ANALYSIS OF THE EFFECTIVENESS OF TAX INCENTIVES ON THE TAX COMPLIANCE BEFORE AND DURING THE COVID-19 PANDEMIC (STUDY ON MSME DIGITAL AND MSME NON-DIGITAL)

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Abstract: *The purpose of this research is to evaluate how the provision of tax incentives PMK No. 82/PMK.03/2021, tax socialization, and tax administration affect tax compliance in the COVID-19 pandemic situation, as well as to determine whether the taxpayer's perspective moderates the relationship between PMK tax incentives No. 82/PMK.03/2021, tax socialization, tax administrative services, and tax sanction on taxpayer compliance. This research utilizes both qualitative and quantitative analysis, as well as secondary and primary data. The number of respondents in this study was composed of 5 respondents who participated in the Focus Group Discussion (FGD) and 258 respondents from the questionnaire data. Non-probability sampling, often known as purposeful sample, was used in this study. The Sequential Equation Model-Partial Least Squares (SEM-PLS) was used to collect data through interviews and web-based surveys. Tax incentives PMK No.82/PMK.03/2021, tax socialization, and tax administrative services all had a positive effect on taxpayer compliance, according to the findings. This demonstrates that the implementation of tax policies based on the Covid-19 condition has the potential to influence taxpayer compliance especially MSMEs in the city and district of Blitar, despite their diverse business backgrounds, knowledge, and ages. Furthermore, in the COVID-19 pandemic, taxpayer perception can influence the relationship between tax incentives PMK No. 82/PMK.03/2021 and tax administrative on taxpayer compliance. In contrast to tax administration, where taxpayer perception cannot moderate its relationship with taxpayer compliance*

PENDAHULUAN

Taxes play a significant role or contribute significantly to the increase of state revenues in Indonesia, representing for around 80% of tax revenue each year. Fundamental economic circumstances, taxation policies, and tax administration structures all have a major influence on tax revenue levels, according to the (OECD, 2017) This requires the government, particularly the Directorate General of Taxes (DGT), to continually improve the tax system and regulations, as well as to providing tax socialization, in order to maximize tax income in Indonesia.

Tax income grew by an average of 6.4 percent between 2016 and 2017. However, when compared to other Asia-Pacific countries, the percentage that reflects the amount of tax income as a proportion of GDP is the lowest. This requires the government to continually improve the tax system and regulations. The policies that have been made include changes to the tax system from the Official Assessment System to the Self-Assessment System, the Tax Amnesty program to ease tax payments by certain taxpayers, maintaining the operation of essential business processes, including taxpayer registration, taxpayer services, tax returns and payment processing, as well as offering lower tax incentives to MSMEs in order to stimulate the business activity and increase non-taxable income (PTKP) to strengthen people's spending power. The tax incentives are in the form of a lowering in the Final Income Tax rate from 1 percent to 0.50 percent, as specified in PP.09/PMK.03/2021 which is the initial incentive for the continuation of the tax incentives in the 2021, as well as withdrawing the tax incentive policy for taxpayers affected by the COVID-19 pandemic in 2020. Income Tax Article 21 of Government Borne Income Tax, Final Income Tax based on Government Regulation (PP) Number 23 of 2018, Income Tax Article 22 about Imports, Income Tax Article 25 concerning Income Tax Installments, and VAT are the components of the abovementioned tax incentive programs. Specific individual taxpayers are taxed at a rate of 0.75 percent of each business area's monthly income, while individual taxpayers other than certain entrepreneurs are taxed at a rate of 25 percent of taxable income (PKP). Meanwhile, VAT is simplified in the restitution process, and Income Tax Article 4 paragraph 2 (Final Income Tax) for MSMEs was previously computed at a rate of 0.5 percent of gross income (turnover) using PP 23 of 2018.

According to (Dewi & Wijana, 2017) research, with tax incentives, there are changes in MSME taxpayer compliance in the form of registering and paying taxes, as evidenced by the growth of MSME taxpayers and final tax revenues. Then, in her research, (Putra & Solikin, 2018) says that tax incentives have a great impact on enhancing taxpayer compliance with business entities since this program is able to give tax facilities that make taxpayers feel supported, encouraging them to be more compliant.

Although tax incentives give significant benefits in terms of minimizing the financial burden on MSMEs during the pandemic, the amount of tax incentives granted is considered useless in light of the losses suffered by SMEs during the Covid-19 pandemic.

Therefore, the purpose of this study is to analyze the effect of tax incentives, tax administration, and tax sanction on tax compliance before and during pandemic Covid-19 to MSME Digital and MSME Non-Digital.

LITERATURE REVIEW
Attribution Theory

This theory was first proposed by Heider (1958) and later developed by (Kelley, 1973). Santrok (2003) in (Subarkah & Widyana Dewi, 2017) states that attribution theory can function as a view in finding and understanding the cause of a person's behavior. T his attribution theory is suitable in this study to explain internal (tax understanding, business age, income turnover) and external factors (tax incentives, tax administration, and tax sanction) regarding the importance of carrying out tax obligations, which will then increase mandatory compliance and state tax revenues.

Tax Sanction

Tax sanctions, according to (Muharini, 2015) in (Subarkah & Widyana Dewi, 2017), could be a guarantee for compliance in carrying out tax obligations in accordance with the tax regulations of Law of The Republic of Indonesia Number 28 Year 2007 concerning General Provisions and Tax Procedures (UU KUP), and taxpayers are completely loyal to collect taxes.

