

Tax Incentive-Based Economic Policy, Modern Tax Administration System, and Taxpayer Compliance of Micro, Small, and Medium Enterprises

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Abstract

This study examines the effect of tax incentive-based economic policies and modern tax administration systems through e-registration, e-filing, and e-billing on Micro, Small, and Medium Enterprises (MSMEs) taxpayer compliance in Palu City during the Pandemic Period. This study analyzed primary data from questionnaires distributed to 100 MSME taxpayers in Palu City. By using the theory of planned behavior (TPB) in taxpayer compliance research, researchers can understand in more depth why taxpayers do or do not comply, as well as identify the factors that influence their decisions. Testing the research variables was carried out using the Partial Least Square (PLS) method. The results showed that Tax Incentive-Based Economic Policies have a positive effect on MSMEs' taxpayer compliance. Meanwhile, implementing modern tax administration systems, such as e-registration, e-filing, and e-billing, did not affect MSMEs' taxpayer compliance. This result sheds light on the efficiency of regulation and tax systems to encourage tax compliance. Governments and agencies need to ensure that efforts are made to increase awareness, access, and ease of use of these systems, as well as understanding and overcoming barriers that may arise in practice. These can help design more effective tax policies and educational efforts to increase taxpayer compliance.

Keywords: *incentive tax policy, modern tax administration system, the COVID-19 pandemic, tax compliance, theory of planned behavior.*

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INTRODUCTION

The COVID-19 epidemic has unexpectedly interrupted economic activity, declining demand and disrupting supply chains worldwide. Due to the rapid spread of this epidemic, the Government then made a policy not to leave the house, and this policy had an impact on MSME actors who were unable to carry out their obligations (Sandra & Anwar, 2021; Sitorus, 2020). Small and

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medium-sized businesses (MSMEs) are vanguard of this (Amri, 2020). In addition, the consequences of this pandemic caused the country's economy to experience a significant decline, especially for MSME actors. The impact of the COVID-19 pandemic on the MSME sector is certainly very influential on Indonesia's economic conditions, where the contribution of MSMEs to the Indonesian economy is substantial in various fields (Amri, 2020). Additionally, by embracing Industrial Age 4.0, tiny, micro, and medium-sized firms (MSMEs) are a business sector that significantly contributes to raising the Gross Domestic Product (GDP) of a nation, particularly in Indonesia (Nurhidayah, 2022). Therefore, the Government must carry out mitigation movements by providing subsidies or other means, which will impact decreasing economic output for some time. These subsidies can be tax incentives for business actors so that the losses suffered are not too heavy, and companies and MSMEs can continue to operate and retain their employees.

Furthermore, MSME actors' revenue has dropped due to this epidemic. MSMEs are successful companies owned by people or legal organizations that meet the requirements for microenterprises. Therefore, the role of MSMEs is very high in mobilizing the national economy with its dominance in the business structure in Indonesia. However, in a pandemic, MSME actors also cannot experience development and are hampered and even go out of business, which can worsen the national economy. Due to the significant role of the MSME sector, the Government pays special attention to finding solutions and easing the burden of MSMEs affected by COVID-19. In line with this, the Government provides a tax incentive policy for the MSME sector. That way, tax revenue can increase because of the policies set. In optimizing tax revenues through the Directorate General of Taxes (DGT), the Government continues to coordinate and cooperate with the Tax Department (KPP) in disseminating the MSME tax incentives and hopes that MSMEs can take advantage of the tax incentives provided and utilize a modern tax administration system.

Palu City is one of the cities and the capital of the province of Central Sulawesi. Due to the COVID-19 outbreak, which continues to grow, the level of tax revenue, especially in Palu City, has decreased, impacting financing and national development. The Government is committed to dealing with problems during this pandemic by issuing policies expected to help the national economy (Aryawan et al., 2022). Therefore, the policies made by the Government regarding tax incentives will have a positive impact on the economy in Palu City. With the implementation of this, there will likely be progress for the economy, especially for tax recipients in Palu City, because the influence of the COVID-19 pandemic is unavoidable and results in a decrease in tax revenue in 2020, of course, hurts the residents of Palu City, especially for MSMEs. The city of Palu was chosen in this study because it was based on information submitted by the KPP Pratama Palu City regarding tax revenues that decreased significantly due to the Covid-19 outbreak that occurred at that time and information about modern technology in fulfilling tax obligations, which were still lacking.

Although various efforts have been made to increase MSME taxpayer compliance, there are still research gaps that need to be explored. First, there is little in-depth understanding of the extent to which tax incentive-based economic policies have influenced MSME taxpayer compliance.

RQ1: Are these incentives really successful in stimulating MSMEs to comply with tax regulations? Second, this study focuses on the theory of planned behavior to determine the extent to which the modernization of the tax administration system affected the level of compliance of MSMEs. RQ2: Does the use of technology and simplification of tax administration processes really have a positive impact on compliance? In this context, this article will discuss the influence of tax incentive-based economic policies and modern tax administration systems on MSME taxpayer compliance. Through this research, this study will fill existing knowledge gaps and present findings that can provide deeper insight into efforts to increase MSME taxpayer compliance in Indonesia. Hopefully, this research can provide more effective policy recommendations in supporting the growth of MSMEs and increasing their contribution to the national economy and community welfare.

The implementation of a contemporary tax administration system is one of the tools used by the Government to increase taxpayer compliance (Astana & Merkusiwati, 2017). The modern tax administration system is a solution for taxpayers who initially used the manual method, namely reporting SPT directly to the KPP (Teza & Junep, 2018). With e-system-based services like e-registration, e-filing, and e-billing, which are DGT's responses to offering services based on contemporary technology to meet taxpayers' tax responsibilities more successfully, the current tax administration system likewise keeps up with technical advancements. According to Ningrum & Hastuti (2020) taxpayer compliance can be seen in whether a taxpayer complies or not to register himself, compliance to resubmit tax returns (SPT), compliance to calculate and pay the tax owed, and compliance in paying arrears.

