Gresik (2023), This situation is direct compared to the number of UMKMs that continue to grow in Gresik district by 2023 has reached 61,323 units that are expected to be the economic focus of the district.

Compliance with UMKM tax obligations in the Greek district is still fairly low. This can be seen from the number of UMKM perpetrators registered in the KPP Pratama Greek continues to increase every year. However, the realization of the number of UMKMs who perform their tax obligations is still counted slightly even far from the number that has been registered. It is indicated that the lack of compliance with the UMKM tax is due to the Covid 19 pandemic and many UMKM owners still think that taking care of the tax takes a lot of energy and time because it has to go through several stages.

According to research carried out by Pratiwi & Susanti (2020), The majority of taxpayers who have not fulfilled their obligations claim that they

do not have a good understanding of taxation for their business such as how much the rate is, how the tax is calculated, and to whom the tax should be paid. It can be concluded that the lack of knowledge and awareness of the taxpayer about the fulfilment of the entire tax obligation as well as the ignorance of the applicable tax rate, resulting in the level of compliance in the submission of the SPT has not reached the expected target.

Compliance with tax obligations can be influenced by many factors as described in previous definitions, both internal and external. The understanding of taxation can be judged by how taxpayers can calculate, pay and report their taxes. According to research carried out by Setiyani et al. (2018), It was concluded that an understanding of taxation had a positive and significant influence on tax compliance.

The next internal factor is taxpayer awareness, which represents a form of taxpayers' understanding that the implementation of tax obligations is the contribution and active role of society in national development. Based on research Imelda & Santioso (2021), The higher the level of the taxpayer's awareness of his duty to pay taxes, the higher the desire to pay them, and vice versa.

In addition to internal factors, the tax rate is an external factor that also has a significant influence on the compliance of individuals with their tax obligations. (Sephiani & Syafitri, 2023). The tax rate is a basic guideline for calculating the amount of tax to be levied. The determination of the tax rate is entirely the authority of the government. The current tax rate in Indonesia for UMKM is 0.5%, the previous rate was 1%.

Based on research Anggraeni & Lenggono (2021) The result was that the reduction in PPh rates had a significant positive impact on the level of compliance with the tax obligations of UMKM owners.. Meanwhile, according to the research by Irawan & Putri (2022), The result was that the tax rate did not have a significant influence on compliance with the tax obligations of UMKM owners. This was the motivation for the researchers to add a reduction in the PPh rate as a variable in this study.

Theory Planned Behaviour

Theory Planned Behaviour pioneered by Ajzen (1991) which states that subjective attitudes and norms are related to human behavior, in addition to the existence of behavioral controls that are perceived to influence humans to act.

Sephiani & Syafitri (2023) mention that the intention can influence the behavior of individuals to obey or disobey tax policies issued by the government. This theory also assumes that healthy human beings will use information data that can be accessed deliberately and then understand the consequences of their behavior before choosing to commit such behaviour. (Irawan & Putri, 2022).

Tax

Tax is the backbone of acceptance for a country that has an important role in various sectors in terms of development and sources of financing of the country. According to Undang-Undang Nomor 28 Tahun 2007, Taxes are obligatory payments made by individuals or legal entities to the State in accordance with legal requirements, without anticipating compensation directly and in the interest of the State.

According to Pratiwi & Susanti (2020), the tax helps to finance the public expenditure of the country and is

a payment to the state in the form of obligations paid in accordance with the rules of existing laws.

UMKM

UMKM is an effort that has a purpose for grows some effort in the framework of developing a national economic based on democracy and economy. UMKM also can play a role in the process of governance and increase public income also boosts economic growth and plays a role in achieving national stability (Kementerian Keuangan RI, 2023).

Tax Knowledge

Tax knowledge is the ability of a taxpayer to understand the regulations of tax laws covering the applicable tax rates and benefits of future tax payments and to apply the understanding of tax knowledge in fulfilling tax obligations. (Setiyani et al., 2018).

Tax Awareness

Consciousness related to the element of taxation is a condition in which the taxable person knows, acknowledges, respects and observes the applicable taxation provisions and has the seriousness and desire to fulfil his tax obligations properly. It's in line with the opinion Rianty & Syahputera (2020), tax awareness is an attitude of belief in the self of a taxpayer who is voluntarily and motivated by a sincere intention to fulfil all his tax obligations.

Income Tax Rate Reduction

The tax rate is the percentage used as the basis of taxation to calculate the tax owed to be deposited by the taxpayer. (Irawan & Putri, 2022). Government Regulation No. 23 of 2018 on income tax is a substitute for Government Regulations No. 46 of 2013. The tax rate initially imposed at 1% then dropped to 0.5% of gross income. This PPh reduction is intended to be an opportunity for taxpayers to improve compliance with their tax obligations and make UMKM owners feel treated fairly.

Tax Compliance

According to Sephiani & Syafitri (2023), Tax compliance is a processed level to comply with the tax regulations that have been established and fulfil their tax obligations as a form of contributions to the State. The more tax obligations are complied with, the more receipts the state receives. This can be reflected in compliance with registration, depositing, calculating, paying taxes owed and delaying.