Tax sanctions are a government tool in overcoming mandatory compliance and state tax revenues by taxpayers who have violated their tax obligations (Hestanto, 2018) in (Andrew & Sari, 2018). Research results (Andrew & Sari, 2018) show that tax sanctions have no effect on MSME taxpayer compliance in making tax payments in the midst of the COVID-19 pandemic. DDTC News (2020) in an article (Andrew & Sari, 2018) explains that the government has provided various tax administration relaxations to assist MSMEs in the COVID-19 pandemic, for example the abolition of sanctions for submitting SPT Periodic Income Tax withholding/collection, as well as the abolition of sanctions for SMEs in the midst of this COVID-19 pandemic.

Tax Administrative Services

The tax administrative services can encourage taxpayers to meet their tax responsibilities. According to (Devano & Rahyu, 2006) in (Khairiyah & Akhmadi, 2019), this makes tax administration services one of the elements influencing taxpayer compliance. It is expected that with the presence of tax agencies, tax administrative resources, and appropriate taxation processes, people will be eager and motivated to report tax returns or pay taxes as a form of compliance in carrying out tax duties.

Based on research (Subarkah & Widyana Dewi, 2017), the quality of tax administration has a positive effect on taxpayer compliance in carrying out their tax obligations, such as paying taxes. In the midst of the covid-19 pandemic, tax administration has changed completely to online, in order to maintain and optimize the quality and compliance of taxpayers in carrying out their tax obligations in the conditions of this covid-19 pandemic. Based on research (Andrew & Sari, 2018), tax administration has an effect on MSME taxpayer compliance.

Tax Compliance

A taxpayer is said to be tax compliant if the Notification Letter (SPT) is issued on time, tax liabilities do not exist in all forms of taxes, with the exception of tax liabilities that have been granted permission to make installment payments or to postpone tax payments, the Financial Statements are audited by a public accountant or a government financial supervisory agency with an unqualified opinion for three consecutive years, and the taxpayer has never been convicted of a crime in the fiel within five years.

According to the OECD (2004), the following factors influence taxpayer compliance: financial burden, the cost or time that taxpayers spend to be compliant, disincentives which implies consequences or fines are accepted for violating tax laws, and taxation facilities obtained by taxpayers.

Micro, Small and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are firms that have a broad distribution and dominate the business sector in Indonesia, and are founded or managed by people or business entities as defined and prescribed by Law (UU) no. 20 of 2008 (Dewan Perwakilan Rakyat, 2008).

The MSME sector had a significant influence on the economy and its commercial activity during the COVID-19 pandemic. As a result, the government, notably the Ministry of Finance and Micro, Small, and Medium Enterprises (Public Relations Ministry of Cooperatives and UKM, 2021), promotes business users to digitalize MSMEs through the Go-Digital and MSME Digital Heroes programs. MSMEs are projected to be able to advertise their firm items and access global markets during the COVID-19 pandemic, as a step toward recuperating and rebuilding the Indonesian economy (Amelia et al, 2017). (Arianto, 2020).

Tax Incentives

Tax incentives, as defined by (Andrew & Sari, 2018) in (Dewi et al., 2020) are programs offered by the government to specific taxpayers, whether individuals and entities, with the objective of giving an incentive and making it easier for taxpayers to comply with their tax obligations either now or in the near future. In 2018, the government granted tax incentives on final income tax, which are aimed for small and medium-sized businesses (SMEs) and are regulated under government Regulation (PP) No. 23 of 2018 is applicable to individual MSME taxpayers with a 7-year time limit, as well as corporate taxpayers such as PT with a 3-year time limit and CV/Firma/Cooperatives with a 4-year time limit from the registered tax year, according to the Ministry of Finance (2018). The government recently implemented tax reform again in 2020, focusing on strengthening the national economy by providing greater tax incentives to taxpayers affected by the COVID-19 pandemic. The Minister of Finance Regulation (PMK) No. 44/PMK.03/2020 was then published, which has already been amended three times to become PMK No. 86/PMK.03/2020 and PMK No. 110/PMK.03/2020. However, following Ministry of Finance (2020) in realization statistics, taxpayers do not take advantage of this opportunity, and the economy remains stagnant. The tax incentives for taxpayers impacted by the COVID-19 pandemic extended again in 2021 with the same features, however the time limit and business specifications that are eligible to take advantage are further specified in PMK No. 82/PMK.03/2021.

Income tax is a major contribution to government tax revenues, with the objective of supporting the government in meeting its expenses. Income tax article 21 where 100% government-borne tax incentives (DTP) to workers for companies that match into the 1,189 KLU category and have a gross income no more than Rp 200 million. Income tax article 21 is one of the levies that is most usually linked directly to the community, mainly employees. The contribution of income tax article 21 rose dramatically each year, according to the Central Government Financial Statements for 2016-2019. According to the Ministry of Finance (2018), this growth is influenced by increased taxpayer compliance and the availability of an effective tax incentive. In a news conference on tax revenues, Mulyani (2020) stated that

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Income tax article 21 in 2020 contracted by 6.5 percent year on year (yoy), or 0.93 percent less than the previous year. This shrinkage is impacted by the function of offering tax incentives through a government-borne tax system. The hypothesis that will be offered is based on the statement above.

