Factors that influence MSMEs to Report Taxes

Prisila Damayanti [1*] Hendi Prihanto [2]

[*1] Institut Bisnis dan Informatika Kosgoro 1957, Jakarta, 13550, Indonesia
[2] Universitas Prof. Dr. Moestopo (Beragama), Jakarta, 12250, Indonesia

Email
prisild@rocketmail.com [1*] hendiprihanto@dsn.moestopo.ac.id [2]

Abstract

The research aims to determine and analyze the response of taxpayers (taxpayers) in reporting their taxes in the post-Covid 19 pandemic era after the government provided various relief policies through tax incentives to entrepreneurs and MSMEs in terms of the aspects of taxpayers' literacy knowledge, set tax rates, profitability of taxpayers' businesses, and business opportunities faced now and in the future. The research was conducted on several MSME cafe entrepreneurs in the Jagakarsa - Ciganjur sub-district and surrounding areas as a population, using a questionnaire with a rolling snowball distribution technique based on information obtained during the survey to obtain a total of 110 samples. Data analysis uses Smart PLS statistical software with tests such as validity and reliability, inner and outer models, statistical t-hypothesis testing, multiple regression, and coefficient of determination—the results of the research state that not all of the hypotheses can be accepted. Taxpayers' knowledge of tax literacy and profitability obtained by taxpayers from MSME actors has a significant positive effect on the contribution of taxpayers' tax reporting so that the hypothesis is accepted, while tax rates through incentives set by the government and business opportunities from MSMEs are not has a significant effect on the contribution to tax reporting by MSME taxpayers so that the hypothesis is rejected.

Keywords: literacy knowledge, tax rates, profitability, business opportunities, tax reporting contribution, and MSMEs.

Introduction

One of the government programs aims to increase the participation of MSMEs in the formal economy through the ease of paying taxes at a better and affordable rate; for this reason, the government reformed by setting the tax rate from 1 percent to 0.5 percent as stipulated in PP No. 23 of 2018 as a replacement for PP 46 of 2013. The reduction in tax rates is expected to provide a new atmosphere and motivate MSME actors to contribute more to development as citizens; however, after approximately two years of the policy, Indonesia was hit by an economic crisis caused by the Covid-19 pandemic (Arasli et al., 2021; Lim & To, 2021; Rezapouraghdam & Karatepe, 2020) which resulted in the stability and business continuity of business actors being disrupted (Shen et al., 2020). Data published by Pertapsi (2021) states that before the COVID-19 pandemic, MSMEs that utilized the final income tax

were 2 million business units, while after the pandemic, it is estimated that only 200 thousand. In addition, Indonesia's total number of MSMEs is around 67 million, spread across various regions. However, only 2.3 million MSMEs have NPWP, and not all of them routinely pay or report their taxes and even tend to decrease in number (Saksama, 2020).

The Directorate General of Taxes (DGT) of the Indonesian Ministry of Finance noted that the contribution of MSME final income tax amounted to IDR 7.5 trillion; thus it can be interpreted that the contribution of MSMEs only reached around 1.1% of the total income tax revenue in the same year, which amounted to IDR 711.2 trillion in 2019 (Intan, 2022; Suyanto, 2021), which means that it indicates that WP motivation is still low due to unfavorable financial conditions (Martins, 2017; Nisak & Ardhani, 2023). The projection of the MSME sector tax as a potential can be seen from BPS (Central Statistics Agency) data which states that the growth of the food industry in the DKI Jakarta area, including the region, is relatively rapid along with population growth, the existence of cafes, shops, and other food industries scattered around it is an indication of employment in the food industry which reached a range of 3.75% in 2020 which has increased from the previous one in 2019 of 3.74% (Dirgantara, 2021), and is at the forefront of saving the food industry during the pandemic. Likewise, the development of the food industry in the South Jakarta Jagaraksa area, where there are many recreational objects such as the Zoo, Setu Babakan, Betawi Village, several parks created by the government, and so on which encourage increased business performance (Bernardus et al., 2022; Zeledon, 2022) is part of the tax object.

Taxes are an obligation for all citizens to contribute to development; not everyone willingly and obediently discloses and pays, if not for the cultural content and legal sanctions imposed (Prihanto, 2018). especially with the prolonged pandemic outbreak, which resulted in the development of businesses that slumped and experienced financial difficulties, but also resulted in the potential tax received by the state decreasing even though the government has carried out various socialization and services for tax reporting aimed at making it easier for taxpayers (Listiyowati et al., 2021; Segal et al., 2017). The prolonged pandemic has created various disruptions and difficulties for MSMEs that must transform to maintain business stability (Salunkhe et al., 2021); several business sectors, such as transportation, tourism, food, and hotels, have been affected by the prolonged crisis (Jafari et al., 2021) so that investment tends to be low. The global economy has slowed down (Nasution et al., and MSMEs have a small and medium amount of carmakers, making their business opportunities decline (Harjoto & Rossi, 2021). This research differentiates from previous research where the WP tax disclosure approach is assessed from the perception and behavior of taxpayers (Purba & Efriyenty, 2021; Haryanto, 2017; Ma'ruf Hasan & Supatminingsih, 2020; Prasetyana & Febriani, 2022; Purba & Simbolon, 2021), while the research besides using a behavioral approach also uses an economic approach or the financial condition of taxpayers such as finance, contracts and existing business opportunities, as well as the practice of reporting and disclosing corporate financial information during the Covid-19 pandemic (Sultana et al., 2021).

PMK No. 86/2020 contains the provision of relief in the form of tax incentives provided for MSME taxpayers affected by the COVID-19 pandemic. However, the incentives provided by the government have reporting requirements set by the government for those who have met the requirements. PMK 86/2020 is an amendment to PMK 44/2020, which was

previously issued with tax incentives provided by the government, including Income Tax articles 21, 22, 23, and 25. The triggering factor for the emergence of tax problems behind the emergence of these policies can also be caused by, among others, business profitability or business performance and the morale of MSME taxpayers (WP) which is very influential in paying taxes (Puspita & Harto, 2014; Harjoto & Rossi, 2021; Prihanto & Damayanti, 2020; Salunkhe et al., 2021), so that for this factor the government protects these growing businesses. This research is fundamental because it contributes to knowing the factors that cause problems and the effectiveness of tax rectors' tax reporting, including payments. For this reason, the research was conducted to learn and analyze taxpayer literacy knowledge, tax rate reduction policies, taxpayer business capabilities, and business opportunities regarding taxpayers' contributions in reporting and paying taxes in the MSME sector

Literature Review

Planned Behaviour Theory (TPB) and taxpayer behavior.

