THE EFFECT OF TAXATION UNDERSTANDING, TAX PERCEPTION ON APPLICATION OF AMENDMENT TO GOVERNMENT REGULATION NO. 46 OF 2013 BECOME NO. 23 OF 2018 ON SANCTIONS OF TAXATION AND PERSONAL MSME TAXPAYER COMPLIANCE IN PEKANBARU

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Abstract: This study aims to determine the effect of (1) Taxation Understanding on the Compliance of Personal MSME Taxpayers, (2) Taxpayers Perception Regarding Application of Amendment to PP No.46 of 2013 become PP No.23 of 2018 on the Compliance of Personal MSME Taxpayers, (3) Taxation Understanding on Tax Sanctions, (4) Taxpayers Perception about the Implementation of Amendment to PP No.46 of 2013 become PP No.23 of 2018 on Tax Sanctions, and (5) Tax Sanctions on Compliance of Personal MSME Taxpayers in Pekanbaru. The data was analyzed using Structural Equation Model (SEM). The results of this study indicate taxation understanding and taxpayer perceptions about the application of the amendment to PP No. 46 of 2013 become PP No. 23 of 2018 does not significantly affect Personal MSME Taxpayers. Taxation understanding and taxpayer perceptions about the application of the amendment to PP No. 46 of 2013 become PP No. 23 of 2018 has a significant effect on tax sanctions. Taxation sanctions significantly influence individual Personal MSME Taxpayers.

Keywords: Personal MSME Taxpayers Compliance, Tax Sanctions, Taxation Understanding


National development runs continuously and simultaneously aiming to improve the people’s welfare materially and spiritually. Indonesia is a developing country so that the economy has not brought prosperity and justice to its people. Besides, national development has not been implemented well and there are still many public facilities such as roads, public health centers, and community institutions, which need more improvement. One of the causes of the prob-
lem is taxpayers (the people themselves) who do not comply to fulfill their obligations. To realize the ideals of national development, the government must optimize taxes as a source of funds in the country.

All forms of state finance are listed in the State Budget (APBN, Indonesian: Anggaran Pendapatan dan Belanja Negara)/Regional Government Budget (APBD, Indonesian: Anggaran Pendapatan dan Belanja Daerah). Central and local governments have targets based on revenue sources, while the use of revenue must be relevant to programs implemented by the central or regional government. All financial processes are recorded in the APBN/APBD with a period of 1 year.

Indonesia prioritizes taxes as a source of funding for various fields. Tax revenues increased starting in fiscal 1984. The government implemented a self-assessment to collect taxes after official tax reforms were announced. This system gave the authority for taxpayers to calculate, pay, and report their taxes within a certain period following tax laws and regulations (Mardiasmo, 2006). Tax is an essential aspect of developing a country. The government has made various programs to increase tax awareness, so it affects regional government and the state budget. New regulations were stipulated to encourage taxpayers to realize they need to register, calculate, pay, and report their obligations. It means taxpayer awareness is the most dominant factor to maximize tax potential. Many taxpayers avoid their obligations. This is a manifestation of a low public understanding of taxes. This understanding is a key instrument to improve their compliance, both formally and materially.

The application of Government Regulation No. 46 of 2013 is one of the government’s purposes to improve MSME (Micro, Small, and Medium Enterprises) compliance to carry out its obligations. The implementation also has administrative and criminal sanctions. The tax law also doubles as a tool to prevent violations by emphasizing the rules that must be obeyed, accepted, and served (Mardiasmo, 2009). Nevertheless, there are still many taxpayers who are negligent or deliberately do not pay taxes. The government recently targets the MSME sector because it has great potential to increase tax revenue.

But the fact is that many MSMEs have not fulfilled their obligations as taxpayers. Indeed, unlike other sectors with a large gross, MSMEs tend to have a smaller turnover and profits. MSME taxpayers still deliberately do not report and pay taxes because tax regulations are difficult to understand, especially those who use simple accounting calculations have not compiled detailed accounting. This is the government’s duty to simplify regulations because if this sector can maximize its taxation, it will positively affect state revenue.