Article 22 of the Income Tax Act imposes a tax on the purchase of commodities in the form of materials for industrial purposes or other business operations from outside the country (Import). In the context of incentive tax, government facilitates industries on Imports, given to 730 business categories to 132 KLU. Income tax article 22 revenue has been unpredictable, with ups and downs each year. Taxpayer compliance in reporting their taxation is still relatively poor, with many taxpayers making errors in minimizing taxes and registering these types of taxes as stated in the research of (Sinaga & Dwiantika, 2018). Import incentives had a significant positive effect on raising consumption by the public and business entities which is confirmed by study findings (Indahsari & Fitriandi, 2021).

Income tax article 25 is an income tax installment that must be paid by personal and corporate taxpayers every month in the current tax year. Based on PMK No. 82/PMK. 03/2021, income tax article 25 got 50 percent payment reduction for taxpayers who work in 216 specific business sectors. According to Central Government Financial Report (2020), income tax article 25 is one of the taxes that is still growing positively in this Covid-19 condition. This is supported by an increase in the compliance of individual taxpayers to carry out their tax obligations. Supported by the research of Kumaratih & Ispriyarso, (2020), Central Government Financial Report (2020), and Indahsari & Fitriandi (2021) income tax article 25 income tax revenues experienced positive growth supported by the optimization of active taxpayer compliance. Based on research (Afriyanti, 2008) in (Arawintoniro, 2017) the compliance of taxpayers and tax examiners simultaneously and partially has a significant effect on the income tax article income of 25 corporate taxpayers. This is supported by research (Sinaga B, 2014) in (Arawintoniro, 2017).

The tariff policy on the final income tax for Micro, Small and Medium Enterprises (MSMEs) has been changing according to the situation. Changes in policy from Government Regulation (PP) 46/2013 by 1 percent to 0.5 percent in PP 23/2018 policy. Then during the current covid-19 pandemic, the tariff on the final income tax was given a waiver to 0 percent or borne by the government to keep taxpayer compliance under control. In PMK No. 82/PMK.03/2021 Final Income Tax still borne by the government (DTP) and requiring just a monthly realization report instead of a Certificate to the Directorate General of Taxes (DGT). Also, under the Program for the Acceleration of Improvement of Irrigation Water Use, there are additional tax incentives for construction services (P3-TGAI). Based on the results of research (Andrew & Sari, 2018) and (Subarkah & Widyana, 2017) tax borne by the government have a positive and significant effect on taxpayer compliance.

In terms of taxpayer compliance, there was a growth and drop from 2016 to 2018, with an average compliance ratio of 62.10 percent, indicating that taxpayers in this situation are still not compliant in carrying out their tax duties (Cahyadini et al., 2021). Due to logistical statement, the government then gives tax incentives on Value Added Tax (VAT) such tax restitution. Tax restitution is being accelerated through low-risk Taxable Entrepreneurs (PKP) in 132 particular company sectors. Overpayments are restricted to 5 billion IDR. According to study findings (Indahsari & Fitriandi, 2021), the implementation of tax incentives on value added tax (VAT) has increased the amount of taxpayers despite having a

negative impact on government revenues. As shown in the Directorate General of Taxes (2021), the poor amount of public compliance or the various facilities available for VAT exemptions are to blame for the less-than-optimal collection of value added tax.

According to some theories and previous researches that have been explained above, here the research framework to provide an easier understanding of the fundamental research.
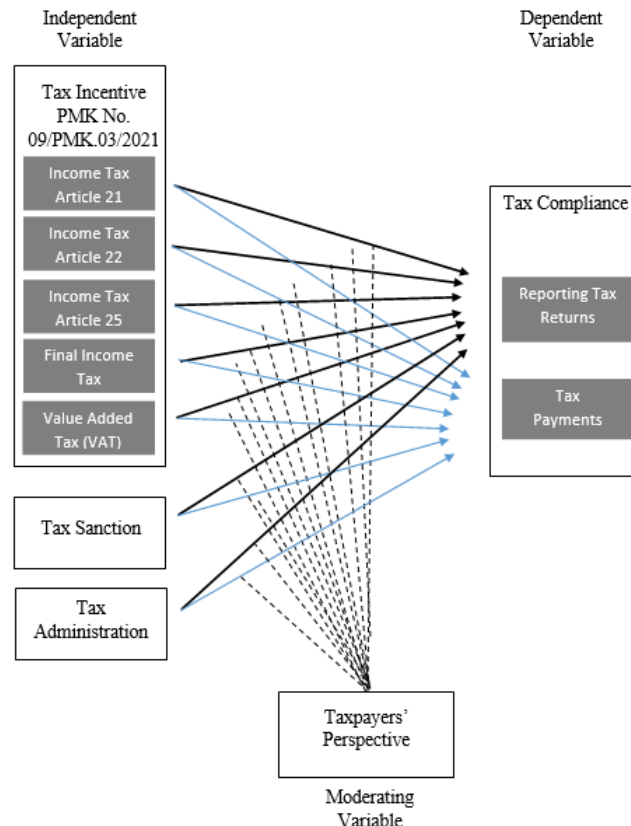

Figure 1 Research Framework

The research hypothesis are as follows:

H1a: Prior to the PMK tax incentive No.82/PMK.03/2021, taxpayer compliance (MSMEs) has a positive effect on income tax article 21 in the time preceding the covid-19 pandemic.