Taxpayer compliance is often associated with tax reform in the hope that implementing this modernization can facilitate taxpayer compliance. Taxpayer compliance can be achieved by checking taxpayer compliance in self-registration, reporting and reporting unpaid taxes, and performing accurate self-tax calculations (Nurlaela, 2018). Therefore, economic policies based on tax incentives and a modern tax administration system with an online system include e-registration, e-filing, and e-billing to ease the burden on MSME taxpayers, starting from registering, reporting, and paying their taxes independently in the future. The pandemic has become more accessible and more efficient, and taxpayers do not need to fulfill their tax obligations manually by coming to the tax office. This topic is relevant to the current situation and attractive to research.

To ascertain the factors that influence taxpayer compliance, much research uses the Theory of Planned Behavior (TPB). TPB has been proven to predict a person's behavior in taking an action (Asah & Tannar, 2023). The TPB emphasizes the importance of individual intentions as a primary predictor of behavior. In the context of tax compliance, an individual's intention to comply with tax obligations is a very relevant and significant factor. In addition, the TPB has a comprehensive dimension. The TPB includes three main factors that influence behavior, namely intention, subjective norms, and behavioral control. This includes cognitive aspects (intentions) and social aspects (subjective norms) as well as practical aspects (behavioral control) in the analysis of tax compliance behavior.

A taxpayer is accountable for meeting all of his tax duties and using all of his tax entitlements under the term "tax compliance." Without any force from tax officials, tax compliance

demonstrated by independence in fulfilling tax duties can encourage tax compliance behavior (Aryawan et al., 2022). Tax regulations demand that the taxpayer adhere to a high standard of tax compliance, which includes carrying out taxes truthfully. Taxpayers are responsible for estimating their tax responsibilities to pay and submit taxes correctly and on time. The foundation of a self-assessment system is tax compliance. According to (Augustine et al., 2020), taxpayer compliance may be seen as a need to satisfy their tax duties and exercise their rights. Tax requirements require that the taxpayer's activities in carrying out taxation require a high level of tax compliance, namely fulfilling tax obligations according to the truth. Tax compliance is a need for taxpayers to satisfy all of their tax liabilities and exercise their tax entitlements, claim Muliari & Setiawan (2011). If taxpayers comprehend or try to grasp all terms of tax laws and regulations, they are said to comply with the law (Abdu & Adem, 2023).

Micro, Small, and Medium-Sized Enterprises, also known as MSMEs, are companies that are owned by distinct legal entities that are neither subsidiaries nor branches of other businesses but rather are directly or indirectly owned, controlled, or integrated into a Medium- or Large-Sized Business that satisfies the requirements for Small Business. As a result, the MSME sector has to be strengthened as a vital component of the people's economy with the capacity, strategic position, and function to actualize a more equitable, developing, and national economic structure. It is the responsibility of MSME taxpayers to ascertain their tax responsibilities in order to pay and report taxes on time because the MSME sector is included in the category of the highest tax revenue.

Government-issued tax incentives try to make it easier for taxpayers to comply with their tax responsibilities. The adoption of tax incentives will have a good influence on the country's economic development and also boost taxpayer compliance due to this pandemic, which has impacted tax collections in Indonesia and reduced dramatically. Tax incentives are useful for attracting tax investors to encourage economic activity, which is to invest in their country and not move to other countries. Thus, state revenues from the tax sector are increasing. Research by Indahsari & Fitriandi (2021) defines tax incentive policies as facilities allocated by the government to certain individuals or organizations to provide tax convenience to encourage increased tax compliance under certain conditions. In this case, the tax incentive policy will have a positive effect on the pandemic conditions that are currently affected by the virus. The availability of this tax incentive will influence taxpayers' attitudes and perspectives on paying their tax duties (Aryawan et al., 2022).

The impact of the coronavirus experienced by Indonesia resulted in a significant decrease in tax revenue performance. Seeing the current conditions, the government makes tax incentives policies to have a positive impact on tax revenue in Indonesia, especially for MSME taxpayers. MSMEs are included in the highest tax revenue because their income affects the country's development. After all, the influence of the coronavirus causes the income of MSME taxpayers to decrease. According to a study (Andrew & Sari, 2021), the government bearing the cost of the tax incentive scheme during the pandemic (0% rate, initially 0.5%) has a beneficial influence on

MSME taxpayer compliance. In order to lessen the burden on MSME taxpayers, the Directorate General of Taxes has implemented a tax incentive scheme.

Based on TPB, tax incentive-based economic policies can influence the attitude of MSME taxpayers towards tax-paying behavior. Attitude is the degree to which a person has a favorable or unfavorable evaluation of a behavior of interest. Attitudes involve considerations about the results of performing the behavior. Suppose MSME taxpayers feel that paying taxes benefits their business, such as reducing tax rates, tax exemptions, or economic stimulus. In that case, their attitude towards tax-paying behavior will become more positive, and their intention to pay taxes will increase. Therefore, the first hypothesis is:

H1: The implementation of tax incentive-based economic policy has a positive effect on MSME taxpayer compliance in Palu City during the pandemic.

The government established the present tax administration system to make it simpler for taxpayers to fulfill their tax-related duties. Introducing a contemporary tax administration system, which consists of e-registration, e-filing, and e-billing, would be highly beneficial to taxpayers as it will make it simpler for them to register, pay, and report taxes more effectively due to the difficulties of the manual method. Husnurrosyidah (2017) stated that the goal of tax administration reform is to enhance administrative performance on an individual, group, or systemic level to make it more effective, affordable, and quick. A contemporary administrative system may be implemented by strengthening public compliance with and faith in tax administration, which is the goal of tax administration reform.

According to Bangun's research, the modern tax administration system results from tax changes in Indonesia, which are carried out in stages and comprehensively concerning supervision, tax policy, and the legal field (Bangun et al., 2022). Therefore, all taxation work processes and services are expected to run well, smoothly, quickly, and accurately. The use of this system will encourage people to fulfill their tax responsibilities. This administrative change was implemented by the Directorate General of Taxes. Modernization must be implemented to promote taxpayer compliance, public trust, and the efficiency and reliability of the tax system. The policy's goal is to ensure that taxpayers can complete their tax responsibilities without difficulty, delay, or additional effort.

There are other studies regarding the effectiveness of the tax system, which taxpayers can also feel in accessing applicable regulations regarding taxation through the information system or web provided by the DGT, such as e-registration, e-filing, and e-billing (Utari et al., 2020). E-registration is a mechanism for electronically registering and verifying taxpayers using a website linked to the Directorate General of Taxes. Before, taxpayers had to visit the Tax Service Office (KPP), but now they may submit their applications online using the application form provided by the Directorate General of Taxes. Those who meet the requirements can register as taxpayers through e-Registration. This may enhance tax compliance.

