



EMPOWERING SMES AND EDUCATORS: A HOLISTIC APPROACH TO TAX AWARENESS AND COMPLIANCE

Hera Khairunnisa¹, Ayatullah Michael Musyaffi², Rida Prihatni³, Rizki Firdausi Rachmadania⁴, Surya Anugrah⁵, Windy Permata Suryono⁶, Rochma Sudiati⁷, Dinda Marsa Fhadira⁸, Kania Allya Irawan⁹, Razana Juhaida Johari¹⁰

^{1,2,3,4,5,6,7,8,9}Faculty of Economics, State University of Jakarta, Indonesia

¹⁰Faculty of Accountancy, Universiti Teknologi Mara, Malaysia

Email: herakhairunnisa@unj.ac.id

Abstract

This program is conducted to increase awareness and tax literacy of SMEs with the hope that SMEs know the taxation process, such as calculating, depositing, and reporting. This Webinar was held on Wednesday, May 22, 2024. It was attended by 180 participants consisting of SMEs from the East Jakarta and West Jakarta areas, students and lecturers of Universitas Negeri Jakarta, and students of the Mara University of Technology Malaysia. Assoc. Three speakers filled out this webinar event. Prof. Dr. Razana Juhaida Johari, the first speaker, explained the concept of accounting for MSMEs; the second speaker, Rizky Tiara Sulisty, S.Tr.Ak., Delivered material on the Taxation Education Program for MSMEs, Muzaki Andriawan P.S.E., BKP, CTAP as the third speaker closed the session with a practical discussion on income tax for MSMEs. The results of this program were good. Interesting material for umkm made participants actively ask questions and want to explore more about taxes that apply to umkm and accounting concepts for SMEs.

Keywords: MSME's, Training, Taxation, and International Speakers

INTRODUCTION

Based on Press Release HM.4.6/303/SET.M.EKON.3/08/2023, the Micro, Small and Medium Enterprises (MSME) sector has contributed 61% to the Gross Domestic Product (GDP) or the equivalent of IDR 9,580 Trillion. MSMEs contribute to labour absorption, 97% of the total national absorption. The problem raised in this community service activity is the need for MSME actors to increase compliance. The Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) recorded that the number of MSMEs until 2021 was 64.2 million with a GDP contribution of 61.07%, equivalent to IDR 8,573.89 (Hamida & Wijaya, 2022). The 64.2 million actors comprise 63.96 million micro business actors, 193,959 small business actors, 44,728 medium business actors, and 5,550 large business actors (Muhamad, 2023). However, only 2.3 million MSMEs have a Taxpayer Identification Number (NPWP) (Nurhidayah, 2021).

The previous explanation of the number of MSMEs indicates a significant potential for tax income from the MSME sector. The government has long imposed taxes on MSME income. Government Regulation (PP) no. 46 of 2013 concerning Income Tax on Income received or earned by Taxpayers who have a Certain Gross Turnover imposes a final PPh rate of 1% for entrepreneurs with a turnover of under IDR 4.8 billion a year (Hanafi et al., 2022). The decrease in the tax rate was also due to voices from MSEs who considered the 1% rate high (Poernomo, 2020). This regulation was updated in 2018 with the publication of Government Regulation (PP) Number 23 of 2018, which

imposed a lower tariff of 1%, namely 0.5%, on the gross income of MSME players. This regulatory update will likely make it easier for MSMEs to calculate and pay the taxes they owe (Tatik, 2018). The number of MSMEs in Jakarta in 2022 will reach 658,365. On the website <https://jakpreneur.jakarta.go.id/index>, accessed on February 12 2024, 374,338 entrepreneurs were members of Jakpreneur.

MSME players are expected to know their income or income carefully. The Indonesian Young Entrepreneurs Association (HIPMI) explained that MSMEs should not mistakenly identify gross income as net profit. HIPMI is concerned that tax literacy among MSMEs is not yet optimal (Antaranews, 2023). Based on the explanation above, there are two main problems faced by partners of this program: 1) tax awareness among MSMEs is not yet optimal; 2) tax literacy among MSMEs still needs to be optimal.