The government then enacted laws and regulations on June 13, 2013, in the form of Government Regulation Number 46 of 2013 about income tax (PPh, Indonesian: Pajak Penghasilan) on from businesses received or obtained by taxpayers who have a certain gross. Based on these provisions, taxpayers who meet the criteria of obtaining Final PPh at a rate of 1% based on gross-imposition circulation tax every month. A taxpayer can mean an individual or entity that is not a permanent establishment and receives income from his business; excluding income from free employment services, with gross circulation not exceeding IDR 4,800,000,000 (Four billion eight hundred million rupiahs) in one tax year. This Government Regulation is to explore the potential for tax revenue from MSMEs. These MSMEs are entrepreneurs in the form of individual/personal or entities whose capital is relatively small. A survey of the Directorate General of Tax (DGT) on community compliance in carrying out tax obligations shows it is at a low level. Non-compliance in paying taxes is not only in the MSME layer but also in large entrepreneurs although the regulation of Government Regulation No. 46 of 2013 aims to facilitate taxpayers in paying their obligations. The cost of tax for each taxpayer is calculated from the profit multiplied by the tariff. Therefore, taxpayers do not need to calculate their profits; the tax paid directly multiplied by 1% of the turnover is considered unfair for MSME entrepreneurs.

The biggest problem is turnover does not necessarily make a profit. If they lose profit and are required to pay taxes, it will unquestionably make MSME more troublesome. However, the majority of MSMEs do agree with the adoption of Govern-
The Effect Of Taxation Understanding, Tax Perception On Application Of ...

...ment Regulation No.46 of 2013 about the ease and simplicity of taxation rules. Non-compliance with taxpayers from the MSMEs sector is generally because they feel the 1% tariff is too high. The government responded positively to MSME complaints by stipulating, on July 1, 2018, Government Regulation Number 23 of 2018 about Income Taxes from businesses received or obtained by taxpayers who have a certain gross circulation. This regulation is a substitute for Government Regulation No. 46 of 2013 which is known as the MSME tax laws. Government Regulation 46 of 2013 is no longer valid. The MSME tariff, which since 2013 was 1% of gross turnover, is now only 0.5% with a gross circulation not exceeding IDR 4,800,000,000 (four billion eight hundred million rupiahs) within one tax year. The MSMEs can finally breathe a sigh of relief.

Table 1. Number of Personal Taxpayers from MSME Registered in the Senapelan and Tampan Tax Offices in Pekanbaru, Cooperative and MSME Agency of Pekanbaru in 2015-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Personal Taxpayers from MSMEs Registered at the Tax Office</th>
<th>Personal Taxpayers from MSME Registered at the Cooperative and MSME Agency of Pekanbaru</th>
<th>Unregistered Personal Taxpayers from MSME at the Tax Office</th>
<th>Percentage of Taxpayer Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,799</td>
<td>12,121</td>
<td>7,564</td>
<td>37.59%</td>
</tr>
<tr>
<td>2016</td>
<td>3,650</td>
<td>13,415</td>
<td>7,218</td>
<td>46.19%</td>
</tr>
<tr>
<td>2017</td>
<td>4,664</td>
<td>13,507</td>
<td>4,893</td>
<td>63.77%</td>
</tr>
<tr>
<td>2018</td>
<td>5,617</td>
<td>13,639</td>
<td>3,061</td>
<td>77.55%</td>
</tr>
</tbody>
</table>

Source: Senapelan and Tampan Tax Offices, Cooperative and MSME Agency, Pekanbaru

From the data above, the number of MSME taxpayers registered in the Tax Offices of Pratapelaan, Tampan, and Cooperative and the MSME Agency of Pekanbaru increase every year. Imaniati (2016), stated MSME taxpayer compliance is the outcome of understanding taxation and sanctions. Also, Kartika and Aji (2015), explained it is necessary to know the effect of Government Regulation No. 46 of 2013 on tax compliance. Akbar (2015), asserted the understanding and quality of service do not significantly influence the compliance of MSME taxpayers. On the other hand, tax sanctions highly influence the compliance of MSME taxpayers. Kusuma (2016), emphasized the service quality, understanding of tax regulations, and tax sanctions significantly affect taxpayer compliance personally to pay taxes in 2014. Kholifah (2015), found an understanding of taxpayers and service quality has a positive consequence on levels of their compliance while taxation sanctions have no positive effect. Based on the study by Julianto (2017), rates influence taxpayer compliance, and taxation understanding does not affect taxpayer compliance.