H1b: Income tax article 21 in tax incentives PMK No.82/PMK.03/2021 shows a negative effect on taxpayer compliance (MSMEs) during the covid-19 pandemic.

H2a: Prior to the PMK tax incentive No.82/PMK.03/2021, taxpayer compliance (MSMEs) shows a negative effect on income tax article 22 in the time preceding the covid-19 pandemic.

H2b: Income tax article 22 in tax incentives PMK No.82/PMK.03/2021 shows a positive effect taxpayer compliance (MSMEs) during the covid-19 pandemic.

H3a: Prior to the PMK tax incentive No.82/PMK.03/2021, income tax article 25 had a positive effect on both taxpayer compliance (MSMEs) in the time preceding the covid-19 pandemic.

H3b: During the covid-19 pandemic, income tax article 25 in PMK tax incentives No.82/PMK.03/2021 had a positive effect on taxpayer compliance (MSMEs).

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H4a: Prior to the PMK tax incentive No.82/PMK.03/2021, taxpayer compliance (MSMEs) on value added tax (VAT) showed positive value before the covid-19 pandemic.

H4b: During the covid-19 pandemic, the value added tax (VAT) in tax incentives PMK No.82/PMK.03/2021 has a negative impact on taxpayer compliance (MSMEs).

H*5a*: Prior to the PMK tax incentive No.82/PMK.03/2021, income tax article 4 paragraph 2 (final income tax) had a negative impact on taxpayer compliance (MSMEs) in the time preceding the covid-19 pandemic.

H*5b*: Income tax article 4 paragraph 2 (final income tax) in tax incentives PMK No.82/PMK.03/2021 has a positive influence on taxpayer compliance (MSMEs) during the covid-19 pandemic.

H6: Tax sanctions have a negative effect on both on both taxpayer compliance (MSMEs) during the covid-19 pandemic.

H7: Tax administration has a positive effect on both taxpayer compliance (MSMEs) in reporting and paying their tax obligations during the covid-19 pandemic.

RESEARCH METHOD

The fundamental theoretical method is used in this study by integrating primary and secondary data, by using quantitative and qualitative research methodologies serve as the conceptual framework for this case. The researcher attempted to examine the efficiency of providing tax incentives and the efficiency of other tax services in the midst of the covid-19 pandemic by comparing the behavior of taxpayers, particularly MSMEs, during the covid-19 pandemic and before the covid-19 pandemic. A descriptive-explanatory study with an interpretative paradigm used in this research. The researcher conducted a communication study to collect data by interviewing, which was conducted to 5 different sources; two MSMEs who use digitalization marketing, 2 MSMEs without using digitalized marketing, 1 MSMSE who use both digital and non-digital marketing from Blitar and its district. The sample selection criteria are as follows:

1. Micro and Medium Enterprises in Blitar City and its district.
2. Micro and Medium Enterprises that have been established for at least three years and already have NPWP.

Variable and Measurement

Taxpayer compliance was analyzed from the number of taxpayers who reported their tax returns (SPT) on time and the number of taxpayers who paid taxes. The measurement scale employed is a Likert scale of 5 points, with 1 being "Strongly Disagree" and 5 being "Strongly Agree." Taxpayer compliance was analyzed from the number of taxpayers who reported their tax returns (SPT) on time and the number of taxpayers who paid taxes.

In this study, tax incentive PMK No. 82/PMK.03/2021 was analyzed for its taxpayer compliance, especially MSME taxpayers and tax revenues received during and before the adoption of the tax incentives PMK No. 82/PMK.03/2021, period January-September in 2019-2021. The measuring scale employed is a 5-point Likert scale, with 1 being "Strongly Disagree" and 5 being "Strongly Agree." The results will show whether taxpayers are in low or high compliance with their value added tax in reporting and payment obligations, as a result of the government-funded (DGT), tax rate reductions, and also tax refund's acceleration.

There are eleven questions, and the measurement scale is a 5-point Likert scale, with 1

indicating that the respondent "Strongly disagrees" and 5 indicating that the respondent "Strongly agrees." According to the responses, the lowest point represents sanctions imposed by the tax office have little effect on taxpayer compliance and the highest point represents sanctions imposed by the tax office have a significant impact on taxpayer compliance.

The measuring scale employed is a 5-point Likert scale, with 1 being "Strongly Disagree" and 5 being "Strongly Agree." Depending upon the response, the lowest point indicates that tax administration still does not facilitate taxpayers and increases taxpayer compliance in carrying out their tax obligations, while the highest point indicates that tax administration is capable of facilitating taxpayers and improving taxpayer compliance in carrying out their tax obligations.

The perception of MSME taxpayers is a form of their response to the tax system. Tax obligations are considered burdensome and unfair to them. If the taxpayer gives a positive response in carrying out his tax obligations, such as reporting his tax return on time and paying his tax obligations voluntarily, it will increase taxpayer compliance and contribute to state revenue.

Statistical Analysis
Reflective Outer Model (Measurement model)

Outer model (outer relation) specifies how each indicator unit is related to its corresponding latent variable. The following equation applies to blocks with reflecting indicators in the outer reflective model.