A Taxpayer Identification Number (NPWP) and/or the Initiation of a Taxable Entrepreneur (PKP) may be obtained by prospective individual and corporate taxpayers through electronic registration (Sulistiyorini et al., 2017). This application system, a component of the tax information

system inside the DGT, is built using hardware and software and is connected via a data connection device to handle the taxpayer registration process. There is another definition from a researcher, Nurbaiti et al. (2016), e-registration is an online web application that taxpayers use to register a Taxpayer Identification Number (NPWP), determine a Taxpayer (PKP), and change mandatory personal information. E-registration is explained as a medium to facilitate taxpayers who still use the manual method to register. Thus, the implementation of a modern tax administration system, one of which is E-Registration, will have a positive impact on taxpayers (Putra & Marsono, 2020).

Based on TPB, e-registration allows MSMEs to register their businesses electronically. These will speed up the registration process and reduce bureaucracy associated with tax administration. As a result, MSMEs are more likely to register as taxpayers, which in turn increases compliance. Therefore, the second hypothesis is:

H2: The modern tax administration system with the implementation of e-registration has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

E-filing is a technique that allows taxpayers to submit their annual tax returns more easily by completing forms online and in real-time. Other studies claim that Electronic Filing is an internet program used to submit yearly tax returns online and in real-time, based on the Director General of Taxes' Regulation Number PER-1/PJ/2014 on the processes for sending annual notification letters for Individual Taxpayers (Nurbaiti et al., 2016). The application of E-filing is a system developed by DGT to facilitate taxpayers. E-filing is generally very beneficial for taxpayers because it makes it easy to fill out their SPT, which is a cheaper and faster process than doing it manually. More accurate, effective, and efficient. There is no need for paper documents; all digital. Another interpretation is possible. E-filing, as defined by Ningrum & Hastuti (2020) is the act of electronically submitting a tax return or a notification of renewal of an annual tax return using a website operated by the Directorate General of Taxes or an Application Service Provider 20. (ASP).

The Directorate General of Taxes' website, apps, or applications from application service providers are all ways for individuals and legal companies to electronically file annual tax returns or notifications of annual tax returns (ASPs). By filing electronically, taxpayers can access the DGT or ASP website from any location, eliminating the need to visit the Tax Service Office (KPP) to submit SPT. Overall, because it allows for the reporting of SPT, it is helpful for taxpayers. The degree of taxpayer compliance in meeting their duties will be higher the more efficient and superior the system designed for electronic filing.

The findings of earlier research by (Sulistiyorini et al., 2017) demonstrate that the electronic system, namely E-Filing, has a substantial impact on taxpayer compliance. The Directorate General of Taxes developed the current tax administration system known as "e-Filing" to make it simpler for taxpayers to effectively file their annual tax returns online through the DGT website. The availability of E-Filing will facilitate taxpayers' compliance with their tax duties while also benefiting them. A more precise, effective, and efficient method of use; completely digital; no

need for paper documentation. In light of this, the Directorate General of Taxes' E-filing system will be implemented, which will increase MSME taxpayer compliance.

Based on TPB, e-filing allows MSMEs to report their income and tax obligations electronically (Lesmana et al., 2018). This reduces the hassle of filling out tax forms manually and avoids calculation errors. With a simpler and more efficient reporting process, MSMEs are more likely to comply with their tax obligations in a timely manner. The third hypothesis is:

H3: The modern tax administration system with the application of e-filing has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

E-billing is a payment system provided by the Directorate General of Taxes (DGT). Because this payment method uses electronic means, it is generally called an electronic tax payment system. This system facilitates the issuance of billing codes or billing IDs for electronic payments or government revenue reporting. A payment code is an identification code issued electronically by a payment system for payment. Payments can be made at banks, post offices, ATMs, Internet, and mobile banking. The e-billing system makes tax payments faster, easier, and more accurate. This ease of payment can increase taxpayer compliance for taxpayers. The more effective and efficient the electronic invoice system, the higher the taxpayer compliance.

E-billing, defined by Putra & Marsono (2020), is the process of paying taxes electronically while using billing codes as transaction codes. A billing code is used with the E-Billing system, which was put in place by the Directorate General of Taxes, to pay or deposit taxes electronically. It is also very easy to use, making it simpler for taxpayers to pay their taxes by inputting a 15-digit number through the Billing System for each taxpayer. Bank tellers or perception posts, online banking, mobile banking, ATMs, and electronic data capture are all ways to access the usage of e-billing (EDC). The Directorate General of Taxes' use of e-billing has a favorable impact on taxpayer compliance. The findings of earlier research by (Sulistyorini et al., 2017) demonstrate that the electronic system, namely E-Billing, substantially impacts taxpayer compliance. Additionally, other research findings by Nahumury et al. (2018) concluded that the usage of e-billing had a favorable impact on taxpayer compliance.

Based on TPB, e-billing allows the government to send electronic tax bills to MSMEs. This creates transparency in the tax collection process, reduces the potential for errors, and provides easily accessible records for taxpayers. With more transparent tax collection, MSMEs are more likely to understand their obligations and pay taxes correctly. Therefore, the fourth hypothesis is:

H4: The modern tax administration system with the application of e-billing has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

Figure 1 depicts the relationship between the dependent variable (MSMEs' Taxpayer Compliance) and dependent variables (tax-incentive policy, e-registration, e-filing, and e-billing). The systems of e-registration, e-filing, and e-billing represent tax administration systems as a means for the Indonesian government to increase tax income.