The use of TPB in this study is driven by taxpayer behavior, which is determined through their behavioral intention to report and pay taxes because it is predicted by two factors, namely attitudes in carrying out the behavior and subjective norms associated with the behavior (Ajzen, 1991). WP behavior is supported by knowledge, the importance of behavior, environmental constraints, and habits that have a direct impact (Jaccard et al., 2002). In addition to this, TPB is also used by several researchers who estimate, predict, and analyze a person's behavior through lifestyle, public consumption behavior, awareness of the environment, and so on using TRA or TPB models (Chen & Tung, 2014; Mishal et al., 2017; Mohammad et al., 2017; Sharma & Joshi, 2017). The basis of the final income tax rate is listed in Income Tax Article 4, paragraph 2, where MSMEs with a final income tax rate of 0.5% are contained in Government Regulation (PP) Number 23 of 2018 concerning Income Tax on Income from Business Received or Obtained by Taxpayers who have a Certain Gross Circulation which is effective as of July 1, 2018, while revoking Government Regulation Number 46 of 2013. The government provides MSME actors with tax incentives to submit financial reports because they are driven by individual intentions and awareness (Ajzen, 1991). Indonesia's self-assessment tax system, which relies on taxpayer honesty and compliance (Indrawan & Binekas, 2018), allows fraud to occur (Prihanto, 2020). For this reason, the role of WP behavior in the Theory of Planned Behavior (TPB) focuses on the emergence of conscious and planned behavioral intentions, which are influenced by 3 (three) determinant factors, namely: 1) one's attitude towards behavior, 2) subjective norms, and 3) perceived behavioral control.

Business Sustainability

Tax payments depend on the conditions of taxpayers where the sustainability of their business is a measure (Prihanto & Damayanti, 2022); the COVID-19 outbreak has a more significant effect on people's sustainable consumption, accompanied by environmental preservation, and to a lesser extent, changes to their social and economic survival (Begum et al., 2022). Some studies state that due to the COVID-19 pandemic, many companies tend to focus on short-term decisions to overcome economic problems that determine the prospects for sustainability with programs that support them, but on the other hand, also ignore the

development of long-term plans (Klymenko & Halse, 2021) such as ignoring tax sanctions due to short-term economic needs. The recommended strategy is implementing simple strategic climate management and leadership that protects and maintains employee welfare to create organizational sustainability (Haque, 2021). In addition, innovation is needed to generate increased revenue and sustainable business processes during the COVID-19 pandemic (Kamaludin et al., 2021); financial and non-financial revival measures are taken by MSMEs such as the rise of companies, marketing strategy training, customer relationship management (CRM), financial incentives and corporate support, expansion of workers' social security, and access to finance and price controls that have a positive impact on MSME businesses (Singh et al., 2022).

Hypothesis

Taxpayers' tax literacy knowledge and tax reporting

Tax literacy knowledge is essential to produce positive attitudes in people who explore, learn through media literacy, make observations through media, and finally think critically by analyzing and evaluating. It can increase knowledge and avoid misinformation and media messages that are more dominant (Hepworth & Walton, 2013), which is no exception regarding taxes. Younger, higher-income, and male taxpayers are more likely to have high levels of financial literacy (Goulart et al., 2022). In addition, attitudes and awareness of circumstances based on knowledge owned and financial conditions, values in Islam (compliance and religiosity) are the most significant determinants that improve the performance of SMEs (Alharbi et al., 2021; Hussain et al., 2018) including in paying their income tax, because generally the literacy of SME entrepreneurs is low about finance and taxes (Anshika & Singla, 2022), with good literacy of company owners can improve the financial condition of the company (Diéguez-Soto et al., 2022). For this reason, the knowledge of literacy possessed by taxpayers encourages MSMEs to understand better and actively participate in paying taxes. Thus, research hypothesis one (H1) can be stated as follows:

> **H₁:** *Tax knowledge literacy affects tax reporting Tax rate reduction and tax reporting.*

The reduction in tax rates is an incentive provided by the government is expected to provide a positive response to taxpayers to increase further their motivation to pay their taxes and report their taxes (Bornman & Wassermann, 2018; Ibda, 2019; Prihanto & Damayanti, 2020). Various studies on religious viewpoints and tax reporting show no link (Carsamer & Abbam, 2020), but company, entrepreneur, and institutional characteristics determine factors. High tax rates and amounts are indicated to result in tax avoidance (Cebula, 2020), making taxpayers reluctant to report their taxes. However, a decrease in tax rates and increasing compliance also result in a decrease in revenue growth and other factors (Rath, 2021). The existence of tax cuts is used to increase revenue so that the interest in paying and reporting taxes will be carried out by entrepreneurs (Gurley-Calvez & Bruce, 2013) besides that the marginal tax rate, company size, and industry type affect taxpayers to report their taxes (Yusof & Lai, 2014). Before the optimal rate is obtained, tax reporting and payment by taxpayers will

also not be maximized (Hairul et al., 2018); for this reason, research hypothesis two (H2) is stated as follows:

H₂: *Tax rate reduction has a positive effect on tax reporting financial capability and tax reporting.*

Affluence is an essential factor for taxpayers in reporting and paying their taxes; without sufficient financial ability, it does not provide room for taxpayers to pay taxes (Bernardus et al., 2022; Goulart et al., 2022; Marwat et al., 2021; Tanko, 2023; Zeledon, 2022). In addition, marginal tax rates will encourage and provide opportunities for taxpayers to contribute to reporting their taxes (Yusof & Lai, 2014), meaning that tax reductions substantially increase the incentives of private companies to manage revenue information. These effects are especially pronounced when the intensity of tax collection and government intervention is low (Kong, 2022). With taxpayers' financial ability, it allows them to fulfill their tax obligations. Thus, research hypothesis three (H3) is:

H₃: *Taxpayer's financial capability has a positive effect on tax reporting Taxpayer's business opportunities on tax reporting.*

The business conditions experienced by taxpayers have a strong influence on the motivation of taxpayers in their response to taxes that are their obligations; the conditions of promising and glorious business opportunities in the future provide a positive picture and motivation for taxpayers to respond to their taxes (Marwat et al., 2021; Prihanto & Damayanti, 2020). Therefore, entrepreneurs take various opportunities with innovation and partnerships to create their business sustainability, affecting their contribution to fulfilling tax obligations (Kamaludin et al., 2021; Tanko, 2023). The Covid-19 pandemic era gave rise to authoritarianism, corporate welfare, deep imbalances in finance, worsening inequality, higher risk of poverty and hunger, dominance of giant companies, increasing influence of extensive technology, accelerating innovation and smooth work and organization (Yeganeh, 2022), therefore business opportunities that occur in the Covid 19 pandemic era with declining consumer demand which affects the income and tax payments of taxpayers (Somesh et al., 2021). Based on research conducted, the COVID-19 pandemic is a significant factor in changing people's behavior and reflecting sustainability in environmental, social, and economic responsibility (Begum et al., 2022). For this reason, based on the preliminary research statement, hypothesis four (H4) is stated as follows.

H₄: *Taxpayers' good business opportunities in the future have a positive effect on tax reporting.*

Research Design and Method

The research design used in the implementation of this research uses a causal associative approach, which is one type of quantitative research method that examines several variables as factors that cause taxpayer responses in reporting their taxes to the government, estimated from several predictive variables. Predictive variables include taxpayer knowledge

of tax literacy, government tax rate policy, the company's profitability, and existing business opportunities. The population determined in this study is comprised of several cafes and culinary entrepreneurs located in Jagakarsa, Ciganjur, and surrounding South Jakarta, where many cafes and recreational areas stand. The sampling technique uses a Snowball approach; the more rolling respondents are obtained, the more serial and continuous the questionnaires are distributed from the respondents so that the expected volume of data is determined by the adequacy assumptions used in data analysis. Primary data collection uses a questionnaire, which is the respondents' perception regarding their motives for contributing to reporting their tax obligations to the government, including tax payments.

The research period, spanning from May to July 2023, was marked by meticulous data acquisition. Approximately 150 cafe managers in the region were targeted as respondents. The data was then subjected to thorough analysis using SPSS tools, including descriptive statistical tests, validity and reliability tests, and SEM PLS modeling. The latter, utilizing Smart PLS statistical analysis tools, is crucial for hypothesis testing with the t test (p value), linear multiple regression, and the coefficient of determination. The application of inner and outer models in data processing ensures the feasibility of data sources, a key step in determining the predictive ability of the instruments used in this study.

Several measurements were made in this research variable to obtain accuracy in the measurement of research instruments covering aspects: 1) The contribution of taxpayers in reporting their taxes is an encouragement within taxpayers to contribute with several efforts made such as compliance in paying taxes, determination to pay taxes, and prevalence in taxation (Mardiasmo, 2016). 2) Knowledge (KNW) of taxpayers concerning tax literacy is supported by taxpayers' understanding of tax provisions in general, tax procedures, and understanding of tax sanctions (Rahayu, 2010). 3) Tax rates (RATE) relate to deductions, benefits obtained, economy, deferral, and low rates by the government (Ross et al., 2019). 4) EAR is a company condition related to overall profit generation related to cash flow from business activities, including sales, assets, and capital (Hanafi & Halim, 2012). 5) Business opportunities (OP) MSMEs are used to measure using various angles of assessment of entrepreneurs who dare to take risks to open businesses in various opportunities, including independence, daring to start a business without being overwhelmed by fear or anxiety, resilient even in uncertain conditions in the future (Kasmir, 2006).

Results and Discussion
Statistical Result

The results of statistical testing using primary data from questionnaires that have been identified and verified obtained data from as many as 110 samples from MSMEs, with an initial planned estimate of 150 with the cafe business sector in the Jagakarsa area, Ciganjur, and surrounding areas of South Jakarta city who filled out this research questionnaire so that as many as 40 samples were not obtained in this study. Based on testing using Smart PLS, not all questionnaire instruments can be used, so it is necessary to rationalize by eliminating some questions that do not meet the rule of thumb criteria.

The presentation of the results of statistical calculations also presents descriptive statistics that show the composition and condition of the existing data shown in Table 1 as follows:

Table 2. Descriptive Statistical Test Results and Data Model Feasibility

Variable	N	Min.	Max	Mean	SD	Outer loading	AVE	CA	Rho_A	CR
Dependent Variable										
WP	110	4	17	11.45	2.565	0.880-0.915	0.814	0.886	0.866	0.929
Independent Variable										
KNW	110	21	46	32.38	5.169	0.729-0.916	0.666	0.913	0.918	0.933
RATE	110	16	41	29.34	4.082	0.712-0.872	0.643	0.866	0.913	0.900
EAR	110	12	48	37.03	6.805	0.750-0.856	0.666	0.939	0.960	0.947
OP	110	29	57	41.44	4.952	0.729-0816	0.593	0.789	0.811	0.853
Note : WP : taxpayer response in reporting their taxes KNW : taxpayer knowledge of tax literacy RATE : government-imposed tax rates EAR : the taxpayer's profitability in the business undertaken OP : business opportunities facing taxpayers										

Source: data processed by SPSS and Smart PLS

Descriptive statistical testing states that the value composition for standard deviation is smaller than the mean value, thus indicating that the research data obtained meets the feasibility of being used in the following data processing process. The results of statistical testing, which is conformation to the hypothesis put forward, can be displayed in table 3 as follows:

Table 3. Hypothesis Test Results

Variable	Prediction	Koef.	P-Val.	t- stat	Sig.	Info
Multiple regression :						
KNW→ WP	H1 +	0,690	0.000	6.985	Sig. ****	Accepted
RATE → WP	H2 +	-0,008	0.920	0.101	Tdk. sig.	Rejected
EAR→ WP	H3 +	0,274	0.046	1.997	Sig **	Accepted
OP →WP	H4 +	0.025	0.740	0.332	Tdk. sig.	Rejected
R^2 0.627						
Note : N : 110 Significance level : * = 0.10, ** = 0.05, *** =0.01, ****=0.000						