Based on the background above, the formulation of the problem includes Taxation Understanding on the Personal MSME Taxpayer Compliance, Perception of Taxpayers Regarding the Implementation of Government Regulation No.46 of 2013 Becoming Government Regulation No.23 of 2018 on the Compliance of Personal Taxpayers of MSME, Understanding of Taxation on Taxation Sanctions, Perception of Taxpayers Regarding the Implementation of Amendment to Government Regulation No.46 of 2013 Becoming Government Regulation No.23 of 2018 on the Taxation Sanctions, as well as Taxation Sanctions on the Compliance of Personal Taxpayers of MSME in Pekanbaru. Therefore, it needs a study on personal taxpayers of MSMEs. This study is expected to provide benefits in the form of input and informa-
tion about things that must be considered before investing in a company. For the next researchers in the future, it is expected to be a reference for similar research.

This study aims to determine and analyze the effect of taxation understanding on compliance of MSME taxpayers, perception of taxpayers regarding the implementation of Amendment to Government Regulation No.46 of 2013 becoming PP NO.23 of 2018 on the compliance of personal MSME taxpayers, taxation understanding on taxation sanctions, perception of taxpayers regarding the implementation of the amendment to PP No.46 of 2013 becoming PP No.23 of 2018 on the taxation sanctions, and taxation sanctions on the compliance of personal MSME taxpayers.

LITERATURE REVIEW

Tax

According to Adriani (2014), Tax is a contribution to the State that can be forced and owed so that taxpayers must pay it according to regulations, by not asking for a return and not seeking for the impact immediately. The function is to finance general expenses related to the State tasks to manage good governance.

Taxpayer Compliance

Taxpayer Compliance is acquiescence, which the community as taxpayers are in a state of knowing, understanding, being responsible, and not feeling forced to perform the obligation to pay taxes (Sulistyawati et al, 2012)

Tax Sanctions

Tax sanctions are guarantees taxpayers comply with the provisions of the taxation laws and regulations (tax norms). In other words, taxation sanctions are a deterrent, so the taxpayers do not violate tax norms (Mardiasmo 2006).

Taxation Understanding

Knowing and understanding taxation regulations means comprehending the general provisions and procedures for taxation including how to submit Notification Letter (SPT, Indonesian: Surat Pemberitahuan), payment, place of payment of fines, and the deadline for payment or SPT reporting (Resmi, 2009)

Perception of Taxpayers Regarding the Application of Government Regulation No.23 of 2018

In mid-2018, the amount of Income Tax, before the enactment of Government Regulation 23 of 2018, was 1% per month of a total turnover of one year not exceeding IDR 4.8 billion; based on Government Regulation 46 of 2013. After the government issued the new regulation, in July 2018 business people received a 0.5% monthly tariff with total turnover for the current year not exceeding IDR 4.8 billion for micro small and medium enterprises (MSMEs).

HYPOTHESIS DEVELOPMENT

The Influence Between Variables and Hypothesis Development

The Influence of Taxation Understanding Against Compliance of Personal MSME Taxpayers.

According to the Big Indonesian Dictionary (Kamus Besar Bahasa Indonesia (KBBI)), “understanding” is the process, the act of understanding or recognition. With improvements to the taxation compliance understanding to fulfill the obligation to comply with fair tax norms for a State is considered better. Awareness of taxpayers will increase if the public has a good perception of the tax. With tax understanding through formal and non-formal education, it may produce a positive impact on increasing taxpayer compliance in meeting tax obligations. Otherwise, this will reduce the level of taxpayer compliance.

H1: Taxation Understanding Has a Positive Impact on the Obligation of Personal MSME Taxpayers.
The Influence of Taxation Understanding on the Application of Amendment to Government Regulation No.46 of 2013 to Become Government Regulation No.23 of 2018 on the Compliance of Personal MSME Taxpayers

Application of PP No. 46 of 2013 on July 1, 2013, basically made it easier for taxpayers to understand and fulfill their tax obligations. The application of a single final 1% rate from turnover can be easily applied in the calculation of the tax payable.