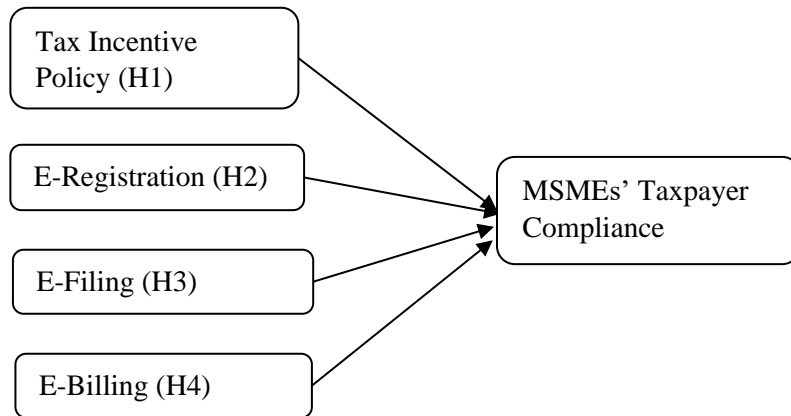


Figure 1. Research Model

RESEARCH METHOD

The findings of surveying MSME taxpayers enrolled with the Palu City Pratama Tax Service Office provided the basic data for this study. MSME taxpayers registered with the KPP Pratama of Palu City and located in the city of Palu make up the population of this research. Using Ferdinand's rule for studies with primary data, this study distributed the questionnaires to 100 (25 x 4 variables) MSME taxpayers (Ferdinand, 2014). The 100-return data were the sample used in this study. Purposive and convenient sampling was used to choose the sample for this investigation. The criteria utilized include MSME taxpayers who have a TIN and are registered with the KPP Pratama Palu City. These MSME taxpayers are aware of the MSME tax benefits, and/or MSME taxpayers are aware of and utilize e-registration, e-filing, and e-billing to fulfill their tax duties. The research data was processed using SmartPLS (Partial List Square) software.

The questionnaires (see appendix) are from Sulistyorini et al. (2017). MSME Taxpayer Compliance is the study's dependent variable. Taxpayer compliance is operationally defined as the ability of a taxpayer to meet all of his tax duties via his inner knowledge, following the guidelines and deadlines established by the Directorate General of Taxes (Aryawan et al., 2022). Seven-point Likert scales are used to measure the indicators for the MSME taxpayer compliance variable. These indicators include the knowledge of the SPT submission deadline, quick SPT filing, and timely payment of taxes due. Modern Tax Administration System is defined as the used of current online technology to collect and report tax. It has indicators such as e-registration being easier for taxpayers to use (user-friendly), e-registration increases the security and confidentiality of taxpayer data, making it easier for taxpayers who have just registered to study, register as a taxpayer no longer need to go to the KPP to do so (Sulistyorini et al., 2017). It also measures the

use of e-filing which operationally defined as online SPT report platform that making it easier for taxpayers to fill out SPT data at any time, making it easier for taxpayers to file their annual tax returns without having to visit the tax office, making it easier for taxpayers to fulfill their tax obligations; and making it easier for new employees to learn—cost-effectiveness, reduced paper usage, and registered taxpayers (Sulistiyorini et al., 2017).

RESULTS AND DISCUSSION

Results

The Respondents Profile

Table 1 shows the respondents are 59% male and 41% female. For respondents age, 25-34 years old are 82, or 82% as the composition of the youngest, while 35-44 years old are 14 respondents, or 14%, and the oldest 45-55 years old are four, or 4%. Among respondents' education, the most has a bachelor degree for 43% out of 100 respondents.

The Validity and Reliability Test

The validity and reliability tests in this study were conducted on 100 samples. Composite reliability testing is done to indicate a concealed variable's internal consistency. Composite Reliability is typically more critical than Cronbach's Alpha. It is considered trustworthy if the Composite Reliability rating is higher than 0.70 (Hair Jr. et al., 2021). According to the above-described paradigm, X2-1 is the only indicator of e-registration implementation, and it is deemed invalid when it falls below 0.70. We will take out the one invalid indicator from this.

A validity test was used to determine the questionnaire's appropriateness as a measurement tool. According to Hair Jr. et al. (2021), the validity test consists of convergent and discriminant tests. In order to meet the requirement, the outer loading must be greater than 0.70, and the P-significance value must be greater than 0.05 or significant at the time of testing. The composite reliability value and the average variance extracted (AVE) value must be more than 0.50 and 0.70, respectively. The outer loading value of a variable was higher than 0.70, and the average variance extracted (AVE) value was greater than 0.50. The variable passed the convergent validity test. The variables' Cronbach's Alpha values, which measure reliability, are more than 0.70, the condition has been met (see the validity and reliability test results in the appendix).

Hypothesis Testing

The R-square value of MSMEs' taxpayer compliance in Table 2 is 0.742, or all the variables used in the research, 74.2% affect MSMEs' taxpayer compliance. The other 15.8% of variables are not used in the research. The adjusted R-square is 0.731, which means the model of this research can be called a substantial model (Hair Jr. et al., 2021).

Table 1. Respondent's profile

Description	Quantity (People)	Percentage
Gender		
Males	59	59%
Females	41	41%
Ages		
25 – 34 years old	82	82%
35 – 44 years old	14	14%
45 – 55 years old	4	4%
Having NPWP	100	100%
Side occupation (other than doing SMSEs)		
Private sector employee	22	22%
Civil Servant & BUMN Staff	5	5%
Self-employed 100%	43	43%
Others	30	30%
Education		
Elementary graduates	2	2%
Junior High graduates	4	4%
Senior High graduates	38	38%
Vocational school	6	6%
Bachelor	43	43%
Master	4	4%
Others	3	3%

Note: All respondents are entrepreneur who minimally run their business for more than 2 years.