The proposing team conducted a literature study on the problems often faced by MSME players. The issues commonly found in MSMEs are:

1. MSME players need to be more open to thinking about moving forward in developing their businesses.
2. Limited business capital: MSME owners often rely on internal capital or private funds to run their businesses.
3. More quality human resources (HR) are still needed to manage MSMEs. MSME players are more focused on implementing their operational activities and less on developing existing SMs to manage their business more effectively and efficiently. The quality of human resources is also characterized by low formal education for MSME players or limited literacy in finance, accounting, taxation, management, etc.
4. MSME needs to be answered in reaching awareness of the need to prepare financial information and tax obligations.
5. The government and academics still need to provide intensive and continuous guidance to MSMEs.
6. MSME promotion methods and sales channels still need to be optimal.

Due to the abovementioned problems, MSME partners have joined Jackpreneur in East Jakarta. The problem that is highlighted more in this program is taxation. Increased tax awareness and literacy need to be further enhanced by increasing tax revenue from MSMEs. MSME players will also learn about taxation, such as calculating, depositing, and reporting.

METHODS AND PROCEDURES

The target of this service team is micro, small and medium enterprises (SMEs) that still need assistance regarding taxation. This team also includes overseas partners who are competent in accounting and taxation and function as resource persons and coaches. The team and partners align perceptions of this activity with those of achieving the activity's goals. The service team uses the goal-

setting theory method in planning the implementation of activities. Goal setting theory emphasizes that clear and relevant goals perform better than broad or undirected goals (Locke & Latham, 2006). Clear and relevant goals can help shape students' strategies for facing learning tasks, monitor their progress in learning sessions, and increase engagement and motivation (Chang et al., 2023; Locke & Latham, 2006). To achieve the planned goals requires coach review or feedback (Chang et al., 2023). There is a review. The target of this service team is micro, small and medium enterprises (SMEs) that still need to become familiar with financial reporting by financial accounting standards. The problems and gaps above show that the MSMEs chosen were in the Cirebon district. The service team also involves foreign partners who are competent in accounting. The team and partners work together to ensure that the goal of community service is achieved. The service team uses the goal-setting theory method. Goal setting theory emphasizes that clear, challenging goals produce better performance than general or unspecific goals (Locke & Latham, 2006). Clear goals can help shape students' strategies in facing learning tasks, monitor their progress in learning sessions, and increase engagement and motivation (Chang et al., 2023; Locke & Latham, 2006). Training provider feedback is needed (Chang et al., 2023). The presence of feedback can enable students to re-evaluate the agreed achievement targets so that the development implementation process can be adjusted (Lehner & Schuster, 2023). According to goal-setting theory, learning goals that are process-focused, challenging, and specific can provide optimal motivation to participants (Chang et al., 2023). Goal setting theory also emphasizes that the final results will be in vain if no achievement is evaluated in a learning process. Furthermore, an achievement will create independent learning and can be used as a measurement of goals and standards for assessing achievement (Zhu et al., 2023).

The first step is a clear and measurable Goal Setting stage. The objectives of this activity are 1) increasing tax awareness among MSME players and 2) increasing tax literacy among MSME players. Goal setting is done with *brainstorming* between the proposing team and international partners as resource persons and additional persons from the Directorate General of Taxes (DJP) East Jakarta Regional Office. Activity *brainstorming* can be done online or face-to-face. **Second step:** The planning stage involves preparing detailed activity plans, identifying relevant resources, and establishing a realistic activity schedule. **Third step:** Training and development were carried out to provide understanding and skills to MSMEs, assisted by Jackpreneur Pulo Gadung, regarding tax compliance and literacy.

Step four is measuring and evaluating the progress of Measurement implementation and conformity with the objectives and rules of tax regulations that apply to MSMEs. **Fifth step:** Feedback is obtained from participants and other relevant parties, then analyzed to identify improvement efforts. The fifth step can be carried out through group discussions, discussing known and unknown things during the implementation of the service program. **The sixth step**, adjustment, is

conducted based on the adjustment stage and is carried out based on the results of evaluation and feedback by making the necessary changes in the implementation plan.

The seventh step is the final achievement, which is evaluated through the final evaluation of the implementation and submitted through the preparation of achievement reports and socialization of results to related parties. With this approach, the desired achievement can be achieved effectively and measurably. Feedback can motivate students to evaluate agreed targets or achievements so that the development implementation process can be readjusted to program needs (Lehner & Schuster, 2023). According to goal-setting theory, learning goals that are process-oriented, specific, challenging, and achievable can motivate participants (Chang et al., 2023). However, in goal-setting theory, results cannot be meaningful and have implications if no achievement is evaluated. In this context, achievement can create independent learning and descriptors and be used as goals and standards for assessing achievement (Zhu et al., 2023).