Source: data processed by SPSS and PLS

Table 3 states that the research hypothesis testing cannot all be accepted; research hypotheses two (H2) and four (H4) are rejected with insignificant statistical values. While hypotheses one (H1) and two (H2) are acceptable hypotheses, the data processing results can be seen from the significance value or by comparing the t count and the t table. The results of statistical calculations from Smart Pls can be presented through diagrams 1 and 2:
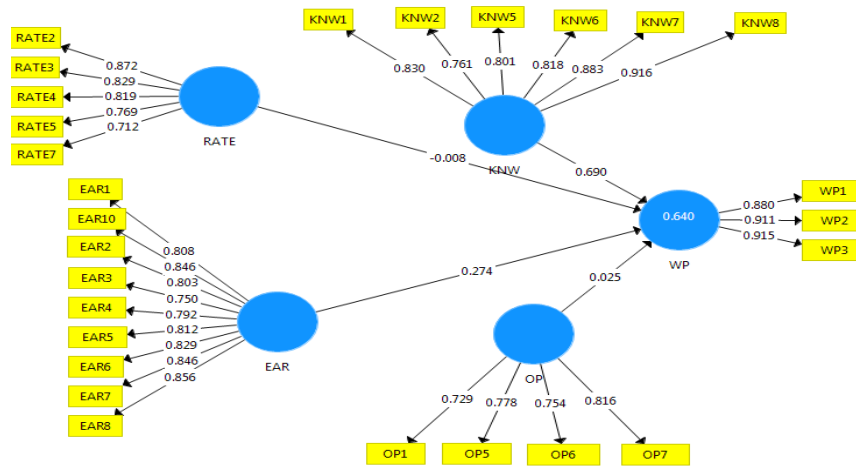
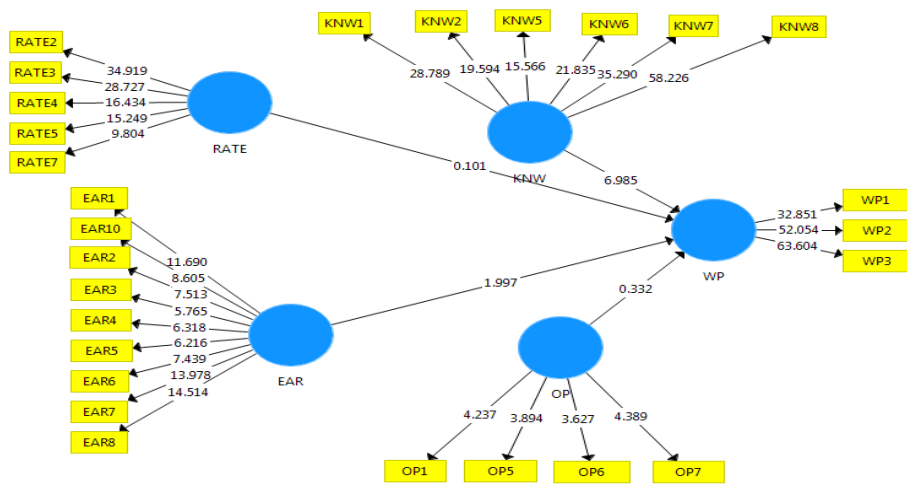**Figure 1. Multiple Regression Test Results (Coefficient)**

Figure 2. Hypothesis Test Results t statistics

Discussion

The awareness of MSME players in Indonesia of the obligation to pay taxes and report their taxes is still at a low level, which indicates the level of tax awareness; data in 2020 shows that there are only 2 million MSMEs registered as taxpayers, while the number of MSMEs in Indonesia is 60 million. Republika.co.id (2022) states that data from the Directorate General of Taxes of the Ministry of Finance in 2019, the contribution of MSME final income tax amounted to IDR 7.5 trillion or only around 1.1 percent of the total income tax revenue (Intan, 2022), one of which is the lack of information obtained by MSMEs. Several variables were observed in the optimization of MSMEs to report their taxes.

Taxpayers' literacy knowledge on tax reporting

Knowledge is essential in determining taxpayers' intention to report their taxes, which predominantly comes from their behavior (Ajzen, 1991) and is supported by the circumstances and conditions around them as interacting social beings. Based on statistical testing, the results show that taxpayers' knowledge of tax literacy significantly influences their contribution to paying and reporting taxes. Thus, research hypothesis one (H1) can be

accepted. Knowledge of tax literacy owned by taxpayers greatly encourages their awareness to report their taxes through their interpretation (Hepworth & Walton, 2013), mainly supported by the desire and role of the government to educate the public to improve their literacy (Goulart et al., 2022) has a positive effect on tax reporting (Alharbi et al., 2021; Hussain et al., 2018; Indrawan & Binekas, 2018; Prihanto & Damayanti, 2020). Knowledge of low tax literacy leads to non-compliance of taxpayers with tax regulations (Anshika & Singla, 2022); this statement is to the prevailing situation in Indonesia, where MSME taxpayers and entrepreneurs are still low in understanding tax literacy, so many entrepreneurs are not interested in the MSME tax facility borne by the Government (DTP) in the form of incentives on the condition of reporting their financial condition. This data is then confirmed through Tax Magazine (2020) with the internal conditions of HIPMI, which states that 70 percent of its members are classified as MSMEs, with 25 thousand active HIPMI members in 34 provinces in Indonesia (Hariani, 2022), so with this condition, it is necessary to make efforts to improve their tax literacy not only by the government but there is a cooperation between parties such as academics who help the government convey various information about taxes. Increased taxpayer literacy helps in compliance with paying taxes and reporting taxes and can further help improve the company's financial condition.

Tax rates on tax reporting.

