

# The Influence of Tax Understanding, Tax Rate, Tax Incentive, and Tax Sanction on Taxpayer Compliance during the Covid-19 Pandemic

## (Case Study on UMKM in Surakarta Regency)

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**Abstract:** This study aims to examine the effect of understanding taxes, tax rates, tax incentive policies, and tax sanctions on taxpayer compliance during the covid-19 pandemic. The population in this study were all Micro, Small and Medium Enterprises (UMKM) in the Surakarta City area. The data used in this study is primary data obtained from the results of a questionnaire circulated in a case study on UMKM in the city of Surakarta. Sampling in this sample by simple random sampling in order to obtain 100 samples. The data analysis technique used was multiple linear regression analysis with SPSS version 25. The results showed that understanding of taxes, tax incentives, and tax sanctions had a significant effect on taxpayer compliance, while tax rates had no significant effect on taxpayer compliance.

**Keywords:** Understanding Tax, Tax Rate, Tax Incentive, Tax Sanction, Taxpayer Compliance

### I. INTRODUCTION

It can be said to be a country if an area has elements of territory, people, and government in it. Indonesia is one of the developing countries whose economic development can be said to be quite rapid. In the implementation of its government, Indonesia continues to carry out sustainable national development which aims at the welfare of the people. The cost of state development must be considered in order to achieve the goal. Regarding state revenue, the tax sector is the sector that has the most potential to contribute to the State Budget (APBN) compared to other sectors.

The government collects taxes as an effort to support national development funding. It is known that taxes are the largest source of income (75%) for the state to fund the APBN (Rahayu, 2017). With the aim of financing the State Revenue and Expenditure Budget (APBN), its revenues have increased quite substantially from value to percentage of overall income each year. This shows that the role of taxes at this time is very dominant in state revenue. In addition, the ability of taxes to stimulate the economy is also desirable.

Table1 Contribution of Taxes to APBN to 2014-2019

No	Fiscal year	APBN(in Rp. Trillion)	Total Tax Revenue (in Rp. Trillion)	Tax Contribution (%)
1	2014	1.550,6	1.146,9	73,9%
2	2015	1.793,6	1.201,7	67,0%
3	2016	1.822,5	1.546,7	84,8%
4	2017	1.750,3	1.498,9	85,6%
5	2018	1.894,7	1.618,1	85,4%
6	2019	2.165,1	1.786,4	82,5%

Source: kemenkeu.go.id(Ministry of Finance of the Republic of Indonesia, 2020)

Based on Table 1 explains the importance of taxes in national development. According to Soemitro (2016:111) tax is a mandatory contribution for all people which must be paid to the state treasury according to the provisions of the applicable law so that it can be imposed and without any direct compensation (contra-achievement) used to finance general state expenditures. Overall tax revenues in April 2021 amounted to IDR 374.9 trillion. This achievement is 30.94% of the 2021 tax revenue target of Rp. 1,229.6 trillion, the growth is still negative 0.46% (<https://www.kemenkeu.go.id/>, 2021). Currently, the government is in need of very large funds to overcome the covid-19 virus which can be obtained from the tax sector. However, on the other hand, the economic condition is paralyzed, so it is very unwise if the state still has to burden the public to pay taxes, therefore taxpayer compliance is needed so that the realization of tax revenue is in accordance with the government's budget.

Problems related to taxpayer compliance are problems that are currently of concern to the tax sector. Currently, the level of taxpayer compliance in Indonesia is still very low. Not comparable with the increasing growth of Micro, Small and Medium Enterprises but not balanced with the awareness of UMKMactors in their compliance with paying taxes (Indrawan, 2018) Micro, Small and Medium Enterprises (UMKM) have an important role in increasing the country's economic growth and can avoid an economic crisis. Micro, Small and Medium Enterprises (UMKM) are one of the contributors to taxes for the state and help provide employment opportunities for people in the surrounding area so that they can prosper the surrounding community. Problems related to taxpayer compliance are problems that are currently of concern to the tax sector. Currently, the level of taxpayer compliance in Indonesia is still very low. Not comparable with the increasing growth of Micro, Small and Medium Enterprises but not balanced with the awareness of UMKMactors in their compliance with paying taxes (Indrawan, 2018) Micro, Small and Medium Enterprises (UMKM) have an important role in increasing the country's economic growth and can avoid an economic crisis. Micro, Small and Medium Enterprises (UMKM) are one of the contributors to taxes for the state and help provide employment opportunities for people in the surrounding area so that they can prosper the surrounding community. For Micro, Small and Medium Enterprises (UMKM) in Surakarta City,