Conceptual Framework and Hypothesis

Based on the theoretical foundations of each research variable, a framework of thought can be drawn as follows:
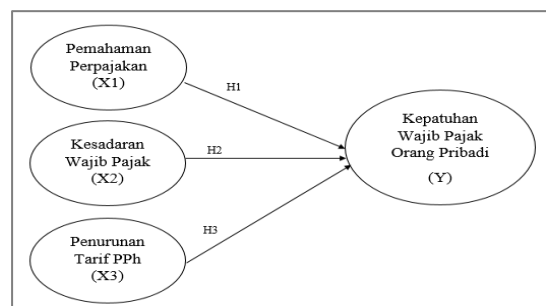
Picture 1. Conceptual Framework

Based on the background, the formulation of problems and the theoretical foundations that have been outlined earlier, the hypothesis in this study is formulated as follows:

H1: The understanding of taxation has a positive and significant impact on compliance with the tax obligations of the individual owner of the UMKM.

H2: The awareness of the taxable person has a negative and significant

effect on the compliance of the personal tax obligation of the owner.

H3: The reduction in the PPh rate has a significant and positive impact on the adherence to the tax liability of the private owner.

METHODOLOGY

Quantitative research is a method of gathering data using research instruments and being statistically processed with the aim of testing a hypothesis that has been established. (Sugiyono, 2022). The population in this study is taxable to the private owner of UMKM located in the area of work of KPP Pratama Gresik. A sample of 100 respondents was obtained using a simple random sampling technique.

The type of data used in this study is primary data.According to Sugiyono (2022) Primary data is data obtained directly from the field or subject of research. The collection of primary data in this study is carried out using the survey method through the dissemination of questionnaires. After the data is acquired, the data will be analyzed using Partial Least Square (PLS) analysis technique with the help of SmartPLS 4.0 software.

RESULTS AND DISCUSSIONS

Based on data obtained from 100 respondents, it is known that UMKM owners are female (52%) and male (48%). Owners of UMKM are under the age of 20 (4%), 20 - 30 years old (33%), 31 - 40 years old 29%, and over 40 years of age 34%. All UMKM owners have NPWP (100%). The majority of respondents have enterprises operating in the culinary fields (38%), grocery stores (9%), fashion (17%), printing (5%), handicrafts (6%), and others as much as (25%). As for the average, the monthly sales turnover received respondents, i.e.

below 1 million (11%), between 1 million – 5 million (29%), between 5 million – 10 million (18%), between 10 million – 20 million (12%), between 20 million – 50 million (15%), and above 50 million as much (15%).

Outer Model Analysis

Outer model analysis is done to ensure that the variable used is worthy of measurement (Ghozali, 2021). This analysis model is carried out with validity tests as well as reliability tests.

Table 2. Convergent Validity Score

Indicator	Outer Loading
X1.1	0,865
X1.2	0,847
X1.3	0,884
X1.4	0,838
X1.5	0,897
X2.1	0,877
X2.2	0,926
X2.3	0,851
X3.1	0,916
X3.2	0,917
Y1.1	0,739
Y1.2	0,905
Y1.3	0,903
Y1.4	0,888

Source: Processed by researchers (2024)

Based on the above table, it is seen that the entire indicator of this study has an outer load value greater than 0.7 so that the indicator is said to be valid.

Table 3. Discriminant Validity Score

Indicator	X1	X2	X3	Y
X1.1	**0,865**	0,515	0,425	0,663
X1.2	**0,847**	0,615	0,538	0,630
X1.3	**0,884**	0,546	0,584	0,618
X1.4	**0,838**	0,497	0,441	0,609
X1.5	**0,897**	0,555	0,509	0,701
X2.1	0,511	**0,877**	0,529	0,562
X2.2	0,623	**0,926**	0,600	0,603
X2.3	0,534	**0,851**	0,554	0,478

X3.1	0,534	0,570	**0,916**	0,490
X3.2	0,521	0,591	**0,917**	0,493
Y1.1	0,606	0,447	0,515	**0,739**
Y1.2	0,625	0,543	0,411	**0,905**
Y1.3	0,690	0,536	0,428	**0,903**
Y1.4	0,642	0,611	0,497	**0,888**

Source: Processed by researchers (2024)

Based on the above table, each indicator has a larger cross loading factor than the other cross loading variables, so the indicator is said to be valid.

Table 4. Average Variance Extracted (AVE) Score

Variable	AVE
X1	0,750
X2	0,784
X3	0,840
Y	0,742

Source: Processed by researchers (2024)

The above table shows that the AVE value of the entire variable is already greater than 0.5 so it is declared valid and meets convergent validity.

Table 5. Reliability Test Results

Variable	Composite Reliability	Cronbach's Alpha
X1	0,919	0,919
X2	0,874	0,874
X3	0,809	0,809
Y	0,886	0,886

Source: Processed by researchers (2024)

The above table shows that the Composite Reliability and Cronbach's Alpha values of the entire variable are already above 0.7 so the data obtained is considered reliable.