Outer model analysis is used to assess the measurement model's suitability for operation as a measurement instrument (validity and reliability). The relationship between indicators and their latent variables will be discussed at this step. Convergent validity and discriminant validity are the tests used to determine the validity of the variables. Meanwhile, Cronbach alpha and composite reliability were utilized to assess the dependability of the variables.

Reflective Inner Model (Structural model)

According to (Ghozali I. , 2011), The determination test coefficient aims to see how much the independent variable able explain the dependent variable as seen through Adjusted R^2 is explained. Adjusted R^2 used due to the study has more than two independent variables. The value lies between 0 and 1. If the result is> 0.5, then the model used is considered reliable enough to make estimates. The higher the Adjusted R^2 number, the better the model used to explain the independent variable's relationship to the dependent variable. If Adjusted R^2 becomes smaller, the model is weaker to explain the dependent variable's variability.

Aside from the amplitude of the R-square, the PLS model may be evaluated using Q2 predictive relevance or predictive sample reuse to reflect synthetic cross-validation and fitting functions with predictions from observed variables and estimations of construct parameters. $Q^2 > 0$ shows that the model is predictively relevant, whereas Q^2 0 indicates that the model is not predictively relevant (Ghozali and Latan, 2015). Q^2 assesses how effectively the observed values and estimated parameters are created by the model.

Hypothesis Test

In assessing the significance of the effect between variables, it is necessary to perform a bootstrapping procedure. The bootstrap procedure uses the entire original sample for resampling. In the bootstrap resampling method, the significance value used (two-tailed) t-

value 1.65 (significance level = 10%), 1.96 (significance level = 5% and 2.58 (significance level = 1%).

SEM analysis with mediating effects

In the final stage of testing, if the effect of exogenous variables on endogenous variables is not significant while the effect of mediating variables on endogenous variables is significant at t-statistic > 1.96, then the mediating variable is proven to mediate the effect of exogenous variables on endogenous variables

RESULTS AND DISCUSSION

Descriptive Analysis

SmartPLS version 3.3 was used by the researchers to test the hypothesis. As a result, the researcher attempted to explain the connection between latent variables, mean, and standard deviation. As demonstrated in table 4, independent variables such as tax incentives (M = 3.57; SD = 1.14), tax sanctions (M = 3.55; SD = 1.35), and tax administration (M = 3.37; SD = 1.14), are followed by tax compliance (M = 3.99; SD = 1.02). This study additionally includes a moderating variable between the independent and dependent variables, namely the taxpayer's perspective (M = 4.27; SD = 0.84).

Outer Model Analysis

Four indicators from IT, TS, TA, TP, and TC were eliminated from this study because their loading factors were less than 0.50. The first indicator is from the incentive tax variable (I am already aware of the deadline for reporting taxes on the tax incentive PMK No. 82/PMK.03/2021); the second indicator is from the tax administrative variable (Tax officers are more responsive in following up on public complaints in conditions prior to the COVID-19 pandemic). Furthermore, the researcher removed two indicators from tax sanctions (I have been fined for failing to report my Monthly and/or Annual Tax Return on time, and I have been charged with the underpayment penalty, and I hope it does not happen again) that have an indicator less than 0.50 and affect the AVE value.
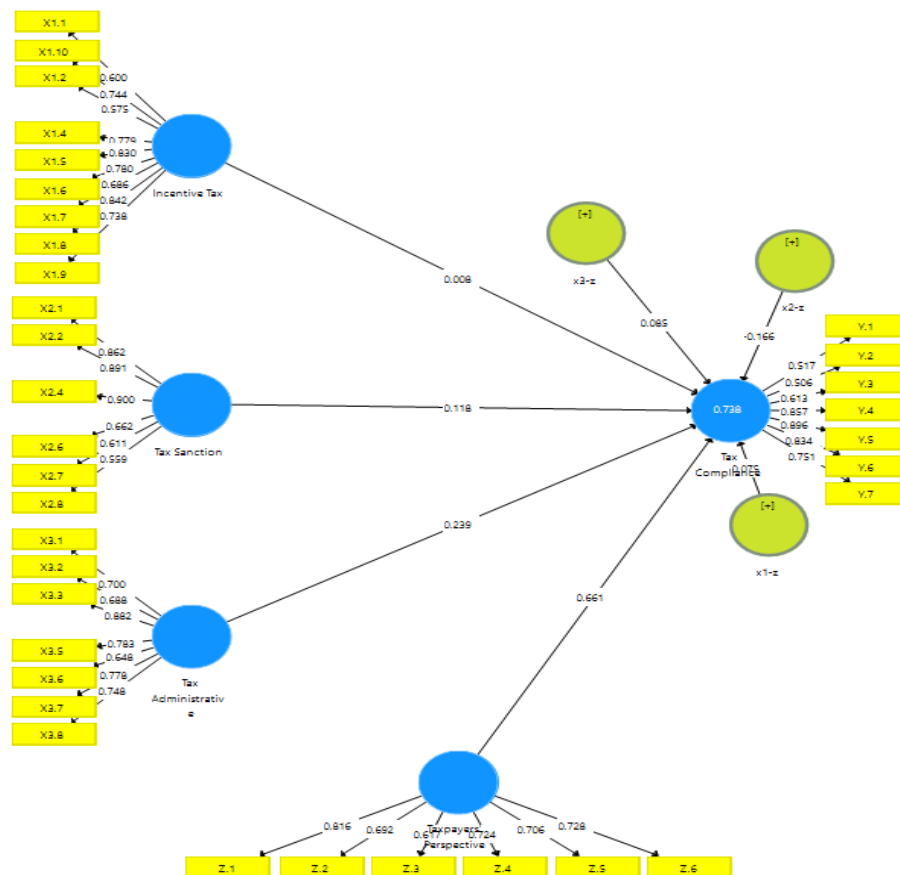
Figure 2. Convergent Validity Test