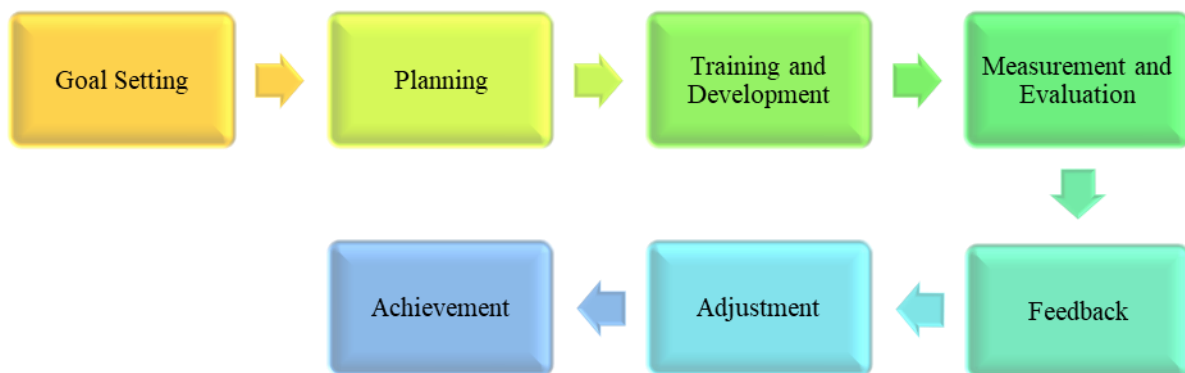


Figure 1 Flowchart Method According to Goal Setting Theory

The partners for this activity come from Universiti Teknologi MARA, especially in the accounting study program, which is in line with MSME problems in making aspects around compliance, including calculating, depositing and reporting taxes, and around tax literacy. These abilities and expertise are needed to provide appropriate insight and assistance to facilitate aspects of tax compliance and literacy created by MSMEs, which are already standard for tax regulations in Indonesia.

According to Locke and Latma's goal setting, continuously achieving sustainability requires continuous evaluation, namely in goal setting, planning, training and development, Measurement and evaluation, feedback, Adjustment, and achievement. This community service program begins with the goal-setting stage, where the needs of MSMEs are related to tax compliance and literacy aspects, specific goals for implementing tax compliance and literacy aspects, and suggestions from MSMEs and tax experts are used to formulate relevant goals. Next, the planning stage can be done by drawing up a clear implementation plan, identifying the resources needed, and deciding on a realistic

implementation schedule. Then, the training and development stage is carried out by providing socialization on tax compliance and literacy aspects to MSMEs, training on tax compliance and literacy aspects, and providing assistance during implementation. The measurement and evaluation stage will be carried out by measuring the effectiveness and efficiency of implementation, evaluating the conformity of reports with tax regulatory standards in Indonesia, and collecting feedback from participants and related parties. From the feedback received, an analysis is carried out to identify positive findings and areas for improvement and make recommendations for improvements that can be implemented. Then, the adjustment stage is carried out by adjusting the implementation plan, seeking additional training if needed, and implementing changes in tax compliance and literacy reports. Finally, the achievement stage includes the final evaluation of implementation, preparation of achievement reports, and socialization of results to related parties to ensure program success and positive participation from various related parties. This program is intended to help MSMEs adjust aspects of compliance and financial literacy by tax regulations in Indonesia by carrying out a series of planned, structured and measurable stages.

In providing training and assistance to MSMEs, the community service team is carried out through the following things:

1. The discipline of tax regulations that apply to the public in Indonesia through Locka's goal-setting theory approach will help you achieve achievements by understanding aspects of tax compliance and literacy based on tax regulations in Indonesia.
2. Participants can understand tax literacy in the discipline of taxation and apply aspects of tax compliance and literacy based on tax regulations in Indonesia.

Discipline in aspects of compliance and tax literacy in empowering participants by evaluating post-test and pre-test results from participants, providing effective assistance in understanding aspects of compliance and taxation based on tax regulations in Indonesia.