Because many taxpayers were complaining about a tax rate of 1%, the Government issued a new policy with Government Regulation No.23 of 2018 on July 1, 2018. Tariffs fell to 0.5% of monthly turnover with an annual turnover of less than IDR 4,800,000,000 (Four billion eight hundred million rupiahs).

H2: Taxpayer Perceptions about the Application of Amendment to Government Regulation No. 46 of 2013 becoming Government Regulation No. 23 of 2018 has a positive effect on the compliance of personal MSME taxpayers.

The Effect of Tax Sanctions on the Compliance of Personal MSME Taxpayers

Tax penalties change when there are tax violations. This is a lesson for taxpayers to carry out their obligations and accept their rights. The application of sanctions has a concrete impact on taxpayers so that they are more obedient, deterrent, and learn from their mistakes. Therefore, future tax obligations will be better fulfilled. It means tax sanction has a positive consequence on increasing taxpayer compliance both formally and materially.

H5: Tax Sanctions have a positive effect on the Compliance of Personal MSME Taxpayers.

The Research Framework is Described in The Following Table
METHOD

Researchers took personal taxpayer samples of Micro, Small, and Medium Enterprises (MSMEs) in the Pekanbaru City area. The study was conducted from December 2017 to January 2018. According to Sugiyono (2011), quantitative research methods are useful for finding specific populations or samples, collecting data using research instruments, analyzing quantitative data, with the aim of testing hypotheses. This research is quantitative descriptive, meaning the researchers investigate by describing and explaining existing data without changing or controlling it. The final goal is to conclude that it applies to the public and people in general. The population in this study was 13,639 taxpayers in the MSME sector in Pekanbaru based on data from the Cooperatives and MSME Agency. Ferdinand (2000), explained that the ideal sample size for a research study is between 100 to 200. The researchers took advantage of the census method by distributing questionnaires to 100 people in MSME who have TIN and 100 people who do not have a TIN. The total sample taken was 200 correspondents. The data of this study were primary. Data was collected through distributing questionnaires instrument to MSMEs in Pekanbaru City. The data was accumulated from respondents using a Likert Scale used to measure Taxpayer Compliance, Tax Sanctions, Taxation Understanding, Taxpayer Perceptions about the Application of Government Regulation No.23 of 2018.

Conversion of Path Diagram into Equations

After completing the Path Diagram, convert the model specifications to a formula:

Endogenous Variables: Exogenous variables + Endogenous variables + error

Structural Equation Model

\[ \text{Tax Sanctions (Y1)} = \beta_1 \text{Taxation Understanding} + \beta_2 \text{Taxpayer Perception} + e_1 \]
\[ \text{Taxpayer Compliance (Y2)} = \beta_3 \text{Taxation Understanding} + \beta_4 \text{Taxpayer Perception} + \beta_5 \text{Tax Sanctions} + e_2 \]
Select the Input and Matrix Models of Covariance or Correlations

SEM Estimation applied only the Variance or Covariance matrix or the correlation matrix as input data for the entire estimate. Hair et al. (1995), revealed suitable sample sizes between 100-200. The respondents filling out the questionnaire were 200 samples, 100 respondents had NPWP and 100 respondents did not have NPWP.

Possible Identification Problems

Identification problems refer to the inability of the model to produce unique estimates. If every time an estimate arises with an identification problem, the researchers need to review the model and develop it by giving more constructs.

Evaluate the Goodness of Fit Criteria

Evaluation of the model started from examining various criteria of goodness of fit. The first action was to assess the suitability of the data used with SEM assumptions. The suitability factors included sample size, normality, and linearity, multicollinearity, and singularity. After that, researchers conducted a suitability test and a statistical test. The suitability index and cut-off value function were to test whether a model is accepted or rejected including:

X²- Chi-Square Statistic

The tested model was considered good if the chi-square value was low. The smaller the value of X², the model is better and accepted based on the probability with a cut-off value of p > 0.005 or p > 0.10.

RMSEA (The Root Mean Square Error of Approximation)

It is an index utilized to compensate for chi-statistics in large samples. The RMSEA value indicated the goodness of fit value expected if the model is estimated in the population (Hair et al, 1995). A small or equal RMSEA value to 0.08 was an index for the acceptance of a model showing a close fit of the model based on degrees of freedom.

