



Socialising of Harmonising Tax Regulation for Micro, Small and Medium Enterprises (MSMEs) in the Village of Kerinjing

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Abstract: The aim of this community service is to give a better understanding of harmonizing tax regulations on micro, small and medium enterprises (MSMEs) in the village of Kerinjing. Tax assistance related to the Socialisation of Harmonisation of Tax Regulations for MSMEs in Kerinjing Village, Tanjung Raja Sub-district, Ogan Ilir Regency that will be carried out aims to provide information and for MSMEs based on applicable provisions both those regulated in Law NO. 7 of 2021 concerning Harmonisation of Tax Regulations. The implementation team made three visits for location surveys, implementation and evaluation of community service activities. Implementation of this community service is on 26 October 2022. The number of participants was 30 people. Implementation methods are lectures, tutorials and discussions. During the implementation, questions and answers and discussions were held to see the understanding of the activity participants. From the results of the service activities, it is clear that there are still many MSME actors who do not yet have an understanding of the harmonization of tax rules. Micro, Small and Medium Enterprises (MSMEs) are expected to report their business tax results as well as possible and to refer to the current tax laws and regulations. The socialisation of harmonisation of tax regulations for MSMEs in Kerinjing Village provided participants with an understanding of the definition of tax, the subject and object of income tax and also provided participants with an understanding of tax obligations related to income tax and value added tax.

Keywords: Tax regulations; MSMEs; Harmonization

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1. INTRODUCTION

The Regency of Ogan Ilir is one of the regencies in the province of South Sumatra where the University of Sriwijaya is located. Regency of Ogan ilir has 16 sub-districts, including Tanjung Raja sub-district with an area of 70.41 km², which has 19 villages, 52 hamlets and 140 Neighborhood Association (RT) and the total population in 2015 was 43,814 people. Kerinjing Village, with a population of 1,279 at the end of 2015, comprising 647 males and 632 females and 336 family heads, an area of 3.00 km² and an average population density of 426 people per km², is a relatively sparsely populated village (Fuadah, 2022). Like other villages in Indonesia, the village of Kerinjing has a dry-rainy climate, which immediately affects the cropping patterns in the village of Kerinjing, district of Tanjung Raja, Regency of Ogan Ilir. Bashir et al. (2021) stated that in village of Kerinjing, which is not too densely populated and has various types of livelihoods, it is an opportunity for various research and community service activities.

The people of Kerinjing village in Ogan Ilir district are almost 100 per cent Muslim. The village is led by a village head named Faisal Kimi, has an area of 4 neighborhoods and 2 hamlets. The potential in the village of Kerinjing is not great, but it is hoped that with a touch of help from associates, the potential in this village can be developed, especially in the fields of agriculture and plantations. As many as 49% of the villagers have income from agriculture and plantation. Rice fields with an area of ± 84 ha and plantation land with an area of ± 105 ha can be used as a government aspiration to assist farmers in increasing the productivity of agricultural products supported by adequate facilities and infrastructure. The potential of the village in the health sector like village health post, integrated service post and Village Midwife are needed for a progressive society towards a healthy Ogan Ilir. In the economic sector, the potential of the village can also be seen in family businesses such as garment manufacturing (tailoring), public transport businesses, food stalls, while the potential in the field of facilities and infrastructure such as village roads long enough, educational facilities. The fishery potential in Kerinjing village is only rice-field fishery and some freshwater fish farming, in human resources there are still many skilled human resources but they cannot use their expertise because they are not supported by adequate training and much job competition. Some people in the village of Kerinjing also have individual businesses, both service businesses and trade and manufacturing businesses. This is the background for the choice of the location of the service activities in the village of Kerinjing, district of Tanjung Raja, Regency of Ogan Ilir.

Knowledge and understanding of taxes for the general public is very important, especially for individual taxpayers. As it is known that one of the tax subjects is a person who has both a regular income or regular work and who has income from irregular or free work. This non-permanent work or free work such as self-employed, workers with daily, weekly and other non-permanent income. This job is also the majority of people in village of Kerinjing, Sub-district of Tanjung Raja, Regency of Ogan Ilir.