Source: Questionnaires' data processed

Table 2. R-square Test

	R-Square	Adjusted R-Square
MSMEs Taxpayer Compliance	0.742	0.731

Source: Data processed with SmartPLS

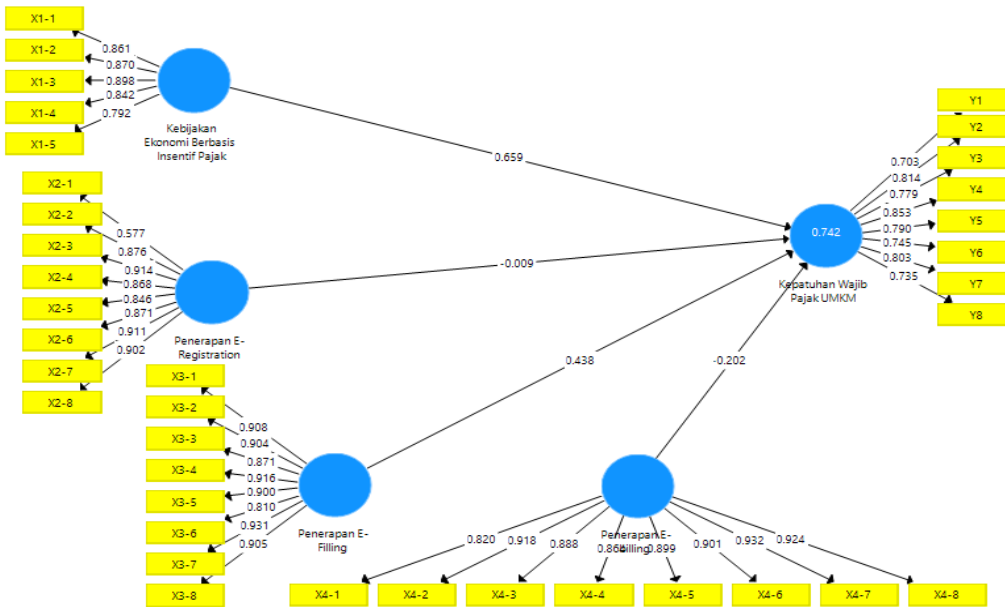


Figure 2. Loading Factors of the Structural Equation Modelling of Variables

Source: Data processed with SmartPLS

The Root Mean Square Residual Standardized (SRMR), which seeks to gauge the compatibility between observed correlations or associations, is used to evaluate the goodness of fit test. A GOF score of 0.10 indicates that the construct's degree of feasibility is relatively low, a value of 0.25 indicates that the feasibility level is medium, and a value of 0.36 indicates that the feasibility level is substantial (Ghozali, 2018).

Table 3. Hypothesis Test Results

	Original Sample	T-Statistics	P-Values
Tax Incentive-Based Economic Policy → MSME Taxpayer Compliance	0.660	5.219	0.000
Implementation of E-Registration → MSME Taxpayer Compliance	-0.018	0.142	0.887
Application of E-Filing → MSME Taxpayer Compliance	0.442	1.667	0.096
Application of E-Billing → MSME Taxpayer Compliance	-0.200	0.851	0.395

Source: Data processed with SmartPLS

Table 3 shows that:

1. The original sample for tax incentive-based economic policy has a value of 0.660, a T-statistic of 5.219, and a P-value of 0.000. Since the T-statistics and P-values fulfill the criteria, it can be argued that tax incentive-based economic policy has a positive and significant effect on MSME taxpayer compliance. Therefore, the hypothesis 1 is accepted.
2. The original sample for implementation of e-registration has a value of -0.018, a T-statistic of 0.142, and a P-value of 0.887. P-value has a value bigger than 0.05. Since the T-statistics and P-values do not fulfill the criteria, it can be argued that implementing e-registration does not significantly affect MSME taxpayer compliance. Therefore, the hypothesis 2 is rejected.
3. The original sample for applying e-filing has a value of 0.442, a T-statistic of 1.667, and a P-value of 0.096. P-value has a value bigger than 0.05. Since the T-statistics and P-values do not fulfill the criteria, it can be argued that the application of e-filing has no significant effect on MSME taxpayer compliance. Therefore, the hypothesis 3 is rejected.
4. The original sample for the e-billing application has a value of -0.200, a T-statistic of 0.851, and a P-value of 0.395. P-value has a value bigger than 0.05. Since the T-statistics and P-values do not fulfill the criteria, it can be argued that the application of e-billing has no significant effect on MSME taxpayer compliance. Therefore, the hypothesis is rejected.

Discussion

The implementation of tax incentive-based economic policy has a positive effect on MSME taxpayer compliance in Palu City during the pandemic.

The first hypothesis testing has demonstrated that economic policies based on tax incentives have a favorable and substantial effect on MSME taxpayer compliance, as demonstrated by the P-value of 0.000, less than 0.05, and the original sample's P-value of 0.660. This suggests that as MSME taxpayer compliance rises, so does the degree of economic policy based on tax incentives. Therefore, the hypothesis 1 is accepted. The coronavirus, which struck Indonesia, had a significant detrimental influence on the performance of tax income. Because of the current scenario, the government has established a tax incentive scheme to increase tax collections in Indonesia, particularly for MSME taxpayers. MSMEs contribute the most to tax collections because they influenced national growth and the reduction in income experienced by MSME taxpayers due to the coronavirus. This outcome is consistent with an earlier study by Andrew & Sari (2021), which found that economic policies based on tax incentives had a favorable and significant impact on MSME taxpayer compliance.

Based on TPB, the tax incentives system can influence the subjective norms and behavioral control MSME taxpayers feel regarding their tax-paying behavior. Subjective norms are beliefs about whether most people approve or disapprove of a behavior. Subjective norms relate to a person's beliefs about whether peers and people who are important to that person think that he or she should engage in that behavior. Perceived behavioral control is a person's perception of the ease or difficulty of performing a behavior of interest. Perceived behavioral control involves the

perception of the existence of factors that can facilitate or hinder the performance of the behavior (Flom et al., 2021; Suryaningrum, 2012). The tax incentive provides an excellent platform for MSME taxpayers to comply with their obligations since the incentive will benefit them. In that case, MSME taxpayers' subjective norms regarding tax-paying behavior will become stronger, and their perceived behavioral control over tax-paying behavior will increase.

Individual intentions to comply with tax obligations can be influenced by tax incentive-based economic policies. These incentives can create a positive incentive to fulfill tax obligations, as MSME taxpayers may feel that by complying with tax regulations, they can take advantage of the tax benefits offered by the government. Subjective norms reflect the influence of others on individual behavior. In this case, tax incentive-based economic policies can also influence subjective norms. If the government actively promotes MSME taxpayer compliance through campaigns and tax incentives, this can form positive norms among the MSME community. Behavioral control refers to an individual's perception of his or her ability to comply with tax regulations. MSME taxpayers who have knowledge about tax incentives will have full control over tax payment compliance. Knowledge about tax incentives will encourage taxpayers to carry out their tax obligations and, in turn, will increase taxpayers' compliance.