RESULTS

On May 22, 2024, a community service activity was held to raise awareness and compliance with taxes among small and medium enterprises (SMEs) and academics comprehensively. The event was attended by various participants, including MSME actors and academics such as students, lecturers, entrepreneurs, and several other parties. Overall, the total number of participants attending this tax seminar is 180. Based on the participants' affiliations and occupations, the number of participants from various universities in Indonesia is 133. Students from Universitas Negeri Jakarta (UNJ) are the most dominant among these participants, followed by students from Universitas Negeri Yogyakarta (UNY), Universitas Pendidikan Indonesia (UPI), Universitas Teknologi Bandung (UTB), and several other universities.

Additionally, this event was attended by educators, with approximately 32 participants working as teachers and 4 participants working as lecturers. Moreover, 21 participants are Jakpreneur MSME owners from various regions in Jakarta, with 5 people from Jakpreneur West Jakarta, 15 people from Jakpreneur East Jakarta, and 1 person from Jakpreneur North Jakarta. Some participants are entrepreneurs, private employees, homemakers, government service, and other professions and affiliations.

This activity invited three expert speakers in the fields of accounting and taxation. The first speaker was Assoc. Prof. Dr Razana Juhaida Johari, Associate Professor from the Faculty of Accounting, Universiti Teknologi Mara, Malaysia, In her presentation, she discussed accounting concepts relevant to micro, small, and medium enterprises (MSMEs). The second speaker was Rizky Tiaro Sulisty, S. Tr. Ak. from the Directorate of International Taxation. He presented the developments of small and micro enterprises around the world. Finally, the third speaker was Muzaki Andriawan P.S.E., BKP., CTAP, a tax consultant from PT. Jawara Mitra Consulting. He discussed the income tax on micro, small, and medium enterprises and its implementation in MSMEs. After each speaker finished presenting their material, a question and answer session was held where participants could ask the speakers about any tax-related topics they still needed clarification in this situation. This question-and-answer session made the event more interactive and created feedback between the speaker and the audience.

Assoc. Prof. Dr. Razana Juhaida Johari, the first speaker, explained the accounting concept for MSMEs, which can help MSMEs manage their finances. From this exposure, knowing the importance of accounting concepts for MSMEs is necessary. Applying sound accounting principles makes MSME financial reports reliable, accurate and consistent. Prof. Dr Razana explained the 10 Main Accounting Concepts for MSMEs, underscoring the importance of fundamental accounting principles and assumptions in preparing financial reports and recording financial transactions. These concepts are critical to ensuring consistency, accuracy, and transparency in financial reporting and making informed business decisions. The 10 Main Accounting Concepts for MSMEs include 1) Economic Entity Assumption, 2) Materiality, 3) Matching, 4) Accounting Equation, 5) Duality Concept, 6) Entity Concept, 7) Going Concern Concept, 8) Revenue Recognition Concept, 9) Cost Concept, and 10) Full Disclosure Concept.

The second speaker, Rizky Tiaro Sulisty, S.Tr.Ak., presented material on the Taxation Education Program for MSMEs. The presentation began with an introduction to the Organization for Economic Cooperation and Development (OECD). OECD is an international organization that aims to encourage policies to improve economic and social standards around the world. The OECD has 38 members, all of which are developed countries. Indonesia is yet to be a full member but is targeted to join in 2027. He then explained the factors that influence MSME tax compliance. The factors are divided into two: factors that can be controlled by the tax authority and factors beyond its control. Controllable factors include tax services, taxpayer understanding, the complexity of tax policy

changes, and the obligation to report tax returns. In contrast, out-of-control factors include MSME cash flow issues, time and resource constraints, and rapid changes in the business environment.

Muzaki Andriawan P.S.E., BKP., CTAP, as the third speaker, closed the session with a practical discussion regarding income tax for SMEs. He provides a step-by-step guide on how SMEs can fulfil their tax obligations. With an applied approach, this session helps participants understand tax procedures and how they can prepare themselves for a tax audit. Muzaki Andriawan Prasetyo also covers several crucial points regarding taxation for small businesses in Indonesia. It highlights the evolution of the legal framework from PP 46/2013, which introduced simplified tax treatment for individual and corporate taxpayers with certain gross revenues, to PP 23/2018, which aimed to promote formal economic participation by providing fairer and more accessible taxation for businesses with specific revenue levels.