Indonesian people are still unfamiliar with the laws in this field of taxation, so this socialization is very important so that Indonesian people become tax-compliant. This socialization is very important so that Indonesian people become tax-obedient citizens. The benefits of this socialization activity can be felt by academics ranging from students, teachers, students, lecturers, as well as the general public such as MSME activists, private agencies/institutions and others. private institutions and others. The method of implementing the service is carried out in parallel, namely literacy and socialization of the latest taxation regulations in the Harmonization Act (Suryadi et al., 2022). Zain (2011) states negligence in fulfilling tax obligations is caused by ignorance, i.e. taxpayers are not aware or do not know about the provisions of tax regulations. (ignorance), namely the taxpayer is not aware or does not know of the provisions of the tax legislation. Resmi (2017) revealed that knowledge and understanding of tax regulations is a process where taxpayers understand taxation and apply that knowledge to pay taxes.

The objective of this project is to provide information and assistance to micro small and medium-sized enterprises (MSMEs) in village of Kerinjing, district of Tanjung Raja, Regency of Ogan Ilir, based on the applicable provisions of Law No. 7 of 2021 on the Harmonisation of Legislation. 7 of 2021 on the harmonisation of legislation. One of the reasons why this topic is interesting to discuss is to increase taxpayers' voluntary compliance and to realise a more equitable and legally certain tax system. Based on the above description, it can be concluded that the title of this community service activity is "Socialising of Harmonising Tax Regulations for MSMEs in Kerinjing Village".

2. LITERATURE REVIEW

2.1. Micro, Small and Medium Enterprises (MSMEs)

MSMEs play an important and strategic role in Indonesia's economic structure. They contribute significantly to exports (14.4%), gross domestic product (61.1%), and employment (97.1%) (BI, 2023). MSMEs are dominated by microenterprises, which account for 98.68 per cent and employ about 89 per cent of the workforce (Sasongko, 2020). Based on Law No. 20/2008 on MSME, the

classification of MSME can be divided into three categories, which include (i) micro credit with a ceiling of up to IDR 50 million, (ii) small credit with a ceiling of over IDR 50 million to IDR 500 million, and (iii) medium credit with a ceiling of over IDR 500 million to IDR 5 billion (Departemen Statistik BI, 2016). The training/counselling made it easy for Micro, Small and Medium Enterprises (MSMEs) owners in Ilir Barat II Sub-district to calculate Income Tax, and Value Added Tax. This training/counselling also provides insight, especially regarding tax incentives during the 2019 Corona Virus Disease (Covid) Pandemic (Fuadah, 2022).

2.2. System Taxation

The tax collection system is divided into three (3) systems, including the official assessment system, the withholding system and the self-assessment system (Mardiasmo, 2011). Indonesia's tax system is a self-assessment system. Taxpayers play an active role in calculating, reporting and paying their taxes. In this case, the government is only a supervisor of the course of tax activities when it comes to reporting and paying taxes. This is reinforced by Zain (2011) that Tax planning is also inseparable from the system of tax collection which has been introduced in Indonesia after the tax reform, the self-assessment system. On the basis of the three principles of tax collection, taxpayers are required to assess, compute and pay the amount of tax payable according to the provisions of the tax laws and rule. Thus, the taxpayer is therefore responsible for determining the tax owed.

2.3. Understanding Taxation

The understanding of the tax rules is closely related to the payment of taxes. Knowledge and understanding of tax rules are the process by which taxpayers have an understanding of the tax system and apply that knowledge to the payment of tax (Resmi, 2017). The requirements for making tax payments are (1) taxpayers must have a tax identification number (NPWP) and (2) taxpayers must file the annual tax declaration (SPT). These requirements can be used as an indicator of the willingness to pay taxes by taxpayers because, first, taxpayers if there are new taxpayers who will pay taxes, must register themselves first in order to get an NPWP. Furthermore, old taxpayers who already have an NPWP must renew the ownership in order to pay taxes on an ongoing basis. Second, the ownership of the NPWP must then be followed up by reporting the tax return by the taxpayer (Waluyo, 2011).