Tax rates and incentives imposed during the pandemic have consequences for the number of payments made by taxpayers; the statistical test results state that the tax rate of 0.5 percent has no effect on the reporting of taxpayer obligations during the pandemic, so research hypothesis two (H2) is rejected. The results of the study are in line with several previous studies conducted in several regions of Indonesia, which show the low contribution of taxpayers in carrying out their responsibilities in reporting their taxes (Ariningrum, 2020; Jihin et al., 2021; Yuliatic & Fauzi, 2020; Afiah & Eny, 2019). Apart from being in line with other studies, the results of this study also have a mismatch with the research used as a reference for previous research, which states that if the tax rate decreases, it gives a positive response and motivation to taxpayers to increase further their motivation to pay their taxes or report their taxes (Arasli et al., 2021; Lim & To, 2021; Afiah & Eny, 2019), 2021; Lim & To, 2021; Rezapouraghdam & Karatepe, 2020; Prihanto & Damayanti, 2020), in line with that other supporting research is that increasing tax rates results in WP motivation to avoid taxes (Cebula, 2020) and causes a decrease in tax revenue and the growth of a country (Rath, 2021) as its primary income. The existence of tax reduction incentives by the government should increase revenue so that the interest in paying and reporting taxes will be carried out by entrepreneurs (Gurley-Calvez & Bruce, 2013; Yusof et al., 2014) so that the optimal tax value will respond to taxpayers' tax reporting and payment (Hairul et al., 2018). Although most taxpayers in Indonesia are religious, they do not have a religious influence and are related to their tax payments (Carsamer & Abbam, 2020). It is necessary to increase their tax literacy knowledge to support government programs in development. Tax rates are not dominant because taxpayers' business conditions have yet to recover after the pandemic, in addition to many companies and MSMEs that have gone bankrupt, reducing potential tax revenue.

Financial capability of taxpayers on tax reporting

The main requirement for taxpayers to pay taxes is financial capability. Having good financial conditions will be an essential driving factor for taxpayers who will respond to their reporting and motivation to pay taxes. For this reason, without the sufficient financial ability of taxpayers and adequate it will not be possible to provide space for taxpayers to report and pay taxes to the government (Goulart et al., 2022), and this is an essential factor that motivates them (Ajzen, 1991) to fulfill tax obligations. Another opportunity that can be given to taxpayers to contribute to reporting their taxes is by providing tax incentives (Yusof & Lai, 2014). By providing incentives to MSMEs or companies, it is possible to manage their income information and provide space to fulfill tax obligations, so research hypothesis three (H3) states that the existence of profitability provides certainty for taxpayers in paying and reporting their taxes can be accepted. The impact of the pandemic that has occurred for approximately 2.5 years has provided fundamental reactions and changes in the income of all entrepreneurs so that their profitability has decreased, which can be seen from the number of businesses that have closed starting from large company outlets such as Giant Supermarket, PT Hero Supermarket Indonesia, Malls, and other retailers (Sandi, 2021) then followed by medium and small businesses.

For this reason, it will be tough for those affected to pay taxes. At the same time, these companies have also laid off their employees so that tax relief incentives are needed during the pandemic (Artaya & Muchayan, 2020) so that MSME players and entrepreneurs become motivated to report their taxes. For this reason, the existence of tax incentives from the government provides an opportunity for MSME players and entrepreneurs to be able to improve their business management and financial conditions with various financial indicators such as Profitability, ROA, ROE, and other financial parameters being an essential condition for whether or not taxpayers can pay taxes (Bernardus et al., 2022; Goulart et al., 2022; Marwat et al., 2021; Tanko, 2023; Zeledon, 2022).

Business opportunities for tax reporting

Changes in business patterns and unusual developments in the pandemic era affect many things that ultimately make business uncertain; more MSME entrepreneurs in specific fields are unable to survive in difficult situations where their capital is used up to finance operations outside the interests and reach of the business, survive, and eventually experience bankruptcy as stated by the Indonesian Employers Association (Apindo, 2021) that there were 1. 298 applications for postponement of debt payment obligations (PKPU) and bankruptcy during the last three semesters due to the pandemic which affected the income and tax payments of taxpayers (Somesh et al., 2021) which supports the results of this research, 2021) which supports the results of this research. The results also confirm that future business opportunities do not significantly affect the tax reporting of MSME entrepreneurs, so the research hypothesis (H4) is rejected, which means that current and future business opportunities have not described a favorable situation, conducive and optimistic prospects for business actors. The results of the study are also in line with and supported by Prihanto & Damayanti's research (2020), which states that the current and future business conditions of taxpayers significantly affect their motivation to report their taxes, with the current conditions (Covid-19 et al.) where there are many disruptions to corporate welfare, deep imbalances in

finance, worsening inequality, the risk of poverty occurring everywhere and higher hunger, the dominance of giant companies, extensive technology that controls, accelerated innovation and smooth work and organization (Yeganeh, 2022) encouraging MSMEs to find it challenging to develop according to their conditions. The uncertain business climate also causes changes in WP behavior (Ajzen, 1991) in carrying out their social, environmental, and economic responsibilities (Begum et al., 2022). The solution needed is an innovation strategy to increase business empowerment and better partnerships between parties, not only by the government but also between entrepreneurs, to create business sustainability, which will then increase taxpayers' contribution to their tax obligations (Kamaludin et al., 2021; Shen et al., 2020). The culinary business opportunity in this research segment is a strategic sector. However, problems related to restrictions on community activities, increasing prices, constrained distribution chains for goods, decreasing visitors, and so on create create for MSME player.

Conclusions

Based on the results of statistical data processing and testing and supported by previous research and existing phenomena, it is concluded that not all hypotheses can be accepted. However, it shows the phenomenon that occurs. Taxpayers' knowledge of tax literacy, supported by the profitability of the business conducted by taxpayers, has a positive and significant effect on their response to reporting their tax obligations, so the hypothesis is accepted. Meanwhile, tax rates provided by the government and current and future business opportunities have significantly affected reporting. After the pandemic ends, many MSMEs restart their businesses and make improvements by reorganizing businesses that have been losing money. Many taxpayers have not taken the initiative to report their taxes or even to pay them because they are accompanied by economic and financial conditions that are impossible.

The research provided space for limitations in determining a homogeneous sample so that it only applies to similar businesses and objects, namely cafes and culinary entrepreneurs, in one region. Besides that, research using perceptual data collection methods has the potential for high inconsistency and can change due to feelings or thoughts currently available to respondents. On this basis, research may be different when implemented in other population areas.