Along with Hair et al. (2019), after analyzing the validity test using convergent validity, the next step is to use the reliability test to validate the quality of internal consistency of the construct by measuring the Composite Reliability (CR) and Cronbach's Alpha (α). The significant acceptable values for reliability ranged from 0.70 to 0.90. While Sekaran and Bougie (2016) claim that if the alpha value is equal to or greater than 0.60, it may still be considered credible. In this research, all values for latent variables in Cronbach's Alpha (α) are in the range 0.80-0.90, which is included in the range of acceptable values, and so is Composite Reliability (CR), which is in the range of acceptable values (0.863-1,000). Similarly, according to Sekaran and Bougie (2016), all Cronbach's Alpha and CR test values in this study are more than 0.60. As a conclusion, the present findings indicate reliable data

Table 1. Reliability Test

	(α)	CR
Incentive Tax (IT)	0,894	0,913
Tax Administrative (TA)	0,868	0,899
Tax Compliance (TC)	0,841	0,882
Tax Sanction (TS)	0,845	0,888
Taxpayers' Perspective (TP)	0,809	0,863

It is calculated by comparing latent variables to the correlation between other constructs in the model using each construct's square root of Average Variance Extracted (AVE). As seen in the table below, the value of AVE's root is higher than the correlation value between latent variables, indicating that the concept as a whole has strong discriminant validity. To illustrate, in this study, the square roots of AVE for tax compliance (TC) is 0.727. The correlations of the latent variables in the same column are less than the square roots of AVE, which are 0.503 and 0.619. This indicates that the research indicator is multidimensional and has a conceptually unique meaning.

Table 2. Discriminant Validity

	IT	TA	TC	TS	TP	IT_TP	TS_TP	TA_TP
IT (X1)	**0,736**							
TA (X3)	0,750	**0,750**						
TC (Y)	0,503	0,619	**0,727**					
TS (X2)	0,438	0,455	0,389	**0,761**				
TP (Z)	0,407	0,489	0,610	0,284	**0,716**			
IT_TP	-0,049	-0,042	-0,324	-0,010	-0,493	**1,000**		
TS_TP	-0,008	-0,002	-0,297	0,163	-0,382	0,693	**1,000**	
TA_TP	-0,037	0,001	-0,309	-0,002	-0,468	0,820	0,778	**1,000**

Inner Model Analysis

After evaluation of the indicators' validity and reliability, as well as their latent variables, inner model analysis was performed. Inner Variance Inflation Factor (VIF) and coefficient of determination (R^2) were examined at this step, named a structural model or inner model analysis. The VIF value of this research is ranged lower than 3 and 5, indicating that the model is free from the collinearity bias.

Table 3. *Inner VIF*

Variable	VIF
IT	2,362
TA	2,757
TC	-
TS	1,430
TP	1,958

The researcher will then examine the R-Square (R2) to calculate the coefficient of determination. R-Square values ranged from 0 to 1, with higher values indicating greater interpretability. The R-Square value in this research is moderate, with a value of 0.735 or 74%. demonstrating Tax Compliance (TC) is controlled by the independent variables, including incentive tax, tax sanction, and tax administrative, the remaining percentage (26%)

is demonstrated by the other factors, as seen below.

Table 4. R-Square (R^2)

	R Square	R Square Adjusted
Tax Compliance (TC)	0,738	0.730

Following that, the researcher intends to use effective size analysis (F^2) to examine the influence of the independent variable on the dependent variable. Cohen et al. (2010) and Hair et al. (2019) classified the measurement into three categories: weak (0.02), moderate (0.15), and strong (0.35). The findings of this study demonstrate that the effective size (F^2) of incentive tax is 0.000, which is classified as weak; the effective size (F^2) of tax sanction is 0.037, which is classified as strong; and the effective size (F^2) of tax administrative is 0.079, which is also classified as strong. The table of F-square is presented below.

Table 4. *F-Square (F^2)*

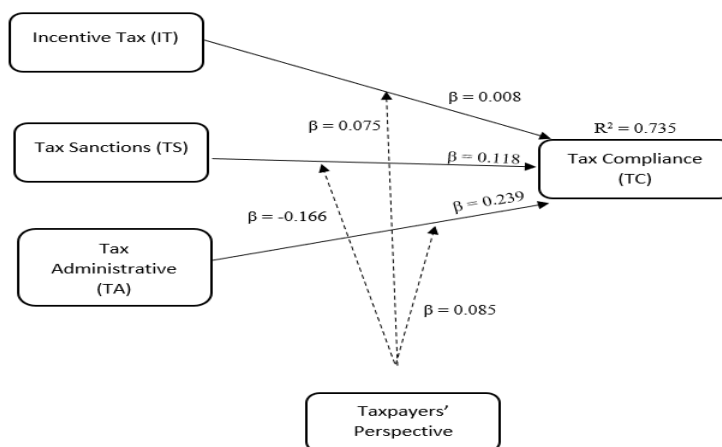|	TC
IT	0.000
TA	0.079
TS	0.037

Figure 2. Full PLS Model

Hypothesis Test

This research's hypotheses were tested using path coefficient from result outer weight. If the initial sample estimate coefficient value is positive, the correlation is positive, and vice versa. The T-statistical and T-table values were compared by the researcher. The significant value used is 1.96938 (significance level = 5%).