Understanding of taxation is a process where taxpayers understand and know about tax regulations and procedures and apply them. The low understanding of tax regulations is a factor that causes weak taxpayer compliance itself. This low understanding can affect taxpayers in paying their taxes. Awareness of taxpayers owned can also be a factor that causes taxpayers to comply with their tax obligations. Because awareness is an element that exists in humans to understand the situation in reality and the attitude to act or respond to something (Fauzi & Maula, 2020). Tax awareness is the willingness to fulfill obligations, namely taxpayers are willing to contribute in the form of funds in order to achieve the implementation of government functions, namely by paying their tax obligations. In addition, a factor that causes low taxpayer compliance is that employees in the tax office often do not provide maximum service (Fauzi & Maula, 2020).

Government Regulation Number 46 of 2013 concerning Tax Rates as a benchmark based on the calculation of the amount of tax that must be paid. The decrease in the UMKMtax rate from 1% to 0.5% is one of the factors that affect UMKMtaxpayer compliance. The amount of tariffs set by the law makes some UMKMfeel that the injustice in the taxation sector will be increasingly felt, because companies that have large capital will be greatly helped and it seems that they are getting subsidies indirectly. Meanwhile, UMKMthat only have small capital are forced to tighten their belts and carry increasingly heavy burdens because every amount of financial transactions they carry out has a tax liability that must be accounted for, even though the profits obtained are actually not proportional to the capital.

The UMKMsector and cooperatives have five policies issued by the Kemenkop-UKM (2020), namely the distribution of social assistance to UMKMbusiness actors who are poor and vulnerable; tax incentives for UMKM; relaxation and restructuring of UMKMloans; expansion of UMKMworking capital financing; placing ministries, BUMN, and Regional Governments as distributors of UMKMproducts; and training and socialization of government policies through online learning. Tax incentives are one solution in maintaining economic stability, the government implements policies that are expected to help save the business sector which is one of the state revenues, one of them is by implementing economic policies that are expected to help the continuity of UMKMbusinesses so that they can survive in the midst of the Covid-19 pandemic condition through tax incentives which are part of the Pemulihan Ekonomi Nasional (PEN) program. One of the tax incentives that can be utilized by business actors is through PMK No. 86 of 2020 regarding Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak, and the last one was renewed in 2021, namely Regulation of the Minister of Finance of the Republic of Indonesia Number 82/PMK.03/ 2021. The forms of tax incentives provided include Government-borne Income Tax Article 21 (DTP), UMKMFinal Income Tax Borne by the Government, Exemption of Article 22 Import Income Tax, Article 25 Income Tax Installment Reduction. This tax incentive policy is given as a response from the government to the declining productivity of business actors. The policy also aims to help improve and accelerate the rotation of the financial and goods economy and production so that they are stable and able to survive the pandemic and prosper all who will benefit from this policy. The government hopes that this tax incentive policy can save the economy of UMKM actors affected by the covid-19 pandemic, so that they can survive during this

pandemic. The policy also aims to help improve and accelerate the rotation of the financial and goods economy and production so that they are stable and able to survive the pandemic and prosper all who will benefit from this policy. The government hopes that this tax incentive policy can save the economy of UMKMactors affected by the covid-19 pandemic, so that they can survive during this pandemic. The policy also aims to help improve and accelerate the rotation of the financial and goods economy and production so that they are stable and able to survive the pandemic and prosper all who will benefit from this policy. The government hopes that this tax incentive policy can save the economy of UMKMactors affected by the covid-19 pandemic, so that they can survive during this pandemic.

Although the government during the covid-19 pandemic has issued an economic stimulus, one of which is by exempting taxes for micro, small and medium enterprises, this can only be used for those who apply. This means that if the micro, small and medium enterprises do not apply, then they do not receive the facility or stimulus, either they did not apply intentionally or because of their ignorance of the facilities provided by the government, Zain (2020) explained that in the midst of a completely transparent climate, it turns out that such practices (fraud practices) are still rife. This means that the relevant authorities must remain vigilant and not easily believe the reports they receive. In the provision of tax sanctions, the state should be able to apply wisely to taxpayers who have not fulfilled their tax obligations properly due to unintentional or due to taxpayer ignorance of the tax obligations that are actually attached to them. With the sanctions, it is hoped that the regulations will be more adhered to.