GFI (Goodness of Fit Index)

It is a non-statistical measure that has a range of values between 0 (poor fit) to 1.0 (perfect fit). A high value in this index indicates a (better fit).

AGFI (Adjusted Goodness Fit Index)

The recommended level of incentive is an AGFI value equal to or greater than 0.90 (Hair et al, 1995).

CMIN/DF

CMIN/DF is the minimum sample discrepancy function divided by the degree of freedom. CMIN/DF is a Chi-square statistic, X², divided by the Df so that X² - relative. A value of X² - relative to less than 2.0 or 3.0 is an indication of an acceptable fit between the model and data (Arbuckle, 1997).

TLI (Tucker Lewis Index)

It is an Incremental index comparing a model tested against a baseline model, which the recommended value as a reference for accepting a model is ≥ 0.95 (Hair et al., 1995) and a value close to 1 indicates a very good fit (Arbuckle, 1997).

CFI (Comparative Fit Index)

The range of values is 0-1, which approaches 1, identifying the highest level of fit - α very good fit (Arbuckle, 1997).

RESULTS

Full Model Analysis - Structural Equation Model

Conformity and statistical tests are the processes for analyzing the results of data processing at the full SEM model stage. The results are presented in the image below.

Figure 3. shows that in the full model diagram there is no model identification problem. Hence, the testing of the significance of dimensions and indicators of constructors and testing of construct validity can continue.
Table 2 depicts the overall Full Model as an acceptable Fit Model. Ghozali and Latan (2012), cited the opinion of Hair et al. (2010), that the use of 4-5 Goodness of Fit criteria is sufficient to assess the feasibility of a model, as long as it represents criteria such as Absolute Fit Indices, Incremental Fit Indices, and Parsimony Fit Indices.

Therefore, the fundamental hypothesis of SEM analysis in this study was accepted and there was no difference between the prediction covariance matrix and the estimated covariance matrix.

Table 2. Structural Equation Model (SEM)

<table>
<thead>
<tr>
<th>The goodness of Fit Index</th>
<th>Cut off Value</th>
<th>Results</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square Significant Probability</td>
<td>Expected to be small ≥ 0.05</td>
<td>0.073</td>
<td>Good Fit</td>
</tr>
<tr>
<td>GF1</td>
<td>≥ 0.90</td>
<td>0.948</td>
<td>Good Fit</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.914</td>
<td>Good Fit</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.90</td>
<td>0.897</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.927</td>
<td>Good Fit</td>
</tr>
<tr>
<td>NFI</td>
<td>≥ 0.90</td>
<td>0.769</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td>IFI</td>
<td>≥ 0.90</td>
<td>0.933</td>
<td>Good Fit</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05 - 0.08</td>
<td>0.040</td>
<td>Marginal Fit</td>
</tr>
</tbody>
</table>

Source: Primary Processed Data, 2019

Data Normality Evaluation

Testing data normality was through skewness and kurtosis values from the data. If the value of CR on skewness and kurtosis data is in the range between ± 2.58, then the data still has a significant distribution of 0.01.

The normality test results in table 3 show there is no C.R value for skewness and kurtosis outside the range of ± 2.58. It means the research data met the data normality requirements, or the research data was normally distributed. Assumptions for normal data, in this case, are fitted.
Evaluate of Multicollinearity and Singularity

Further data testing was to find multicollinearity and singularity in a combination of variables. The determinant values of covariance matrices that are small or close to zero indicate multicollinearity and singularity. From the results of data processing, the value of the Determinant of sample covariance matrix = .000.

Based on the output of the determinant calculation results of the covariance matrix in the sample, there was no multicollinearity and singularity in the data of this study. This was acceptable because the other SEM assumptions were fulfilled.