As shown in Table 15, the following analysis may be performed on the outer weight result:

1. There is a positive relationship between the path coefficient value of incentive tax article 21 on tax compliance during the covid-19 (β = 0.04, P > 0.05). It indicates incentive tax article 21 on tax compliance has a positive-significant effect, due to P-Values are more than 0.05, with a value of 0.058.

2. There is a negative relationship between the path coefficient value of incentive tax article 22 on tax compliance during the covid-19 (β = -0.04, P < 0.05). It means incentive tax article 22 on tax compliance has negative-significant impact because the P-Values are less than 0.05, with a value of 0.047.

3. There is a positive relationship between the path coefficient value of incentive tax article 25 on tax compliance during the covid-19 (β = 0.19, P > 0.05). It indicates incentive tax article 25 on tax compliance has a positive-significant effect, due to P-Values are more than 0.05, with a value of 0.000.

4. There is a negative relationship between the path coefficient value of incentive tax article VAT on tax compliance during the covid-19 (β = -0.03, P = 0.05). It means incentive tax VAT on tax compliance has negative-significant impact because the P-Values are less than 0.05, with a value of 0.050.

5. There is a positive relationship between the path coefficient value of incentive tax of final income tax on tax compliance during the covid-19 (β = 0.07, P < 0.05). It means incentive tax of final income tax on tax compliance has negative-significant impact because the P-Values are less than 0.05, with a value of 0.049.

6. The path coefficient value between tax administrative and tax compliance is 0.239, indicating a positive value. A positive relationship is regarded to be significant, due to the P-Value is less than 0.05 with a value here 0.001.

7. Tax sanctions and tax compliance variables have a positive-significant relationship based on the path coefficient value. Where has a positive value in the original sample estimate (β = 0.118, P < 0.05). With P-values 0.007.

8. The relationship between taxpayers' perspectives and tax compliance is positive and significant, with P-Values 0.000, an original sample estimate value of 0.661.

9. The original sample estimate declares a positive – not significant relationship with the taxpayers' perspective in mediating tax incentives and tax compliance, which is declared a positive value of (β = 0.075), and not significant due to P-Values 0.332 above 0.05.

10. According to the findings of path coefficient analysis, the taxpayers' perspective has a significant negative relationship to tax sanctions and tax compliance, with a value of (β = -0.166) shown in the original sample estimate and P-Values is 0.001 (P < 0.05).

11. On the path coefficient analysis results, the taxpayers' perspective is reported to have a positive but not significant relationship to tax sanctions and tax

compliance, with the original sample estimate (β = 0.085), and and P-Values is 0.230 (P >0.05).

Table 5. Hypothesis Result

	Path Coefficient	T-Statistics	P Values	Results
Direct Effect				
IT → TC	0.008	0.109	0.913	Rejected
Art. 21	0.04	0.21	0.058	1a. Accepted 1b. Rejected
Art. 22	-0.04	0.41	0.047	2a. Rejected 2b. Accepted
Art. 25	0.19	3.20	0.000	3a. Rejected 3b. Accepted
VAT	-0.03	0.36	0.050	4a. Rejected 4b. Accepted
Final	0.07	0.37	0.049	5a. Rejected 5b. Accepted
TA → TC	0.239	3.362	0.001	Accepted
TS → TC	0.118	2.728	0.007	Accepted
TP → TC	0.661	12.569	0.000	Accepted
Indirect Effect				
IT → TP → TC	0.075	0.971	0.332	Rejected
TS → TP → TC	-0.166	3.196	0.001	Accepted
TA → TP → TC	0.085	1.201	0.230	Rejected

Table 6. *Control Variables Result*

	Path Coefficient	T-Statistics	P Values
Income Turnover	0.059	1.288	0.198
Socialization Tax	0.322	3.048	0.002
Business Age	-0.035	1.082	0.280
Tax Understanding	-0.593	5.179	0.000

The control variables were also evaluated to see if income turnover and business age are not supported variables in this study. While socialization tax and tax understanding are supported variables in this study. Table 16 reveals that business age and tax understanding have a negative impact on this study, and for income turnover and socialization tax has a positive effect.

Interview Data

In this research, interviews were done utilizing Focus Group Discussion, which gathered 5 respondents in one location. However, due to the restricted distance and the Covid-19 pandemic condition, the researchers gathered them in a single Google meet room for this research study. According to the collected data of the interview, the usage of PMK82/2021 tax incentives has no effect on taxpayer compliance in paying their tax obligations.