Research conducted by (Dewi Syanti, Widyasari, 2020) resulted in research that tax incentives have no effect on taxpayer compliance, and tax rates and tax sanctions can have a significant effect on compliance. Research conducted by Ryanto, et al (2020) shows the results that tax knowledge has an effect on taxpayer compliance, tax sanctions also have a significant effect on taxpayer compliance. Research conducted by (Fauzi & Maula, 2020) explained that tax awareness and tariffs have an effect on taxpayer compliance, while tax understanding and services have no effect on taxpayer obligations. In simultaneous testing, the results of the study indicate that understanding, awareness, tax rates and tax services together have an effect on taxpayer compliance.

Based on the inconsistency of the results of previous studies, the researchers were interested in conducting a research entitled "The Influence of Tax Understanding, Tax Rates, Tax Intensive Policies, and Tax Sanctions on UMKM Taxpayer Compliance in Surakarta City During the covid-19 Pandemic".

## **II. HEADINGS**

According to Waluyo (2013:112) tax compliance is defined as a condition in which taxpayers are obedient and have awareness in fulfilling tax obligations. Compliance and awareness of fulfilling tax obligations are reflected in the following situations (Waluyo, 2013:116): (1)Taxpayers understand or try to understand all provisions of tax laws and regulations;(2)Fill out tax forms completely and clearly;(3)Calculate the amount of tax payable correctly;(4)Pay taxes due on time. According to Mardiasmo (2014) the understanding of the taxpayer's understanding is the taxpayer's understanding of the tax collection system in Indonesia and all kinds of applicable tax regulations. According to research by Wulandari (2016), indicators of the level of understanding of taxation include: (1) Taxpayer Identification Number (NPWP); (2) Process or Procedure for Completion of Annual SPT; (3) Deadline for SPT Submission and Tax Payment; (4) Extension of SPT Submission Time. Tax sanctions are a guarantee that the provisions of the tax law (tax norms) will be complied with. Or in other words, tax sanctions are a preventive tool so that taxpayers do not violate tax norms (Mardiasmo, 2014). According to Rochmat Soemitro in Siti Kurnia Rahayu (2010: 68) Tax Sanction indicators are as follows: (1) Sanctions given must be clear and firm; (2) Sanctions are in accordance with the scope of legislation; (3) The narrowing or expansion of the material subject to taxation must be carried out by law; (4) The scope of the enactment of the law is clearly limited by the object, subject and area; (5) Legal language must be short, clear, firm without any doubts and double meanings. An offer from the government, through a tax benefit, in a particular activity, such as a monetary contribution to a quality activity, is called a tax incentive. According to Winardi (2011), taxation with the aim of providing stimulation or relief. Erly Suandy (2016), there are generally four types of tax incentives, namely: (1) Exemption from taxation; (2) Reduction of tax base; (3) Reduction of tax rates; (4) Withholding tax. UMKM is a business activity owned by individuals or entities that have small-scale business capital. UMKM are regulated in the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises.