Reliability and Variance Extract Test

The reliability test is an indicator of the role of the measuring instrument in providing relatively the same results when measuring back on the same object. The accepted minimum reliability level of the dimensions of the latent variable is 0.70. To determine the value of the reliability level of the dimensions of the latent variable, it needs below formula:

$$\text{Construct Reability} = \frac{(\sum \text{Standard loadings})^2}{(\sum \text{Standard loading})^2 + \sum \varepsilon_j}$$

Measurement of variance extracted signifies the amount of variance of the indicator extracted by the construct/latent variable. The acceptable extracted variance value is a minimum of 0.50. The equation to get the extracted variance value is:

$$\text{Variance Extracted} = \frac{\sum \text{Standard loadings}^2}{\sum \text{Standard loading}^2 + \sum \varepsilon_j}$$

Hypothesis Test

The next step was testing the research hypothesis. Testing involved 5 hypotheses. Hypothesis testing used at-value with a significance level of 0.05. The t-value in the AMOS 21.00 program was the Critical Ratio (C.R.) value in Regression Weights: (Group Number 1 - Default model) of the fit model (full model). If the Critical Ratio (C.R.) ≥ 1.967 or the probability value (P) ≥ 0.05 then H0 is rejected.
Table 4. Reliability and Variance Extracted

<table>
<thead>
<tr>
<th>Variable</th>
<th>Reliability</th>
<th>Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxpayer Compliance</td>
<td>0.893</td>
<td>0.679</td>
</tr>
<tr>
<td>Tax Sanctions</td>
<td>0.792</td>
<td>0.656</td>
</tr>
<tr>
<td>Taxation Understanding</td>
<td>0.741</td>
<td>0.518</td>
</tr>
<tr>
<td>Perception of Taxpayers Regarding Government Regulation No.46 of 2013 becoming Government Regulation No. 23 of 2018</td>
<td>0.729</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data, 2019

Table 5. Regression Weights (Group number 1 - Default Model)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimation</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>KWP ← PP</td>
<td>.173</td>
<td>.161</td>
<td>1.073</td>
<td>0.283</td>
<td>Not significant</td>
</tr>
<tr>
<td>KWP ← PWP</td>
<td>.138</td>
<td>.147</td>
<td>.935</td>
<td>0.350</td>
<td>Not significant</td>
</tr>
<tr>
<td>SP ← PP</td>
<td>.431</td>
<td>.124</td>
<td>3.472</td>
<td>***</td>
<td>Significantly Positive</td>
</tr>
<tr>
<td>SP ← PWP</td>
<td>.309</td>
<td>.113</td>
<td>2.742</td>
<td>0.006</td>
<td>Significantly Positive</td>
</tr>
<tr>
<td>KWP ← SP</td>
<td>1.263</td>
<td>.178</td>
<td>7.114</td>
<td>***</td>
<td>Significantly Positive</td>
</tr>
</tbody>
</table>

Source: Amos Processed Data, 21.00

DISCUSSION

The Influence of Taxation Understanding on the Compliance of Personal MSME Taxpayers in Pekanbaru

Taxation knowing and understanding of tax regulations are part of the taxpayer’s process of comprehending taxation and applying this knowledge to pay its obligations. Taxation knowing and understanding of tax regulations are to recognize the general provisions and procedures for taxation including how to submit Notification Letter (SPT), pay, understand about payment of fines, and the deadline for payment or reporting of tax notification letter (Official, 2009, in Nugroho and Zulaika, 2012).

Hypothesis 1, taxation understanding has a positive effect on the compliance of personal MSME taxpayers. The results of this study do not succeed in proving that the variable understanding of taxation had a positive effect on the tax compliance of individual taxpayers. The results of the study indicate that taxation understanding has a positive effect on tax compliance, but it is not significant. The p-value of 0.283 is greater than 0.05, so H1 is rejected. Therefore, taxation understanding does not affect the compliance of personal MSME taxpayers in Pekanbaru.

Regression Weights: (Research hypothesis is accepted). Regression Weights value: (Group number 1 - Default model) the results of processing by Amos 21.00 to Full Model are listed in Table 5.