"*To be honest, I've had an NPWP since before I started a business, and I've always paid my taxes on time. However, I do not take use of these benefits. If we can earn enough to pay our taxes, there is no reason to take advantage of the tax incentives, in my opinion.*"

In contrast to Devita, Ari is a responder for Digital and Non-Digital MSME Culinary Entrepreneurs. According to him, this perception issue might take numerous forms, including perceptions of tax sanctions and income turnover gained by the MSME firm itself, as he stated:

"*I just had an NPWP when I started my culinary business, but as far as managing this culinary business and being a taxpayer, I constantly follow and update information regarding tax regulations, since I'm wary of being punished/fined.*"

Added Ari as an MSME entrepreneur in the culinary field:

"*It's terrifying, as people say, when you've been penalized/fined. Not always the cost of paying taxes can meet our company demands, as well as paying sanctions/fines. It's possible to go out of business. As a result, I choose to obey and take advantage of this tax incentive.*"

Furthermore, the socialization factor and tax understanding of MSME entrepreneurs influence their usage of tax incentives and its compliance.

"*Actually, I know nothing about this incentive, because so far, my tax Account Representative (AR) has not provided any information regarding the provision of this tax incentive, and there has also been no information from the tax Fiscus regarding appeals, such as socialization of incentive tax PMK tax 82/2021,*" Ery, a Non-Digital MSME entrepreneur in the field of services, stated.

Ery went on to say:

"Maybe I didn't update DJP's profile enough, so I missed the news or something. However, as Ms Devita pointed out, not all MSME entrepreneurs are aware of this tax incentive program. Many of us are unfamiliar with the tax world, nor does the usage of the internet."

Personal experience elements, such as business age and stage of the work cycle, as well as self-concept, can affect user decisions. This is consistent with what Nanang, a Non-digital MSME entrepreneur who has been running a firm for more than ten years, has stated.

"Despite the fact that I have been a taxpayer for over ten years, I still do not completely comprehend taxation. How to compute taxes and handle bookkeeping, as well as a new digital reporting and payment system. It confused me. I enlisted the assistance from my brother. I'm amazed there's a tax incentive program like PMK 82/2021."

This is consistent with what Aang, a Digital and Non-Digital MSME entrepreneur in the agriculture sector, has stated:

"The decision to acquire a NPWP, calculate, report, and pay taxes was made not because the process is simple and easy to understand, but because I have been an MSME taxpayer for a long time, particularly in the agricultural sector, and there have been numerous recommendations and socialization from the DGT fiscus entity regarding this incentive."

Based on analysis of the above interviews, the researcher concludes that tax incentives have the potential to influence taxpayer compliance, but only small effect. Despite the fact that the Directorate General of Taxes has offered tax incentives during the COVID-19 pandemic, many of them are unfamiliar with or are unaware of this policy. In terms of MSME taxpayer compliance, it can be seen that they are still relatively obedient in carrying out their tax obligations, despite the fact that they do not take advantage of the PMK 82/2021 tax incentives and are burdensome for their business, particularly for businesses whose income does not cover their expenses.

Conclusion

The purpose of this research is to collect scientific data on the effectiveness of Incentive tax PMK No. This research is based on data from 258 MSMEs in the city and the district of Blitar, and it was tested using SmartPLS version 3.3. Based on the findings of this research, the following conclusions can be formed.

1. Incentive tax PMK No. 82/PMK.03/2021 on MSME taxpayers' compliance of income tax art. 21 during covid-19 is positive, but for the relationship between article 21 towards MSME taxpayers' compliance is not statistically significant.
2. Incentive tax PMK No. 82/PMK.03/2021 on MSME taxpayers' compliance of income tax art. 22 has a negative effect and significant relation with taxpayer compliance during covid-19 pandemic.
3. Incentive tax PMK No. 82/PMK.03/2021 on MSME taxpayers' compliance of income tax art. 25 during covid-19 is positive and statistically significant. Moreover, the taxpayers' perspective which has the moderating role is proven significantly and supports the relationship between incentive tax PMK No.82/PMK.03/2021 and taxpayers' compliance.

4. Incentive tax PMK No. 82/PMK.03/2021 on MSME taxpayers' compliance of value added tax (VAT) has a negative effect and significant relation with taxpayer compliance during covid-19 pandemic. Moreover, the taxpayers' perspective which has the moderating role is proven significantly and supports the relationship between incentive tax PMK No.82/PMK.03/2021 and taxpayers' compliance.
5. The effectiveness of tax sanctions reveal that they have a positive and significant impact on the compliance of MSME taxpayers. However, there is a contrast in the presence of the taxpayers' perspective, which is the moderating variable, since the correlation between the taxpayers' perspective and tax sanctions is negative and significant, indicating that the taxpayers' perspective cannot support the two variables.
6. The effectiveness of tax administrative services reveal that they have a positive and significant impact on the compliance of MSME taxpayers. Meanwhile, the interaction between taxpayers' perspectives on tax administration and tax compliance is positive but not significant, indicating that the relationship between the two variables cannot be completely supported.

CONCLUSION

Along with the concepts developed in this thesis, there are numerous limitations that may be improved by future researchers. Future study may additionally clarify the characteristics of MSME respondents in greater detail, which may increase the chances of consistent responses with definite value and result in a higher Cronbach alpha or AVE. Second, this research focuses on the relationship of incentive tax PMK No.82/PMK.03/2021, more specifically on the relative income tax and VAT, in which the next researcher can provide specific questions on the questionnaire so that the answers do not appear ambiguous, potentially increasing the probability of consistent answers with definite value and leading to a higher Cronbach alpha or AVE. Last, in terms of interviews, this study only interviewed 5 respondents, which future researchers might increase to include more respondents from various backgrounds.

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