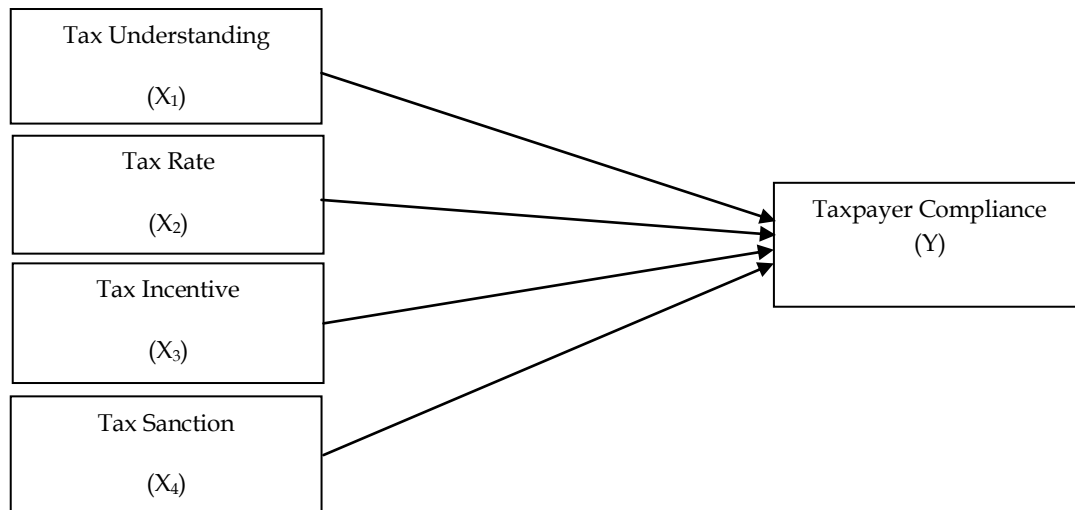
The framework for thinking and developing hypotheses in this study is as follows:

H1: Understanding Taxes Affects Taxpayer Compliance

H2: Tax Rates Affect Taxpayer Compliance

H3: Tax Incentives Affect Taxpayer Compliance

H4: Tax Sanctions Affect Taxpayer Compliance



### III. INDENTATIONS AND EQUATIONS

#### Types of research

This research uses quantitative research as a scientific method to obtain valid data with the aim of being able to find, prove and develop knowledge so that in turn it can be used to understand, solve and anticipate problems in certain fields. (Sugiyono, 2017).

#### Data source

The source of data in this study is primary data, namely data obtained from the results of questionnaires circulated in case studies on UMKM in Surakarta City.

#### Population and Sample

The population in this study were all UMKM in the Surakarta City area. Based on data from the Office of Small and Medium Enterprises Cooperatives in Central Java Province, the number of UMKM in Surakarta City is 17,964 (<https://satudata.dinkop-umkm.jatengprov.go.id/data/umkm-kabkota>). Sampling in this sample by simple random sampling. In determining the number of samples used is the slovin formula so that 100. is obtained by respondents or UMKM taxpayers in Surakarta City.

#### Data collection technique

In this study, data collection was carried out by distributing questionnaires to respondents. Questionnaire is a data collection technique that is carried out by giving a set of written questions to respondents to answer, which can be given in person or by post or the internet. There are two types of questionnaires, namely closed and open. The questionnaire that the researcher uses is a closed questionnaire which is presented in the attachment to the questionnaire containing a written statement where the answers have been provided so that the respondent only gives a tick (✓). In distributing the questionnaire, the researcher distributes it himself directly to the respondents at the location UMKM in Surakarta.

#### Data analysis method

The data analysis technique used in this research is descriptive statistical analysis, validity test, reliability test, classical assumption test, multiple linear regression analysis, f test, coefficient of determination test, and t test with the help of SPSS version 25 program.

The following equations are used in the study of multiple linear regression analysis:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + e$$

Where:

Y = Taxpayer Compliance

X1 = Tax Understanding

X2 = Tax Rate

X3 = Tax Incentive

X4 = Tax Sanctions

$\alpha$  = Constant Number (value of Y, if X=0)

e = error tolerated (5%)

#### IV. FIGURES AND TABLES

##### IV.I Descriptive Statistical Analysis Results

Table 2 Descriptive Statistical Analysis Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Tax Understanding	100	12	25	18.68	3.101
Tax Rate	100	13	30	22.07	3.233
Tax Incentive	100	9	24	17.10	3.976
Tax Sanction	100	13	29	21.50	3.580
Taxpayer Compliance	100	11	30	20.33	4.628
Valid N (listwise)	100				

Source: SPSS 25 Data Processing, 2022

##### IV.II Data Analysis Results

##### IV.III Validity test

Table 3 Validity Test Results

Variable	Statement	Rcount	Rtable	Information
Tax Understanding	PP.1	0,631	0,195	Valid
	PP.2	0,716	0,195	Valid
	PP.3	0,769	0,195	Valid
	PP.4	0,695	0,195	Valid
	PP.5	0,732	0,195	Valid
Tax Rate	TP.1	0,350	0,195	Valid
	TP.2	0,424	0,195	Valid
	TP.3	0,717	0,195	Valid
	TP.4	0,695	0,195	Valid
	TP.5	0,829	0,195	Valid
	TP.6	0,829	0,195	Valid
Tax Incentive	IP.1	0,878	0,195	Valid
	IP.2	0,882	0,195	Valid
	IP.3	0,878	0,195	Valid