Inner Model Analysis

Inner Model Analysis is done to prove the strong and accurate relationship between late variables (Ghozali, 2021).

Table 6. *Koefisien Determinasi (R²) Score*

Variable	R-Square	R-Square Adjusted
Y	0,597	0,585

Source: Processed by researchers (2024)

The above table shows that the value of R^2 is 0.597. The value indicates that the variables X1, X2, and X3 affect Y by 59.7%, while the remaining 40.3% are influenced by other variables not studied in this study.

Hypothesis Test
Table 7. Hypothesis Test Results

	O	M	STDEV	T Statistics	P value
X1 → Y	0,565	0,560	0,122	4,611	0,000
X2 → Y	0,223	0,233	0,120	1,856	0,0032
X3 → Y	0,070	0,069	0,097	0,719	0,236

Source: Processed by researchers (2024)

The results of the study X1 → Y indicate that the understanding of taxation has a positive and significant influence on tax compliance, so that it can be concluded that the first hypothesis (H1) is accepted..

The results of the study X2 → Y indicate that tax awareness has a positive and significant influence on tax compliance, so it can be concluded that the second hypothesis (H2) is accepted.

The results of the study X3 → Y indicate that the reduction in the PPh rate has a positive but non-significant effect on tax compliance, so it can be concluded that the third hypothesis (H3) is rejected.

Impact of Tax Knowledge on Tax Compliance of Owners of UMKM in Greek District

Based on the analysis of the first hypothesis, the results show that the variable of tax understanding has a positive and significant influence on tax compliance. Proved by a path coefficient value of 0.565 and a p-value below 0.05, which is 0,000. It can be concluded that this first hypothesis is acceptable.

The Theory of Planned Behavior states that tax compliance can arise from a sense of curiosity of the taxpayer that ultimately makes him willing to learn so that he understands and is able to fulfil his tax obligations according to the applicable tax regulations.

The results of this study are in line with the research Anggraeni & Lenggono (2021) stating that the understanding of taxation has a significant positive influence on the level of tax compliance of UMKM owners in Ambon.

Impact of Tax Awareness on Tax Compliance of Owners of UMKM in Greek District

Based on the analysis of the second hypothesis, the results show that the variable of taxable awareness has a positive and significant influence on taxable compliance. Proved by a path coefficient of 0.223 and a p-value of less than 0.05, which is 0.032. It can be concluded that this second hypothesis is acceptable

It is also supported by the Theory of Planned Behavior which states that what can influence a taxpayer in carrying out his or her tax obligations is derived from the impulse of intent of each individual. The taxpayer will be aware that taxes are an obligation and not a burden if the taxpayers are aware of the importance of taxes.

These results are in line with previous research conducted by Rianty & Syahputera (2020) which states that tax awareness has a positive influence on compliance with the tax obligations of individuals in Palembang.

Impact of the Reduction in PPh Rates on Compliance of owners UMKM in Gresik District.

Based on the analysis of the third hypothesis, the results show that the reduction in the PPh rate has a positive but non-significant effect on tax compliance. The path coefficient of the variable of the reduced PPh tariff to the compliance of the obliged tax shows a positive relationship. However, the p-value result shows that the decrease in PPh rates does not have a significant effect on compliance with the obligated tax. Proved by a path coefficient of 0.070 and a p-value above 0.05 of 0.236. It can be concluded that this third hypothesis is rejected.

Theory Planned Behavior mentioned that the size of the tax rate relates to a person's desire to motivate himself to fulfil his obligations. It is not significant that the reduction in the PPh rate can be caused by the taxpayer who still considers that although the rate becomes smaller so that the tax paid will be lower but the basis of the calculation of the tax is from the turnover.

These results are inconsistent with the research. Sephiani & Syafitri (2023) which stated that the reduction in the final UMKM PPh rate had a significant positive impact on tax compliance in Tangerang. However, in line with the research Irawan & Putri (2022) which states that the change in the PPh rate has no significant impact on compliance with UMKM's tax obligations in Bekasi.

CONCLUSION

Based on the results of the research carried out, the conclusion was as follows: The understanding of taxation has a positive and significant impact on compliance with the tax obligations of UMKM owners in Gresik district. The tax awareness has a significant and positive impact on the compliance of the tax liability of the owners of the UMKM in Grezik District. And the decrease in the PPh rate has a negative but not significant effect on the conformity of tax liabilities of the owner of the UMKM in the Gresik District.

The research is not independent of the limitations that need to be fixed and developed by further researchers interested in doing the same research in the future. This study focuses on the influence of tax understanding, tax awareness and lower PPh rates on tax compliance so that the results are less generalizable to other factors. The Adjusted R Square result was 58.5%, while the remaining 41.5% was influenced by other variables outside the study.

Therefore, it is recommended for future researchers to add or vary with other variables. Furthermore, the prospects could also be expected to use other more specific sampling methods in order to obtain more accurate data and be able to represent the population.

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