With some of the weaknesses that exist in this study, future research improvements by other researchers can develop the sample withdrawal area to be wider than other regions by including other businesses similar to the research object of this study, such as restaurants, Tegal Food Stalls (Warteg), as well as types of businesses based on culinary food and beverages. In addition, it is necessary to deepen the research results to be more convincing by using interview methods that deepen and explore research problems that are not carried out in this study as a confirmation that deepens the problems that occur.

Reference

Afiah, N., & Eny, N. (2019). Analisis Tingkat Literasi Keuangan dan Perpajakan Pengelola UMKM di Kota Makassar. Penguatan Riset, Inovasi, Dan Kreativitas Peneliti Di Era Pandemi Covid-19, 1(4), 1–12. https://doi.org/10.29303/risma.v1i4.103

Ajzen, I. (1991). The Theory of Planned Behavior, Organizational Behavior and Human

Decision Process. 50, 179–211.

Alharbi, R. K., Yahya, S. B., & Kassim, S. (2021). Impact of religiosity and branding on SMEs performance: does financial literacy play a role? Journal of Islamic Marketing, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/JIMA-08-2019-0162

Anshika, A., & Singla, A. (2022). Financial literacy of entrepreneurs: a systematic review. Managerial Finance, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/MF-06-2021-0260

Arasli, H., Saydam, M. B., Gunay, T., & Jafari, K. (2021). Key attributes of Muslim-friendly hotels' service quality: voices from booking.com. Journal of Islamic Marketing, August. https://doi.org/10.1108/JIMA-11-2020-0341

Ariningrum, H. (2020). Literasi Keuangan Pelaku Umkm Terhadap Pajak Penghasilan Pph Pasal 21 Di Bandarlampung (Studi Kasus Kpp Di Bandarlampung). 1(2), 121–136.

Artaya, I. P., & Muchayan, A. (2020). Stimulan Peningkatan Kemampulabaan. Spirit Pro Patria, 6(2), 90–101.

Begum, H., Abbas, K., Alam, A. S. A. F., Song, H., Chowdhury, M. T., & Abdul Ghani, A. B. (2022). Impact of the COVID-19 pandemic on the environment and socioeconomic viability: a sustainable production chain alternative. Foresight, ahead-of-p(ahead-of-print).

Bernardus, D., Saputra, M. H., Maichal, M., & Ardyan, E. (2022). A critical role of the explorative relational capability to enhance business performance: Empirical study in the Indonesia fashion industry. Diponegoro International Journal of Business Vol., 5(2), 158–173.

Bornman, M., & Wassermann, M. (2018). Literasi pajak dalam ekonomi digital. xx(xx), 1–16.

Br Purba, N. M., & Efriyenty, D. (2021). Faktor-Faktor Yang Mempengaruhi Kepatuhan Pelaporan Wajib Pajak Orang Pribadi. Akuntansi Dewantara, 5(2). https://doi.org/10.26460/ad.v5i2.9657

Carsamer, E., & Abbam, A. (2020). Religion and tax compliance among SMEs in Ghana. Journal of Financial Crime, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/JFC-01-2020-0007

Cebula, R. (2020). Federal aggregate personal income tax evasion/unreported income and its real interest rate yield effects on longer-term treasury debt issues. Journal of Financial Economic Policy, 12(3). https://doi.org/https://doi.org/10.1108/JFEP-01-2019-0015

Chen, M. F., & Tung, P. J. (2014). Developing an extended Theory of Planned Behavior model to predict consumers' intention to visit green hotels. International Journal of Hospitality Management, 36, 221–230. https://doi.org/10.1016/j.ijhm.2013.09.006

Diéguez-Soto, J., Martínez-Romero, M.J. Corten, M., & Michiels, A. (2022). The impact of the CEO's financial literacy on family SMEs' growth: the moderating role of generational stage. Baltic Journal of Management, 17(1), 89-106. https://doi.org/https://doi.org/10.1108/BJM-01-2021-0003

Dirgantara, G. (2021). Usaha makanan dan minuman penyelamat ekonomi Jakarta. Antara. https://www.antaranews.com/berita/2447469/usaha-makanan-dan-minuman-

penyelamat-ekonomi-jakarta

Goulart, M. A. d. O. V., da Costa Jr, N. C. A., Paraboni, A. L., & Luna, M. M. . (2022). Can personality traits influence Brazilian university students' financial literacy? Review of Behavioral Finance, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/RBF-12-2021-0259

Gurley-Calvez, T., & Bruce, D. (2013). Do tax rate cuts encourage entrepreneurial entry? Journal of Entrepreneurship and Public Policy, 2(2), 178–202. https://doi.org/10.1108/JEPP-01-2012-0002

Hairul, A., Isa, K., Ibrahim, S. A., & Solarin, S. A. (2018). Malaysian corporate tax rate and revenue: the application of Ibn Khaldun tax theory. ISRA International Journal of Islamic Finance, 10(2), 251–262. https://doi.org/10.1108/IJIF-07-2017-0011

Hanafi, M., & Halim, A. (2012). Analisis Laporan Keuangan. (UPP) STIM YKPN.

Haque, A. (2021). The COVID-19 pandemic and the role of responsible leadership in health care: thinking beyond employee well-being and organisational sustainability. Leadership in Health Services, 34(1). https://doi.org/https://doi.org/10.1108/LHS-09-2020-0071

Hariani, A. (2022, November). Menilik Insentif Pajak DTP di Era Pandemi. Pajak.Com.

Harjoto, M. A., & Rossi, F. (2021). Market reaction to the COVID-19 pandemic: evidence from emerging markets. International Journal of Emerging Markets, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/IJOEM-05-2020-0545

Haryanto, M. I. (2017). Faktor-Faktor Yang Mempengaruhi Kemauan Membayar Pajak Wajib Pajak Orang Pribadi Yang Melakukan Pekerjaan Bebas. Diponegoro Journal Of Accounting, 6, 1–9.