The t-value or C.R. of 1.073 ≤ 1.967 or P-value of 0.283 ≥ 0.05; H1 rejected. Taxation understanding does not affect the compliance of personal MSME taxpayers in Pekanbaru. The t-value or C.R. value of 0.935 ≤ 1.967 or a P-value of 0.350 ≥ 0.05; H1 rejected. Perception of taxpayers regarding the application of Government Regulation No.46 of 2013 becoming Government Regulation No. 23 of 2018 does not affect the compliance of personal MSME taxpayers in Pekanbaru. The t-value or C.R. is 3.472 ≥ 1.967 or there is a *** sign on the P-value; H1 accepted. Taxation understanding has a positive and significant effect on tax sanctions. The t-value or C.R. is 2.742 ≥ 1.967 or the P-value is 0.006 ≤ 0.05; H1 accepted. Perception of taxpayers regarding the application of Government Regulation No.46 of 2013 becoming Government Regulation No. 23 of 2018 has a positive and significant effect on tax sanctions. The t-value or C.R. is 7.114 ≥ 1.967 or there is a *** sign on the P-value; H1 accepted. Hence, tax sanctions have a positive and significant effect on the compliance of personal MSME taxpayers in Pekanbaru.
The Effect Of Taxation Understanding, Tax Perception On Application Of MSME perpetrators. Based on the results of research with a P-value of 0.283, it means that it is not significant because it does not meet the requirements. The high or low taxation understanding does not affect the compliance of personal MSME taxpayers. According to SEM analysis results, the taxation understanding system in Indonesia is an indicator that respondents consider the highest as a Self Assessment System to calculate, pay, and report their tax obligations. The lowest indicator in understanding the taxation function.

This is contrary to a research study conducted by Imaniati (2016), suggesting that taxation understanding affects taxpayer compliance. Different from the study by Julianto (2017), taxation understanding does not affect MSME taxpayer compliance.

The Influence of Taxpayers’ Perception on The Implementation of Government Regulation No.46 of 2013 Becoming Government Regulation No. 23 of 2018 on The Compliance of Personal MSME Taxpayers in Pekanbaru City

Government Regulation Number 23 of 2018 aims to provide convenience for individual and institutional taxpayers who have a certain gross income. The imposition of Income Tax is based on the gross circulation of the business within 1 (one) year, which does not exceed IDR 4.8 billion in 1 (one) year.

Hypothesis 2: perceptions of taxpayers regarding the application of Government Regulation No. 46 of 2013 becoming Government Regulation No. 23 of 2018 have a positive effect on the compliance of personal MSME taxpayers. The results of the study do not succeed in proving the taxpayer perception variable about the application of Government Regulation No. 46 of 2013 becoming Government Regulation No. 23 of 2018 positively influence the compliance of personal MSME taxpayers. Based on P-value = 0.350, this is not significant because it does not meet the requirements. High or low taxpayer perceptions about the changing of Government Regulation No. 46 of 2013 to Government Regulation No. 23 of 2018 does not affect the compliance of personal MSME taxpayers. The results of SEM analysis, the ability of taxpayers related to Government Regulation No.23 of 2018 is the highest indicator for the respondents. The respondent considers taxpayer understanding related to general provisions of Government Regulation No.23 of 2018 as the lowest indicator.

The Effect of Taxation Understanding Against The Tax Sanctions

With a higher taxation understanding, taxpayers can understand to fulfill obligations according to regulations. Tax sanctions are a penalty for taxpayers who violate these regulations. Many taxpayers are not compliant in fulfilling tax obligations, so this taxation sanction is a motivation to stop losses.

Hypothesis 3 regarding the taxation understanding has a positive effect on tax sanctions. This research study succeeded in proving the taxation understanding variable has a positive effect on tax penalties. High or low of the taxation understanding of personal taxpayers, the tax penalties still apply to him. This is expected to have a positive impact on taxpayers who have income for their business, both for those who have NPWP or not.

According to SEM analysis, knowledge of the taxation system in Indonesia is an indicator that respondents consider the highest as a Self Assessment System for calculating, paying, and reporting their taxes. The lowest indicator is knowledge about the function of taxation.

The Influence of Taxpayers’ Perception About The Application of Changing The Government Regulation No. 46 of 2013 to The Government Regulation No.23 of 2018 on Tax Sanctions

Taxpayers’ perception of the application of Government Regulation No. 23 of 2018 about the Final 0.5% income tax for taxpayers with certain gross circulation raises the pros and cons in the community, especially among business actors who act as taxpayers. This regulation intends to provide ease of tax calculation administratively to increase community contributions in development through compliance with tax payments. Revenues as the subject to income tax according to this regulation is in-
come from businesses received or obtained by taxpayers not exceeding IDR 4.8 Billion in one year at the rate of 0.5% of the gross income of certain businesses.