The modern tax administration system, with the implementation of e-registration, has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

The second hypothesis testing has demonstrated that e-registration has no substantial effect on MSME taxpayer compliance, as demonstrated by the P-value of 0.887, more than 0.05. Therefore, the hypothesis 2 is rejected. This suggests that regardless of how much E-registration is implemented, MSME taxpayer compliance will not change. In Palu City during the pandemic, the use of e-registration had no appreciable impact on MSME taxpayer compliance. This is because, contrary to the system's intention to make things easier for taxpayers, users of e-registration feel less supported and find it difficult to use at first. The Directorate General of Taxes does not also require this electronic registration system. While many taxpayers still visited the KPP to register physically, others who utilized e-registration still go there to get help from the tax authorities utilizing or filling up data. This outcome is consistent with Winoto & Pudjolaksono (2022), who found no substantial impact of e-registration on MSME taxpayer compliance and does not support research by Ramdani (2019) and Damayanti & Ernandi (2022).

This study found that e-registration did not influence taxpayers' compliance. Meaning that this finding cannot support TPB. E-registration makes it easier for MSMEs to register their businesses electronically. This creates the perception that the tax administration process is easier and faster, which in turn can influence MSMEs' intentions to comply with taxes. However, MSMEs that do not have technological capabilities may perceive e-registration as a complicated system and difficult to understand. As a result, the modern e-registration tax system cannot influence taxpayers' intentions to use the e-registration system.

The availability of E-Registration will facilitate and assist taxpayers in meeting their tax responsibilities. Additionally, simple to use, E-Registration may be completed online and in real-time since MSME taxpayer compliance would increase due to the implementation of E-

Registration issued by the Directorate General of Taxes. According to the findings of earlier research by Sulistyorini et al. (2017), the electronic system, namely e-Registration, has a significant impact on taxpayer compliance. The Directorate General of Taxes developed the E-Registration contemporary tax administration system to make it simpler for taxpayers to register for an NPWP. Another study by Putra & Marsono (2020) asserts that using the e-registration system impacts taxpayer compliance. This implies that when the tax management system is used more frequently, more people will comply with their tax responsibilities.

The modern tax administration system, with the implementation of e-filing, has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

The third hypothesis testing has demonstrated that e-registration has no substantial effect on MSME taxpayer compliance, as demonstrated by the P-value of 0.096, more than 0.05. Therefore, the hypothesis 3 is rejected. This suggests that regardless of how much e-filing is used, it does not impact MSME taxpayer compliance in Palu City throughout the pandemic. Electronic forms have not impacted MSME taxpayer compliance in Palu City during the outbreak. This is because people still fear making a mistake or are unsure how to use the online payment system, which is e-filing, offered by the tax office. The findings of this study are not in line with research conducted by Ramdani (2019) and Winoto & Pudjolaksono (2022), who discovered that the use of e-filing influence taxpayer compliance since there are still individual taxpayers (WPOP) who are uninformed about their tax duties.

Based on TPB, modern tax administration systems such as e-filing may be efficient and easy to use. However, MSMEs may not have full awareness of their tax obligations or may lack a strong intention to comply with tax regulations (Lesmana et al., 2018). Within the TPB framework, if the intention to comply with taxes is low, modern administrative systems may not have a significant effect. Other reasons may include the MSME taxpayers' technology literacy. Some MSMEs might not know about the technology and resistance to the tax system changes. They will perceive the e-filing as a hindrance to complying with tax regulations.

The modern tax administration system with the implementation of e-billing has a positive effect on the compliance of MSME taxpayers in Palu City during the pandemic.

The fourth hypothesis testing has demonstrated that e-billing has no substantial effect on MSME taxpayer compliance, as demonstrated by the P-value of 0.096, more than 0.05. Therefore, the hypothesis 4 is rejected. During the pandemic, Palu City's MSME taxpayer compliance was not significantly impacted by e-billing. This is because many people still opt to physically file their taxes since they still perceive the online method to be inconvenient. This outcome is consistent with an earlier study by Winoto & Pudjolaksono (2022), who found that e-billing has no discernible impact on MSME taxpayer compliance, but do not support Damayanti & Ernandi (2022).

The Directorate General of Taxes developed the contemporary tax administration system known as "e-Billing" to simplify paying their taxes online with a billing number. The billing system will generate a billing code that can be accessible online and has up to 15 digits. This code may be utilized with bank tellers or perception posts, internet banking, mobile banking, ATMs, and electronic data capture (EDC). As a result, introducing the E-Billing system recommended by the Directorate General of Taxes would increase MSME taxpayer compliance (Indriani, 2019).

Based on TPB, e-billing creates transparency in the tax collection process and provides easily accessible records for taxpayers (Sudiartana & Mendra, 2018). With more transparent billing, MSMEs may have a more positive intention to pay taxes correctly and on time. However, modern tax administration systems may involve complicated rules, especially for MSMEs that are not yet familiar with electronic taxation. Constant changes in tax laws can also be confusing. The pandemic factors may have placed financial pressure on MSMEs, such that they may not have sufficient resources to keep up with the change to a modern tax administration system or to pay taxes.

CONCLUSIONS

Tax incentive-based economic policies have a favorable impact on MSME taxpayers' compliance. Studies demonstrate that tax incentive-based economic policies favor and considerably impact MSME taxpayers' compliance. This implies that as MSME taxpayer compliance rises, so does the degree of economic policy based on tax incentives. This aligns with the government's efforts to improve tax compliance by issuing incentive programs. The design of future innovative tax incentives is beneficial. The TPB explains how tax incentive-based economic policies and modern tax administration systems can influence the intentions, subjective norms, and behavioral control of MSME taxpayers, which in turn can influence their compliance with tax regulations. This study uses the TPB as a basis for analysis to help understand the dynamics of taxpayers' behavior deeply. It provides insight into how to design more effective tax policies and tax administration to increase MSME taxpayer compliance.

Based on TPB, a modern, efficient tax administration system can also increase the y because the process becomes easier and more transparent. Likewise, modern tax administration systems that enable better collaboration and interaction between taxpayers and tax authorities can strengthen these positive norms. A modern tax administration system that simplifies the tax process and provides better access to tax information can increase the behavioral control of MSME taxpayers. They will feel better able to comply with regulations when the process is uncomplicated, and information sources are easily accessible.