Hepworth, M., & Walton, G. (2013). Introduction - information literacy and information behaviour, complementary approaches for building capability. In Library and Information Science (Vol. 8, Issue 2013). Emerald Group Publishing Limited. https://doi.org/10.1108/S1876-0562(2013)0000008005

Hussain, J., Salia, S., & Karim, A. (2018). Is knowledge that powerful? Financial literacy and access to finance: An analysis of enterprises in the UK. Journal of Small Business and Enterprise Development, 25(6), 985–1003. https://doi.org/10.1108/JSBED-01-2018-0021

Ibda, H. (2019). Penguatan Literasi Perpajakan Melalui Strategi "GEBUK" (Gerakan Membuat Kartu) NPWP pada Mahasiswa. Jurnal Ekonomi Pendidikan Dan Kewirausahaan, 7(2), 83. https://doi.org/10.26740/jepk.v7n2.p83-98

Indrawan, R., & Binekas, B. (2018). Pemahaman Pajak dan Pengetahuan Pajak Terhadap Kepatuhan Wajib Pajak UKM. Jurnal Riset Akuntansi Dan Keuangan, 6(3), 419–428. https://doi.org/10.17509/jrak.v4i3.4670

Intan, N. (2022, November). DJP: Minim Sosialisasi, Penerimaan Pajak Sektor UMKM Rendah. REPUBLIKA.CO.ID. https://ekonomi.republika.co.id/berita/rlsevl383/djp-minim-sosialisasi-penerimaan-pajak-sektor-umkm-rendah

Jaccard, J., Dodge, T., & Dittus, P. (2002). Parent-adolescent communication about sex and birth control: a conceptual framework. New Directions for Child and Adolescent Development, 97, 9–42. https://doi.org/10.1002/cd.48

Jafari, K., Özduran, A., & Saydam, M. B. (2021). Hospitality and tourism industry amid

COVID-19 pandemic: voices from small Mediterranean town. International Hospitality Review, ahead-of-p(ahead-of-print). https://doi.org/10.1108/ihr-07-2021-0054

Jihin, S. A. F., Sulistyowati, W. A., & Salta. (2021). Kajian Kepatuhan Wajib Pajak Pribadi Ditinjau Dari Pemahaman Peraturan Perpajakan Dan Sanksi Perpajakan. KRISNA: Kumpulan Riset Akuntansi, 12(2), 303–319. https://doi.org/10.22225/kr.12.2.2022.303-319

Kamaludin, M. F., Xavier, J. ., & Amin, M. (2021). Social entrepreneurial sustainability during the COVID-19 pandemic. Social Enterprise Journal, ahead-of-p(ahead-of-print.). https://doi.org/https://doi.org/10.1108/SEJ-05-2021-0041

Kasmir. (2006). Kewirausahaan. Rajawali Pers.

Klymenko, O., & Halse, L. (2021). Sustainability practices during COVID-19: an institutional perspective. The International Journal of Logistics Management, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/IJLM-05-2021-0306

Kong, G. (2022). Causal effects of corporate taxes on private firms' earnings management: a regression discontinuity analysis. China Finance Review International, ahead-of-p(ahead-of-print).

Lim, W. M., & To, W. M. (2021). The economic impact of a global pandemic on the tourism economy: the case of COVID-19 and Macao's destination- and gambling-dependent economy. Current Issues in Tourism, 0(0), 1–12. https://doi.org/10.1080/13683500.2021.1910218

Listiyowati, L., Indarti, I., Setiawan, F. A., Wijayanti, F., & Setiawan, F. A. (2021). Kepatuhan Wajib Pajak UMKM di Masa Pandemi COVID-19. Jurnal Akuntansi Indonesia, 10(1), 41. https://doi.org/10.30659/jai.10.1.41-59

Ma'ruf Hasan, M., & Supatminingsih, S. (2020). Faktor-Faktor yang Berpengaruh terhadap Kepatuhan WP dalam Membayar PBB. Akuntansi Dan Pajak, 20(2), 276–284.

Mardiasmo. (2016). Perpajakan Edisi Revisi. Andi.

Martins, A. F. (2017). Accounting information and its impact in transfer pricing tax compliance: a Portuguese view. EuroMed Journal of Business, 12(2), 207–220. https://doi.org/10.1108/EMJB-11-2016-0029

Marwat, J., Rajput, S. K. O., Dakhan, S. A., Kumari, S., & Ilyas, M. (2021). Tax avoidance as earning game player in emerging economies: evidence from Pakistan. South Asian Journal of Business Studies, 12(2).

Mishal, A., Dubey, R., Gupta, O. K., & Luo, Z. (2017). Dynamics of environmental consciousness and green purchase behaviour: an empirical study. International Journal of Climate Change Strategies and Management, 9(5), 682–706. https://doi.org/10.1108/IJCCSM-11-2016-0168

Mohammad, I., Saerang, D. P. E., & Pangerapan, S. (2017). Pengaruh Pemeriksaan Dan Penagihan Pajak Terhadap Penerimaan Pajak Pada Kantor Pelayanan Pajak Pratama Manado. Going Concern : Jurnal Riset Akuntansi, 12(2), 938–949. https://doi.org/10.32400/gc.12.2.18370.2017

Nasution, D. A. D., Erlina, & Muda, I. (2020). Dampak Pandemi Covid-19 terhadap Perekonomian Indonesia. Jurnal Benefita, 5(2), 212–224. https://doi.org/10.33059/jseb.v14i2.4395

Nisak, I. A., & Ardhani, L. (2023). Pengaruh Kondisi Keuangan Pasca Newnormalterhadap Kepatuhan Wajib Pajak Dimoderasi Kesadaran Wajib Pajak(Studi Pada Kpp Pratama Pare). JIMEA Jurnal Ilmiah MEA (Manajemen , Ekonomi , Dan Akuntansi), 7(2), 1–13.

Pertapsi. (2021). Jumlah Pembayar Pajak UMKM Berkurang, Penerimaan Belum Pulih. Perkumpulan Tax Center Dan Akademisi Pajak Seluruh Indonesia. https://pertapsi.or.id/jumlah-pembayar-pajak-umkm-berkurang-penerimaan-belum-pulih

Prasetyana, E., & Febriani, E. (2022). Faktor-faktor yang mempengaruhi kepatuhan wajib pajak orang pribadi karyawan selama masa pandemi covid-19. Akuntabel, 19(2), 388–392. https://doi.org/10.30872/jakt.v19i2.11274

Prihanto, H. (2018). Etika Bisnis dan Profesi: Sebuah Pencarian. Rajawali Pers.