Variable	Statement	Rcount	Rtable	Information
	IP.4	0,682	0,195	Valid
	IP.5	0,668	0,195	Valid
Tax Sanction	SP.1	0,639	0,195	Valid
	SP.2	0,723	0,195	Valid
	SP.3	0,648	0,195	Valid
	SP.4	0,300	0,195	Valid
	SP.5	0,808	0,195	Valid
	SP.6	0,642	0,195	Valid
Taxpayer Compliance	KWP.1	0,902	0,195	Valid
	KWP.2	0,930	0,195	Valid
	KWP.3	0,909	0,195	Valid
	KWP.4	0,907	0,195	Valid
	KWP.5	0,464	0,195	Valid
	KWP.6	0,208	0,195	Valid

Source: SPSS 25 Data Processing, 2022

Based on the results of the validity test in table 3 above, it is known that the research variables which tax understanding, tax rate, tax incentive, tax sanction and taxpayer compliance are declared valid. This is based on the *pearson correlation* value in the form of an  $r_{count}$  greater than  $r_{table}$  (0,195) and a significance level greater than  $\alpha$  (0,05). Thus, all the variables of this study are feasible to be tested in the next stage.

#### IV.II.II Reliability Test

Table 4 Reliability Test Results

Variable	Cronbach's Alpha	Standard	Information
Tax Understanding	0,740	0,6	Reliable
Tax Rate	0,723	0,6	Reliable
Tax Incentive	0,862	0,6	Reliable
Tax Sanction	0,692	0,6	Reliable
Taxpayer Compliance	0,836	0,6	Reliable

Source: SPSS 25 Data Processing, 2022

Based on the results of the reliability test, it shows that the research instrument is which tax understanding, tax rate, tax incentive, tax sanction and taxpayer compliance are declared reliable. This is based on each *Cronbach's Alpha* value greater than 0,6. The results of the reliability test above stated that all the instruments in this study were reliable.

#### IV.III Classic Assumption Test Results

##### IV.III.I Normality test

Table 5 Normality Test Results

Information	Unstandardized Residual
Kolmogrov-Smirnov Z	0,041
Asymp. Sig. (2-tailed)	0,200

Source: SPSS 25 Data Processing, 2022

Based on the results of the normality test in table 5 above, it shows that the *Asympvalue Sig. (2-tailed)* of 0,200 is greater than 0.05. Thus, it can be concluded that the residual data of the regression model in this study are normally distributed.

**IV.III.II Multicollinearity Test**

Table 6 Multicollinearity Test Results

Variable	Tolerance	VIF	Information
Tax Understanding	0,173	5,772	Multicollinearity Free
Tax Rate	0,290	3,453	Multicollinearity Free
Tax Incentive	0,235	4,249	Multicollinearity Free
Tax Sanction	0,323	3,100	Multicollinearity Free

Source: SPSS 25 Data Processing, 2022

Based on the results of the multicollinearity test in table 6 below, it shows that all independent variables tax understanding, tax rate, tax incentive, and tax sanction have a *tolerance* value greater than 0,10 and a VIF (*variance inflating factor*) value less than 10. Thus, it can be concluded that there is no problem with the data multicollinearity between independent variables.

**IV.III.III Heteroscedasticity Test**

Table 7 Heteroscedasticity Test Results

Variable	Significance	Information
Tax Understanding	0,264	Heteroscedasticity does not occur
Tax Rate	0,917	Heteroscedasticity does not occur
Tax Incentive	0,380	Heteroscedasticity does not occur
Tax Sanction	0,083	Heteroscedasticity does not occur

Source: SPSS 25 Data Processing, 2022

Based on the results of the heteroscedasticity test in table 7, it shows that the significant value above is greater than 0,05. Thus, it can be concluded that the regression model does not contain any problems of heteroscedasticity or *variance* from the *residual* of one observation to another.