Taxpayers' understanding of tax laws and regulations and taxpayers' attitudes have an impact on taxpayers' tax behaviour, and ultimately tax behaviour has an impact on the success of taxation (Sholichah, 2005). According to Zain (2011), negligence in fulfilling tax obligations is one of them caused by ignorance, namely the taxpayer is not aware or does not know about the existence of the provisions of the tax legislation.

2.4. Taxation

The tax reporting scheme for Individual Taxpayers of MSMEs is contained in the 1770 Annual Tax Return. For the monthly reporting of turnover, MSMEs can fill in the tax return in Annex III, which includes the income subject to the final tax and/or the final tax, the income not included in the tax object, the income of the spouse who is taxed separately. Then, in the section A number 16: Other income subject to the final and/or the final tax, they fill in the amount of the gross income in a tax year (Faradita & Rachmawati, 2022).

The aspect of preparing financial reports, the problems faced by MSME partners are; (1) the process of recording product order and sales transactions still uses books and calculators, which of course consumes a lot of time and does not guarantee data accuracy and security; and (2) financial reporting is delayed because partners have to take about 2-3 days to make financial reports. Then, in the aspect of understanding taxation policy, the problems faced are; (1) Many MSME partners still do not know the general rules and procedures of taxation, so they still experience problems regarding tax obligations; (2) Lack of understanding of MSME partners about the Law on Harmonisation of Tax Regulations and its impacts; and (3) Limited tax officers in Balikpapan City cause not all taxpayers to get the latest tax policy education; and (4) There is still resistance for MSME partners to come to tax officers (Kusno et al., 2022).

3. METHODS

Tutoring, lectures and discussions are the teaching methods used in this community service activity. The training participants were provided with materials on tax harmonization through the tutorial and lecture methods. Meanwhile, the discussion method gives participants the opportunity to ask questions about the training materials and discuss issues related to taxation for micro, small and medium-sized enterprises. This community service activity is targeted at micro, small and medium enterprises located in Village of Kerinjing, Ogan Ilir, South Sumatra. The total number of participants in this activity is about 30 people.

4. RESULTS

4.1 *Description of activities*

This activity was implemented from 1 Agustus to 31 October 2022 in the Village of Kerinjing, Ogan Ilir, South Sumatra. This activity begins with an initial visit, then training and finally monitoring. The following is a description of each activity:

4.1.1. *Site Survey*

At the location survey stage, this year's Integrated scheme community service team conducted a location survey to ask for the willingness of the head of the Village of Kerinjing, District of Tanjung Batu, Regency of Ogan Ilir in 2022. The community service team had a face-to-face meeting with the head of Kerinjing village, Mr Faisal Kimi. The purpose of this location survey activity includes obtaining an overview of information about the village of Kerinjing, community profiles that will be used as participants in integrated scheme community service activities, then scheduling time for the implementation of integrated scheme community service activities and also asking permission from the head of village of Kerinjing, sub-district of Tanjung Batu, Regency of Ogan Ilir to become the location for the implementation of integrated scheme community service activities in the 2022 budget year.

4.1.2 *Implementation of Activities*

The material presented was the principle, purpose, scope, Population Identification Number as a taxpayer identification number, sanctions, tax in kind, exclusion of value-added tax objects and facilities and value-added tax rates. The implementation of the activities carried out, namely the community service team for the Assisted Village scheme for the 2022 fiscal year, conducted a Socialization of harmonisation of taxation regulations for MSMEs in Kerinjing Village, Tanjung Batu District, Regency of Ogan Ilir, on 26 October 2022. The activity was carried out smoothly and orderly, the activity was opened directly by the Village Head, Mr Faisal Kimi and attended by other village officials and activity participants. At the time of implementation, it turned out that the participants who attended were quite representative, 30 participants. Of these 30 participants, most of them came to do business and the majority were self-employed.

4.1.3. *Evaluation*

At this stage, the Integrity scheme community service team visited Burai village again on 30 October 2022 with the aim of conducting an evaluation by asking for feedback on the Integrity scheme community service activities for the 2022 budget year that we have carried out. Based on the results of the meeting with the Kerinjing village, namely Mr Faisal Kimi, we obtained some very good responses as well as the suggestions given. The responses given include this activity is very supportive because it can increase knowledge of things that have been poorly understood, especially related harmonization of taxation regulations for Micro, Small and Medium Enterprises (MSMEs). For the suggestions given, among others, the participants hoped that this activity would be carried out more often and further improved, especially regarding bookkeeping, taxation, independent businesses and other forms of business, especially for MSMEs.