Prihanto, H. (2020). Manajemen Pengetahuan Memoderasi Pengaruh Budaya Organisasi, Kepemimpinan Etis, Kode Etik dan Sistem Pengendalian Internal Pemerintah Terhadap Pencegahan Korupsi. Trisakti.

Prihanto, H., & Damayanti, P. (2020). Disclosure Information on Indonesian UMKM Taxes. Jurnal Riset Akuntansi Dan Keuangan, 8(3), 447–454. https://doi.org/10.17509/jrak.v8i3.26707

Prihanto, H., & Damayanti, P. (2022). Faktor-Faktor yang berpengaruh pada Keberlanjutan Usaha Biro Jasa Perjalanan Haji dan Umrah. Journal of Management and Business Review, 19(1), 29–48. https://doi.org/10.34149/jmbr.v19i1.314

Purba, I., & Simbolon, L. S. (2021). Pengaruh Pemahaman Peraturan Perpajakan, Tarif Pajak, Dan Asas Keadilan Terhadap Kepatuhan Wajib Pajak Usaha Mikro, Kecil Dan Menengah Di Kabupaten Samosir. Jurnal Riset Akuntansi & Keuangan, 7(2), 124–138. https://doi.org/10.54367/jrak.v7i2.1396

Puspita, S. R., & Harto, P. (2014). Pengaruh Tata Kelola Perusahaan Terhadap Penghindaran Pajak. Diponegoro Journal of Accounting, 3(2), 1–13. http://ejournal-s1.undip.ac.id/index.php/accounting

Rahayu, S. K. (2010). Perpajakan Indonesia–Konsep dan Aspek Formal. Graha Ilmu.

Rath, A. (2021). Structural breaks in the central government taxes in India, 1950-1951 to 2013-2014. Indian Growth and Development Review, 14(1), 1–34. https://doi.org/https://doi.org/10.1108/IGDR-04-2019-0039

Rezapouraghdam, H., & Karatepe, O. M. (2020). Applying health belief model to unveil employees' workplace covid-19 protective behaviors: Insights for the hospitality industry. International Journal of Mental Health Promotion, 22(4), 233–247. https://doi.org/10.32604/IJMHP.2020.013214

Ross, S., Westerfield, R., & Jordan, B. (2019). Fundamentals of Corporate Finance (13th ed). McGraw-Hill/Irwin.

Salunkhe, U., Rajan, B., & Kumar, V. (2021). Understanding firm survival in a global crisis. International Marketing Review. https://doi.org/https://doi.org/10.1108/IMR-05-2021-0175

Sandi, F. (2021). 2021 Banyak Ritel Bertumbangan: Giant Tutup Selamanya di RI! CNBC Indonesia. https://www.cnbcindonesia.com/news/20211227180833-4-302449/2021-banyak-ritel-bertumbangan-giant-tutup-selamanya-di-ri

Segal, T. G., Segal, M., & Maroun, W. (2017). The perceived relevance of tax risk-management in a South African context. Meditari Accountancy Research, 25(1), 82–94.

Sharma, A., & Joshi, S. (2017). Green consumerism: Overview and further research directions. International Journal of Process Management and Benchmarking, 7(2), 206–223. https://doi.org/10.1504/IJPMB.2017.083106

Shen, H., Fu, M., Pan, H., Yu, Z., & Chen, Y. (2020). The Impact of the COVID-19 Pandemic on Firm Performance. Emerging Markets Finance and Trade, 56(10), 2213–2230. https://doi.org/10.1080/1540496X.2020.1785863

Singh, S., Chamola, P., Kumar, V., Verma, P., & Makkar, N. (2022). Explaining the revival strategies of Indian MSMEs to mitigate the effects of COVID-19 outbreak. Benchmarking: An International Journal, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/BIJ-08-2021-0497

Somesh, A., Mohit, T., & Rajiv Kumar, G. (2021). Restorative measures to diminish the covid-19 pandemic effects through circular economy enablers for sustainable and resilient supply chain. Journal of Asia Business Studies, ahead-of-p(ahead-of-print). https://doi.org/https://doi.org/10.1108/JABS-05-2021-0217

Sultana, R., Ghosh, R., & Sen, K. K. (2021). Impact of COVID-19 pandemic on financial reporting and disclosure practices: empirical evidence from Bangladesh. Asian Journal of Economics and Banking, ahead-of-p(ahead-of-print). https://doi.org/10.1108/ajeb-09-2021-0110

Suyanto, S. (2021). Menkop dan UKM Dorong Kepatuhan Wajib Pajak UMKM. https://www.ssas.co.id/menkop-dan-ukm-dorong-kepatuhan-wajib-pajak-umkm/

Tanko, U. M. (2023). Financial attributes and corporate tax planning of listed manufacturing firms in Nigeria: moderating role of real earnings management. Journal of Financial Reporting and Accounting,. https://doi.org/10.1108/JFRA-05-2022-0198

Yeganeh, H. (2022). Emerging social and business trends associated with the Covid-19 pandemic. Critical Perspectives on International Business, 17(2). https://doi.org/https://doi.org/10.1108/cpoib-05-2020-0066

Yuliatic, N. N., & Fauzi, A. K. (2020). Literasi Pajak, Kualitas Pelayanan, Sanksi Perpajakan Dan Kepatuhan Wajib Pajak Umkm. Akutansi Bisnis & Manajemen (ABM), 27(2). https://doi.org/10.35606/jabm.v27i2.668

Yusof, N. A. M., & Lai, M. L. (2014). An integrative model in predicting corporate tax fraud. Journal of Financial Crime, 21(4), 424–432. https://doi.org/10.1108/JFC-03-2013-0012

Yusof, N. A. M., Ling, L. M., & Wah, Y. B. (2014). Tax non-compliance among SMCs in Malaysia: Tax audit evidence. Journal of Applied Accounting Research, 15(2), 215–234. https://doi.org/10.1108/JAAR-02-2013-0016

Zeledon, A. A. V. (2022). Hybrid and inclusive entrepreneurship as the determinants of self-employment : The mediating role of entrepreneurial atmosphere. Diponegoro International Journal of Business, 5(2), 90–108.