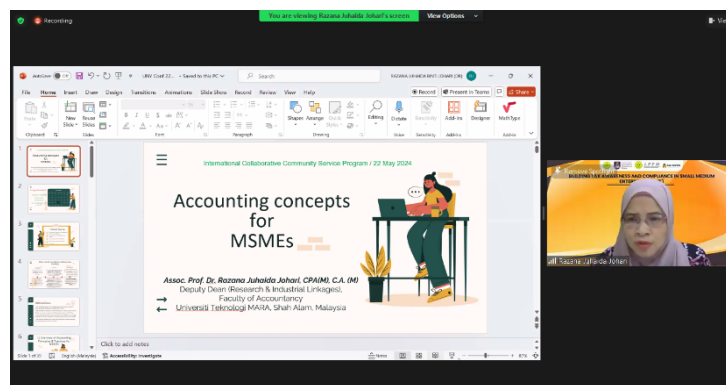


Figure 2 The first speaker presenting material

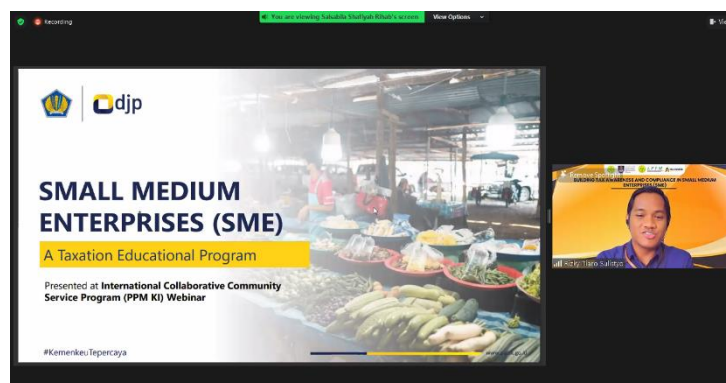


Figure 3 The second speaker presents the material.

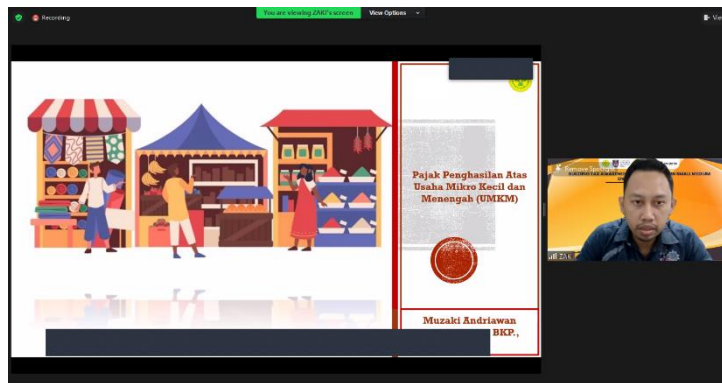


Figure 4 The third speaker presents the material.

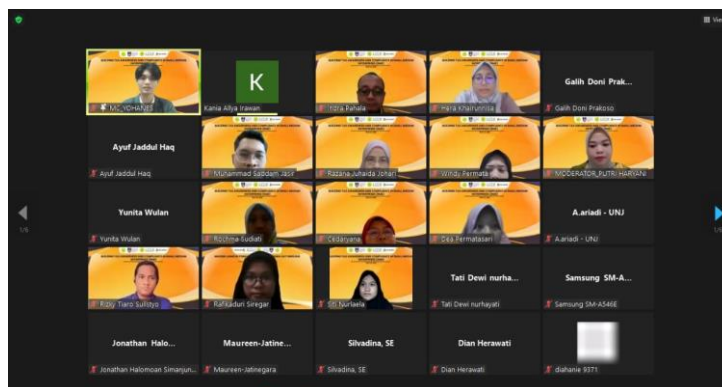


Figure 5 Documentation

Each participant must fill out an evaluation link in this webinar event. This evaluation aims to collect feedback on your experience during the event. The evaluation form consisted of five rating categories with a scale from 1 to 5: 5 for "Strongly Agree," 4 for "Agree," 3 for "Neutral," 2 for "Disagree," and 1 for "Strongly Disagree. Here are the results of the completed evaluation link:

Table 1 Result Evaluation

No	Statement	5 (Strongly Agree)	4 (Agree)	3 (Neutral)	2 (Disagree)	1 (Strongly Disagree)
1	I realize the importance of depositing business income tax on what has been calculated.	84 Responden (47%)	75 Responden (42%)	20 Responden (11%)	1 Responden (0%)	0 Responden (0%)
	I realize the importance of reporting income tax on my business	86 Responder (48%)	69 Responder (38%)	24 Responder (13%)	1 Responder (1%)	0 Responder (0%)
3	I am aware of the risks if I do not carry out my obligations as a taxpayer	81 Responder (46%)	69 Responder (39%)	28 Responder (16%)	0 Responder (0%)	0 Responder (0%)
4	I am familiar with the	69	75	32	3	1

	tax rules that apply to my business.	Responder (42%)	Responder (38%)	Responder (18%)	Responder (2%)	Responder (0%)
5	What is your opinion regarding the timing of the Webinar?	77 Responder (77%)	82 Responder (82%)	21 Responder (21%)	0 Responder (0%)	0 Responder (0%)
6	What is your opinion regarding the theme's suitability with the material presented in the Webinar?	96 Responder (53%)	70 Responder (39%)	14 Responder (8%)	0 Responder (0%)	0 Responder (0%)
7	What is your opinion on the overall Webinar?	101 Responder (56%)	67 Responder (37%)	11 Responder (6%)	1 Responder (1%)	0 Responder (0%)

CONCLUSION

The organizing team successfully conducted the community service activity in collaboration with Universiti Teknologi MARA, Malaysia, the Directorate of International Taxation, and Tax Consultants. This community service activity ran smoothly according to the objectives set. Suggestions for future community service activities include making the speakers' materials and scheduled time more efficient by summarizing the content to be delivered or by extending the presentation time so the material can be well understood by participants and delivered effectively and efficiently, thus achieving the optimal outcomes of the activity.

ACKNOWLEDGMENTS

Thanks to the State University of Jakarta for funding this activity and to all participants, speakers, and organizers for their contributions to the success of this Webinar. I hope that the knowledge and insights gained from this event will be instrumental in promoting tax compliance and fostering a more sustainable business environment for SMEs.

REFERENCES

- Antaranews. (2023). *Hipmi Surakarta Tingkatkan Literasi Perpajakan di Kalangan Pengusaha*. <https://jateng.antaranews.com/berita/510594/hipmi-surakarta-tingkatkan-literasi-perpajakan-di-kalangan-pengusaha>
- Hamida, Y. A., & Wijaya, S. (2022). Kepatuhan Perpajakan UMKM Dengan Optimalisasi Data Online System (Studi Di Yogyakarta). *JURNAL PAJAK INDONESIA (Indonesian Tax Review)*, 6(2), 327–341. <https://doi.org/10.31092/jpi.v6i2.1883>
- Hanafi, Q. H. N., Firman, M. A., & Maulidha, E. (2022). Analisis Kepatuhan Pajak pada Pelaku UMKM Ditinjau dari Sistem dan Pelayanan Pajak. *Jurnal Akuntansi Dan Keuangan Islam*, 10(2), 163–182. <https://doi.org/10.35836/jakis.v10i2.356>
- Muhamad, N. (2023). *Usaha Mikro Tetap Merajai UMKM, Berapa Jumlahnya?* <https://databoks.katadata.co.id/datapublish/2023/10/13/usaha-mikro-tetap-merajai-umkm-berapa-jumlahnya>

- Nurhidayah, H. (2021). *Seberapa Patuhkah Pelaku UMKM dalam Membayar Pajak?* Pajak.Com. <https://www.pajak.com/pwf/seberapa-patuhkah-pelaku-umkm-dalam-membayar-pajak/>
- Poernomo, Y. (2020). Kewajiban Bagi UMKM Untuk Menghitung Pajak Penghasilan Orang Pribadi Berdasarkan Peraturan Pemerintah (PP) Nomor 23 Tahun 2018. *Simposium Nasional Keuangan Negara 2020*, 923.
- Tatik. (2018). Potensi Kepatuhan Pembayaran Pajak pada Pelaku UMKM (Usaha Mikro Kecil dan Menengah) Pasca Penerbitan Peraturan Pemerintah Nomor 23 Tahun 2018 (Studi Kasus Pada UMKM di Kabupaten Sleman-Yogyakarta). *Seminar Nasional Dan Call for Paper Sustainable Competitive Advantage (SCA) 8, 23*, 1–7.