Figure 1. The Explanation and Discussion Session

4.4 Discussion

The Tax Harmonisation Act includes the possibility of levying a final income tax rate of just 0.5% of gross income and a 50% rate reduction under Section 31E. More recently, the harmonisation of tax regulations provides for the possibility of limiting the non-taxable gross income of MSMEs to IDR 500 million per year. It also provides for the application of the final Value Added Tax rate of 1%, 2% or 3% for MSMEs with Taxable Entrepreneur Status. In the Socialisation, it is also explained with an example if there is an MSME with a turnover of one billion a year, the five hundred million is deducted first, this does not pay tax, then the rest only pays the final Income Tax of 0.5%. So this law is in favour of MSMEs (Apip et al., 2022). The presentation in this video conference explained the applicability of the Harmonisation of Tax Regulations Law. The law takes effect from 29 October 2021. In addition, thematically, the applicability of the HPP Law is divided into the following. Amendments to the General Provisions and Tax Procedures Law and amendments to the Excise Law are effective from the date of enactment. Amendments to the Income Tax Law take effect in fiscal year 2022. Changes to the VAT (Value Added Tax) Law and carbon tax come into effect on 1 April 2022. Meanwhile, the voluntary disclosure programme is effective from 1 January to 30 June 2022.



Figures 2. Participants Activity

Population Identification Number (NIK) as Individual Taxpayer Identification Number (NPWP), changes in the amount of sanctions, global tax collection assistance, mutual agreement procedure (MAP), global taxation consensus, taxpayer legal counsel, and criminal law enforcement. Next, the resource person explained the important points in the changes to the Income Tax Law, including: tax treatment of natura and/or enjoyment, changes to the tax rate bracket for individual taxpayers, the imposition of a tax rate of 35% for income above IDR 5 billion, the corporate income tax rate for the 2022 tax year and beyond at 22%, and the existence of a non-taxable gross circulation limit for individual taxpayers with a turnover of up to 500 million not subject to tax (Irawan, 2021).

Law Number 7 of 2021 concerning Harmonization of Tax Regulations. Based on article 1 paragraph (1), the Taxation Regulation Harmonization Act (HPP Act) is implemented based on "the principles of justice, simplicity, efficiency, legal certainty, expediency, and national interest". Furthermore, article 1 paragraph (2) states that the purpose of the establishment of this Law is "to increase sustainable economic growth and support the acceleration of economic recovery; optimize state revenues to finance national development independently towards a just, prosperous and prosperous Indonesian society; realize a more equitable and legally certain tax system, implement administrative reform, consolidative tax policies, and broaden the tax base, and increase taxpayer voluntary compliance" (Faisol & Chamalinda, 2022).

5. CONCLUSIONS

Based on the evaluation of this training activity, there are several things that can be concluded from the results of this activity. First, the socialisation of harmonisation of tax regulations for MSMEs in Village of Kerinjing, Sub-district of Tanjung Raja, Regency of Ogan Ilir provided participants with an understanding of the definition of tax, the subject and object of income tax. Second, this activities provide participants with an understanding of tax obligations related to income tax and value added tax through the socialisation of the harmonisation of tax regulations for MSMEs. Lastly, socialising the harmonisation of Tax Regulations for MSMEs enables participants to understand the current legislation, Law No. 7 of 2021 regarding the Harmonisation of Tax Regulations.

Training or counselling like this is very important for people who have a business, besides that activities like this are a form of contribution from educators in Higher Education to participate in advancing society by providing information, knowledge and insight for the community in order to encourage their business enthusiasm amid the current sluggish economic conditions. The suggestions for the implementation of this training include the participating community in this case must start learning to recognise taxes on income earned by MSMEs and the community can start learning to calculate taxes on income and also value added tax that must be reported by MSMEs.

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