MSME taxpayers' compliance is unaffected by the current tax administration system with its e-registration, e-filing, and e-billing. Although modern tax administration systems can potentially increase taxpayer compliance for MSMEs, this is not supported by the results of this research. There might be reasons for these findings. First, Some MSMEs may not fully understand the importance of tax compliance or the benefits of modern tax administration systems. They may

not see the value or understand how it works. Second, not all MSMEs have adequate access to technology or the technological competence needed to use a modern tax administration system. Some MSMEs may not have access to the devices or internet connection required to use the service. Third, MSMEs may have internal administration systems that have been in place for many years, and changing to a modern tax administration system may require adaptation and an investment of time and resources that they are not prepared for or want. Fourth, modern tax administration systems may not always function properly, or technical support may be inadequate. This could be an obstacle for MSMEs in using the system.

Future research might use other factors to explain the dynamics of taxpayers' compliance behavior, such as level of taxpayer concern or awareness, limited access, technological skills, resistance to change, financial constraints, quality of service and adequate support from modern systems, and the existence of law enforcement factors. Therefore, while a modern tax administration system can be a powerful tool for improving MSME taxpayer compliance, it is important to consider the challenges and obstacles that may exist in implementing it. Governments and agencies need to ensure that efforts are made to increase awareness, access, and ease of use of these systems, as well as understanding and overcoming barriers that may arise in practice.

Although this study was conducted diligently, there are some limitations. First, the inherent disadvantage of questionnaires, such as the respondent subjectivity or carelessness in filling out the questionnaires. Second, it is hard to get a good response rate. Often there is no strong motivation for respondents to complete the questionnaire. Third, Questionnaires cannot explore more in-depth information or explain the reasons behind respondents' answers. Therefore, future research may conduct further investigations, if necessary, using other data collection methods, such as interviews, observations, or literature reviews.

Abbreviation List

RQ: Research Question; GDP: Gross Domestic Product; DGT: Directorate General of Taxes; MSMEs: Micro, Small, and Medium Enterprises; TPB: Theory of Planned Behavior; SPT: Surat Pemberitahuan Pajak; WPOP: Wajib Pajak Orang Pribadi (individual taxpayers); AVE: Average Variance Extracted; PLS: Partial Least Square; SEM: Structural Equation Model; TIN: Tax Identification Number; KPP: Tax Service Office; ASP: Application Service Provider 20.

Author's Contribution

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The authors declare no competing interest.

Availability of Data and Materials

Research data are collected as explained in the research method. Questionnaires and data can be requested by email to the corresponding author.

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Appendix

Research Questionnaires (in Bahasa)

Tax compliance

- ✓ *Saya mendaftarkan NPWP atas kemauan sendiri.*
- ✓ *Setiap wajib pajak harus mendaftarkan diri untuk NPWP*
- ✓ *Saya telah mengetahui batas akhir dalam pelaporan pajak*
- ✓ *Saya selalu mengisi spt sesuai dengan ketentuan perundang-undangan*
- ✓ *Teknologi informasi memudahkan pelaporan spt sehingga wajib pajak melapor sebelum batas waktu akhir*
- ✓ *Saya mampu melakukan perhitungan pajak dengan benar*
- ✓ *Pemeriksaan pajak dapat mempermudah wajib pajak untuk membayar tepat waktu*
- ✓ *Saya selalu membayar pajak tepat waktu*

Kebijakan Insentif Pajak

- ✓ *Sebagai wajib pajak saya mengerti dan paham dengan adanya program insentif pajak final UMKM ditanggung pemerintah.*
- ✓ *Sebagai wajib pajak saya merasa jika syarat dan ketentuan untuk pengajuan insentif pajak UMKM sangat mudah.*
- ✓ *Dengan adanya insentif pajak untuk UMKM membuat saya menjadi termotivasi untuk lapor spt masa dan spt tahunan tepat waktu.*
- ✓ *Sebagai wajib pajak saya sangat terbantu dengan adanya insentif pajak untuk pelaku UMKM.*
- ✓ *Menurut saya dengan adanya insentif pajak merupakan hal efektif dalam meningkatkan kepatuhan pajak.*

E-Registration

- ✓ *Saya pernah menggunakan sistem e-registration*
- ✓ *E-registration adalah layanan yang ditujukan kepada calon wajib pajak yang akan mendaftarkan diri.*
- ✓ *E-registration memberikan kemudahan dalam mendaftarkan diri, update, dan hapus data.*
- ✓ *E-registration bisa digunakan kapanpun dan dimanapun sehingga menghemat waktu dan tenaga.*
- ✓ *Saya sebagai wajib pajak telah memahami manfaat, tujuan, dan prosedur penerapan e-registration.*
- ✓ *E-registration memberikan layanan yang lebih efektif karena menggunakan teknologi informasi.*
- ✓ *Penggunaan e-registration mampu meningkatkan hasil pekerjaan saya.*
- ✓ *Penggunaan e-registration mampu menambah tingkat produktivitas saya.*

E-Filing

- ✓ Menggunakan e-filing lebih mudah dibandingkan mengisi spt secara manual.
- ✓ E-filing jelas dan mudah dipahami.
- ✓ Mudah bagi saya untuk mempelajari bagaimana cara menggunakan e-filing.
- ✓ E-filing bisa digunakan kapanpun dan dimanapun sehingga menghemat waktu dan tenaga.
- ✓ E-filing memberikan layanan yang lebih efektif karena menggunakan teknologi informasi.
- ✓ Saya sebagai wajib pajak telah memahami manfaat, tujuan, dan prosedur penerapan e-filing.
- ✓ Penggunaan e-filing mampu meningkatkan hasil pekerjaan saya.
- ✓ Penggunaan e-filing mampu menambah tingkat produktivitas saya.

E-Billing

- ✓ Saya pernah menggunakan e-billing untuk membayar pajak.
- ✓ E-billing jelas dan mudah dipahami
- ✓ Mudah bagi saya untuk mempelajari bagaimana prosedur e-billing
- ✓ E-billing bisa digunakan kapanpun sehingga menghemat waktu.
- ✓ E-billing memberikan layanan yang lebih efektif.
- ✓ Saya sebagai wajib pajak telah memahami manfaat, tujuan, dan prosedur penerapan e-billing.
- ✓ Penggunaan e-billing mampu menambah tingkat produktivitas saya.
- ✓ Penggunaan e-billing mampu meningkatkan hasil pekerjaan saya.