**IV.IV Hypothesis test**

**IV.IV.I Multiple Linear Analysis**

Table 8 Multiple Linear Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.398	1.342		2.532	.013
	Tax Understanding	-.341	.134	-.228	-2.547	.012
	Tax Rate	-.114	.099	-.080	-1.151	.253
	Tax Incentive	1.235	.090	1.061	13.785	.000
	Tax Sanction	.219	.085	.170	2.579	.011

a. Dependent Variable: Taxpayer Compliance

Source: SPSS 25 Data Processing, 2022

From these results, when written in *standardized* form, the regression equation is as follows:

$$KWP = 3,398 - 0,341 PP - 0,114 TP + 1,235 IP + 0,219 SP + 1,342$$

- a) The constant value of the taxpayer compliance variable of 3,398 means that the tax understanding, tax rate, tax incentive, and tax sanction units of score.
- b) The regression coefficient of the tax understanding variable with a value of -0,341 it can be interpreted that if the tax understanding variable increases by one unit, taxpayer compliance decreases by 0,341.
- c) The regression coefficient of the tax rate variable with a value of -0,114 it can be interpreted that if the tax rate variable increases by one unit, the taxpayer compliance decreases by 0,114.
- d) The regression coefficient of the tax incentive variable with a value of 1,235 it can be interpreted that if the tax incentive variable increases by one unit, the taxpayer compliance increases by 1,235.
- e) The regression coefficient of the tax sanctions variable with a value of 0,129 it can be interpreted that if the tax sanctions variable increases by one unit, the taxpayer compliance increases by 0,129.
- f) The error value is 1,342 which means stating that the level of error or deviation that may not be known in the regression model is 1,342.

**IV.IV.II Simultaneous Test(F Test)**

Table 9 F . Test Results

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1839.431	4	459.858	155.646	.000 <sup>b</sup>
	Residual	280.679	95	2.955		
	Total	2120.110	99			

a. Dependent Variable: Taxpayer Compliance

b. Predictors: (Constant), Tax Sanctions, Tax Rates, Tax Incentives, Tax Understanding

Source: SPSS 25 Data Processing, 2022

Based on the results of the F test in table 9, the results of statistical calculations show the calculated F value = 155,646 and with a significance of 0,000 < 0,05. This means that together the tax understanding, tax rates, tax incentive, and tax sanction have a simultaneous effect on taxpayer compliance.

**IV.IV.III Coefficient of Determination**

Table 10 Results of the Coefficient of Determination

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.931 <sup>a</sup>	.868	.862	1.719

a. Predictors: (Constant), Tax Sanctions, Tax Rate, Tax Incentive, Tax Understanding

b. Dependent Variable: Taxpayer Compliance

Source: SPSS 25 Data Processing, 2022

Based on the results of the adjusted R<sup>2</sup> test in table 10, it shows that the adjusted R<sup>2</sup> value is 0,862 which means that the dependent variable that can be explained by the independent variable is 86,2%. This means that the independent



variables include tax understanding, tax rate, tax incentive and tax sanction can only explain 86,2% of taxpayer compliance while the remaining 13.8% is influenced by other variables outside this research model.

**IV.IV.IV Partial Test(T Test)**

Table 11 T . Test Results

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	3.398	1.342		2.532	.013
	Tax Understanding	-.341	.134	-.228	-2.547	.012
	Tax Rate	-.114	.099	-.080	-1.151	.253
	Tax Incentive	1.235	.090	1.061	13.785	.000
	Tax Sanction	.219	.085	.170	2.579	.011

a. Dependent Variable: Taxpayer Compliance

Source: SPSS 25 Data Processing, 2022

Based on the results of the t-test, tax understanding, tax incentive, tax sanction have a significance value smaller than the expected significance level (0,05) then these three variables affect taxpayer compliance. While the tax rate has a significance value greater than the expected significance level (0,05) the tax rate has no effect on taxpayer compliance.