If MSME taxpayers do not pay tax rates, then they will receive tax sanctions. It will grow taxpayer compliance with regulations. From Government Regulation No. 23 of 2018, it is expected the taxpayers can build compliance in paying tax obligations.

Hypothesis 4 regarding the perception of taxpayers on the application of the changing of Government Regulation No.46 to 2013 to Government Regulation No.23 of 2018 has a positive effect on tax sanctions. This research study proves that it has a positive and significant effect. Low or high taxpayer perceptions about the application of PP No. 23 of 2018, taxpayers still risk receiving sanctions. According to SEM analysis results, the ability of taxpayers related to Government Regulation No.23 of 2018 is the highest indicator for the respondents, and the lowest is taxpayer understanding related to the general provisions of Government Regulation No.23 of 2018.

The Effect of Tax Sanctions on the Compliance of Personal MSME Taxpayers

Tax sanctions provide lessons for taxpayers so that they can fulfill their obligations and receive their rights under laws and regulations. The application of sanctions is to have a positive impact on taxpayers so that they are not negligent and feel a deterrent to learning from mistakes. Therefore, the tax sanction will have a positive effect in increasing taxpayer compliance both formally and materially.

Hypothesis 5 regarding tax sanctions positively and significantly impact the tax compliance of personal MSME taxpayers. The study shows the positive and significant influence and also strengthen taxpayer compliance. According to SEM analysis results, the attitude of taxpayers towards tax sanctions is the highest indicator of taxpayer compliance. They are careful not to accept sanctions in an orderly manner fulfilling their tax obligations. This result is in line with the study by Kusuma (2016), which emphasized taxpayer compliance influenced by tax sanction variables.

CONCLUSIONS

This study developed a model to analyze the effect of taxation understanding and perceptions of taxpayers regarding the changing of Government Regulation No.46 of 2013 to Government Regulation No. 23 of 2018 on the tax sanctions and compliance of personal taxpayers of MSMEs in Pekanbaru City. This chapter presents the findings and conclusions about the hypothesis. The final stage explains the limitations of the study, and suggestions for the next researchers and future studies. The study concludes (1) taxation understanding does not affect the MSME taxpayer compliance in Pekanbaru City, (2) taxpayer perceptions about the changing of Government Regulation No.46 of 2013 to Government Regulation No.23 of 2018 does not affect the compliance of personal taxpayers of MSMEs in Pekanbaru City, (3) taxation understanding has a positive and significant effect on tax sanctions, Furthermore, (4) perceptions of taxpayers regarding the amendment of Government Regulation No.46 of 2013 to Government Regulation No.23 of 2018 positively and significantly influence tax sanctions, and (5) tax sanctions have a positive and significant effect on compliance of personal MSME taxpayers in Pekanbaru.

RECOMMENDATIONS

The following conclusions are expected to provide great benefits for further researchers and, in particular, for taxation agencies. This study concludes (1) the Indonesian people do not understand enough about taxation, tax rates, and applicable tax provisions, so they need socialization to implement a self-assessment system (calculate, pay, report), (2) perceptions of taxpayers regarding the application of Government Regulation No.23 of 2018 requires socialization, especially for MSME businesses, because many of them do not recognize the new government regulations, and (3) tax sanctions must immediately reach the community so that they understand the importance of taxes for the region and the state.

Taxpayers must increase their compliance in fulfilling their tax obligations. Besides, they also need to expand their knowledge and understanding of tax
The Effect Of Taxation Understanding, Tax Perception On Application Of ... regulations, so they are more honest in reporting their taxes.

Researchers can then add independent and dependent variables influencing tax understanding, taxpayers’ perceptions about the changing of Government Regulation no. 46 of 2013 to Government Regulation No.23 of 2018, taxation sanctions, and personal MSME taxpayer compliance. They may further add variables that do not exist in this study. Moreover, it is also necessary to boost the number of respondents to raise the value of TLI, NFI, RMSEA, and show good results (Not Marginal). Thus, new variables will emerge to build taxpayer compliance and tax sanctions.

REFERENCES