Outer Loadings

Matrix	Kebijakan Ekonomi Berbasis Insentif Pajak	Kepatuhan Wajib Pajak UMKM	Penerapan E-Filing	Penerapan E-Registration	Penerapan E-billing
X1-1	0.861				
X1-2	0.870				
X1-3	0.898				
X1-4	0.842				
X1-5	0.792				
X2-2				0.862	
X2-3				0.921	
X2-4				0.884	
X2-5				0.865	
X2-6				0.868	
X2-7				0.913	

X2-8					0.900
X3-1				0.908	
X3-2				0.904	
X3-3				0.871	
X3-4				0.916	
X3-5				0.900	
X3-6				0.810	
X3-7				0.931	
X3-8				0.905	
X4-1					0.820
X4-2					0.918
X4-3					0.888
X4-4					0.864
X4-5					0.899
X4-6					0.901
X4-7					0.932
X4-8					0.924
Y2			0.814		
Y3			0.779		
Y4			0.853		
Y5			0.790		
Y6			0.745		
Y7			0.803		
Y8			0.735		
Y1			0.703		

R Square

R Square

Matrix	R Square	R Square Adjusted
	R Square	R Square Adjusted
Kepatuhan Wajib Pajak UMKM	0.742	0.731

Construct Validity and Reliability

Construct Reliability and Validity

Matrix	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)	Copy to C
	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)	
Kebijakan Ekonomi Berbasis Insentif Pajak	0.906	0.908	0.930	0.728	
Kepatuhan Wajib Pajak UMKM	0.907	0.911	0.925	0.607	
Penerapan E-Filling	0.964	0.964	0.969	0.799	
Penerapan E-Registration	0.955	0.957	0.963	0.788	
Penerapan E-billing	0.964	0.966	0.970	0.799	

Discriminant Validity

Discriminant Validity

Fornell-Larcker Criterion		Cross Loadings		Heterotrait-Monotrait Ratio (HTMT)		Copy to Clipboard: Excel Format R Format	
	Kebijakan Ekonomi Berbasis Insentif Pajak	Kepatuhan Wajib Pajak UMKM	Penerapan E-Filing	Penerapan E-Registration	Penerapan E-billing		
Kebijakan Ekonomi Berbasis Insentif Pajak	0.853						
Kepatuhan Wajib Pajak UMKM	0.842	0.779					
Penerapan E-Filing	0.815	0.782	0.894				
Penerapan E-Registration	0.711	0.644	0.782	0.888			
Penerapan E-billing	0.828	0.738	0.918	0.764	0.894		

Cross Loading

Discriminant Validity

Fornell-Larcker Criterion		Cross Loadings		Heterotrait-Monotrait Ratio (HTMT)		Copy to Clipboard: Excel Format R For	
	Kebijakan Ekonomi Berbasis Insentif Pajak	Kepatuhan Wajib Pajak UMKM	Penerapan E-Filing	Penerapan E-Registration	Penerapan E-billing		
X1-1	0.861	0.718	0.691	0.567	0.710		
X1-2	0.870	0.763	0.693	0.637	0.717		
X1-3	0.898	0.739	0.740	0.627	0.755		
X1-4	0.842	0.700	0.687	0.608	0.712		
X1-5	0.792	0.665	0.663	0.593	0.631		
X2-2	0.653	0.647	0.668	0.862	0.652		
X2-3	0.647	0.582	0.740	0.921	0.688		
X2-4	0.616	0.557	0.689	0.884	0.635		
X2-5	0.596	0.533	0.670	0.865	0.642		
X2-6	0.576	0.505	0.661	0.868	0.662		
X2-7	0.649	0.587	0.702	0.913	0.738		
X2-8	0.669	0.569	0.725	0.900	0.730		
X3-1	0.750	0.723	0.908	0.702	0.798		
X3-2	0.746	0.682	0.904	0.706	0.819		
X3-3	0.715	0.664	0.871	0.640	0.799		
X3-4	0.736	0.706	0.916	0.716	0.850		
X3-5	0.724	0.695	0.900	0.730	0.799		
X3-6	0.635	0.712	0.810	0.670	0.788		
X3-7	0.739	0.700	0.931	0.732	0.868		
X3-8	0.775	0.701	0.905	0.686	0.840		
X4-1	0.701	0.623	0.717	0.552	0.820		
X4-2	0.733	0.660	0.843	0.729	0.918		
X4-3	0.683	0.614	0.796	0.689	0.888		
X4-4	0.692	0.620	0.764	0.672	0.864		
X4-5	0.723	0.624	0.811	0.691	0.899		
X4-6	0.762	0.693	0.819	0.700	0.901		
X4-7	0.812	0.707	0.901	0.726	0.932		
X4-8	0.795	0.724	0.899	0.700	0.924		
Y2	0.684	0.814	0.610	0.541	0.578		

Y3	0.602	0.779	0.507	0.322	0.454
Y4	0.659	0.853	0.583	0.468	0.544
Y5	0.748	0.790	0.703	0.593	0.669
Y6	0.652	0.745	0.620	0.521	0.620
Y7	0.754	0.803	0.683	0.638	0.671
Y8	0.523	0.735	0.489	0.426	0.432
Y1	0.568	0.703	0.630	0.442	0.573

Model_Fit

Fit Summary	rms Theta	
	Saturated Model	Estimated Model
SRMR	0.069	0.069
d_ULS	3.171	3.171
d_G	5.270	5.270
Chi-Square	2059.060	2059.060
NFI	0.637	0.637

Hypothesis Testing

Path Coefficients

Mean, STDEV, T-Values, P-Values	Confidence Intervals	Confidence Intervals Bias Corrected	Samples	Copy to Clipboard: Excel Format R Format		
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O /STDEV)	P Values	
Kebijakan Ekonomi Berbasis Insentif Pajak -> Kepatuhan Wajib Pajak UMKM	0.660	0.689	0.126	5.219	0.000	
Penerapan E-Filing -> Kepatuhan Wajib Pajak UMKM	0.442	0.377	0.265	1.667	0.096	
Penerapan E-Registration -> Kepatuhan Wajib Pajak UMKM	-0.018	-0.028	0.127	0.142	0.887	
Penerapan E-billing -> Kepatuhan Wajib Pajak UMKM	-0.200	-0.150	0.236	0.851	0.395	