**IV.V Discussion of Analysis Results**

**1. The Effect of Tax Understanding on Taxpayer Compliance**

The test results with SPSS were obtained for the  $X_1$  variable (tax understanding) obtained t count value of -2,547 with a significance level smaller than the expected significance level ( $0,012 < 0,05$ ), then  $H_1$  is accepted. It can be concluded that tax understanding has a significant effect on taxpayer compliance. In carrying out their obligations, taxpayers must master the regulations and obligations they carry out in order to avoid tax sanctions. A high level of understanding of taxes will make taxpayers behave obediently in carrying out taxes. This means that the wider understanding of taxpayers on the provisions of tax laws and the importance of taxes for a country, it will increase taxpayer compliance and encourage an increase in state revenues, where state revenues will have an impact on the welfare of society. Attribution theory is very relevant to the understanding of taxes, this is because the understanding of taxes is an internal cause that can affect the perception of taxpayers in fulfilling their tax obligations. The results of this study are in line with the research of Rianty & Syahputepa (2020), Triandani & Apollo (2020), Tene et al., (2017), Sari & Jaya (2017), Asfa & Meiranto (2017).

**2. The Effect of Tax Rates on Taxpayer Compliance**

The test results with SPSS were obtained for the  $X_2$  variable (tax rate) obtained t count value of -1,151 with a significance level greater than the expected significance level ( $0,253 > 0,05$ ), then  $H_2$  is rejected. Can be concluded that tax rate has no effect significant to taxpayer compliance. When the tax rate decreases, it will not increase taxpayer compliance due to the abnormal economic situation during the covid-19 pandemic. With the change in the reduction in the Pajak Penghasilan (PPh) Badan tax rate for 2020, 2021 and 2022 provided by the government, the tax rate variable does not have a significant positive effect on taxpayer compliance. A reduction in tax rates cannot provide the ability of the taxpayer to pay and report taxes in a timely manner due to the covid-19 pandemic situation. The results of this study are in line with research conducted by Zulma, G.W.M (2020).

**3. The Effect of Tax Incentives on Taxpayer Compliance**

The test results with SPSS were obtained for the  $X_3$  variable (tax incentives) obtained t count value of 13,785 with a significance level smaller than the expected significance level ( $0,000 < 0,05$ ), then  $H_3$  is accepted. Can be concluded that tax incentives have a significant effect on taxpayer compliance. The provision of tax incentives by the government will affect the income received during the covid-19 period, this will also ease the burden on UMKM actors with their tax

obligations. Tax incentives provided by the government can provide motivation and state awareness in fulfilling taxpayer compliance. The results of this study are in line with research conducted by Nataherwin (2020) dan Diana, et al (2021).

#### **4. The Effect of Tax Sanctions on Taxpayer Compliance**

The test results with SPSS were obtained for the  $X_4$  variable (tax sanction) obtained t count value of 2,579 with a significance level smaller than the expected significance level ( $0,011 < 0,05$ ), then  $H_4$  is accepted. Can be concluded that tax sanctions effect significant to taxpayer compliance. The existence of tax sanctions will increase taxpayer compliance. The existence of tax sanctions can increase awareness and compliance in the field of taxation, and taxpayers can comply with their obligations, if they do not comply, the tax costs incurred are more than they should. The results of this study are in line with research conducted by Putra, et al (2020) dan Irawati, et al (2021).

### **V. CONCLUSION**

Based on the results of the analysis carried out, it can be concluded as follows:

1.  $H_1$  is accepted, so that tax understanding has a negative and significant effect on taxpayer compliance. This is indicated by the obtained t count value -2,547 with a significance level smaller than the expected significance level ( $0,012 < 0,05$ ).
2.  $H_2$  is rejected, so the tax rate has no effect on taxpayer compliance. This is indicated by the obtained t count value of -1,151 with a significance level greater than the expected significance level ( $0,253 > 0,05$ ).
3.  $H_3$  is accepted, so that tax incentives have a positive and significant effect on taxpayer compliance. This is indicated by the obtained t count value of 13, is accepted, so that tax sanctions have a positive and significant effect on taxpayer compliance. This is indicated by the obtained t count value of 2,579 with a significance level smaller than the expected significance level ( $0,011 < 0,05$ ).

#### **Limitations and Suggestions**

1. This study only uses four variables, that is tax understanding, tax rate, tax incentive, and tax sanction that affect taxpayer compliance. Further research is expected to add other variables that can affect taxpayer compliance such as the attitude of the taxpayer, the economic level of the taxpayer and so on.
2. This study is only done on UMKM in Surakarta district so this research has not been able to represent all UMKM in the regions. It is hoped that further research can be carried out with case studies outside the district of Surakarta, such as Boyolali, Karanganyar, Sukoharjo, Wonogiri and Klaten.

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