

## Analysis of Factors That Influence the Performance Behavior of Craftsmen Msmes in Kenjeran, East Java



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**ABSTRACT:** The purpose of this study was to analyze how the influence of taxpayer compliance, negotiation tendencies, tax morale and earnings management on voluntary tax compliance. and how the influence of taxpayer compliance, negotiation tendencies, tax morale and earnings management on voluntary tax compliance is mediated by fiscal policy. The study population is a taxpayer of Small and Medium Enterprises domiciled in in Kenjeran, East Java, the study sample involved 60 respondents using a purposive sampling method, the questionnaire as an instrument and processed using SEM Warp PLS 6.0 approach. The results showed that taxpayer compliance, the desire to negotiate, earnings management has a positive impact on voluntary tax compliance, but moral tax has a negative impact on voluntary tax compliance, taxpayer compliance, the desire to negotiate earnings management in fiscal policy mediation has a positive impact on voluntary tax compliance while tax morale in the mediation of fiscal policy has a negative impact on voluntary tax compliance. The novelty was found that taxpayers are obedient in carrying out their tax obligations influenced by the behavior of taxpayers, not because of regulations, behavior seen from economic, financial conditions by using a fiscal policy approach and conceptual approach based on a developing view of the tax policy.

**KEYWORDS:** Compliance, Negotiating, Tax Morale, Earnings Management, Fiscal Policy and Voluntary Tax Compliance.

### 1. INTRODUCTION

The declining growth in tax revenues has encouraged the government to expand taxation, by exploring the potential for income taxation from micro and small businesses is an economic sector that has a significant role in the national economy. Based on 2017 Gross Domestic Product data, the Micro Small and Medium Enterprises has contributed approximately 62%. However, when compared to the contribution of Micro and Small and Medium Enterprises to tax revenue, there is a miss-match where the contribution of Micro and Small and Medium Enterprises to tax revenue is very small, which is less than 0.6% of total tax revenue. (Center for fiscal policy review 2017).

Efforts by the Directorate General of Taxes to be the best state revenue collection institution to ensure the sovereignty and independence of the State, and to safeguard a sovereign and independent state by collecting revenues based on high voluntary tax compliance and fair law enforcement, modern technology-based services for convenience fulfillment of tax obligations, tax officers with integrity, competence and professionalism with compensation based on a performance management system, to guarantee collecting revenues based on high voluntary tax compliance.

The policy framework for Small and Medium Enterprises Income Tax is stated in PP46 / 2013 which has been amended by PP 23/2018 where the policy taken is to provide facilities, simplify the calculation of income tax and the final tariff charge of 0.5% of business circulation, financial statements using the recording for Micro, Small and Medium Enterprises whose business circulation is mil 4.8 billion.

### 2. LITERATURE REVIEW

Taxpayer compliance was investigated by Alm, et al. (1992). Tax payer compliance in New Zealand is influenced by the size of the tax rate, the possibility of participants to be examined (audit) and if caught cheating then they will be subject to sanctions / fines. The results show sanctions to be examined affect the increase in tax compliance. Whereas Andreoni et al. (1998) examined the model of tax compliance using moral factors, social dynamics and tax culture. Tax morality is seen from, citizen participation, level of trust, regional autonomy and decentralization, pride, demographic aspects. Economic conditions, aspects of tax evasion and

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taxation systems while tax culture is seen through the relationship between the tax apparatus and taxpayers, tax regulations and national culture. The results showed a low tax rate encourages taxpayer compliance because the amount of tax payment obligations is not burdensome / considered reasonable, because the government has provided the public facilities needed to drive the economy. The application of both administrative sanctions (fines, interest and increases) and criminal (confinement) or prison) encourages taxpayer compliance.

Tax compliance according to Harinurdin (2009) is interpreted as an ideal condition of taxpayers who meet tax regulations and report their income accurately and honestly, carry out tax obligations and carry out taxation rights in the form of formal and material compliance. The concept of tax compliance is in accordance with the opinion of Yoingco (1997) which states the level of voluntary tax compliance has three aspects, formal, material (honestly) and reporting by looking at behavioral control perceptions, perceptions about financial conditions, perceptions about company facilities and perceptions about organizational climate . The results show that perception of behavioral control has no significant effect directly on taxpayer compliance, financial condition, company facilities, organizational climate and intention to have a significant positive effect on taxpayer compliance. Fuadi and Mangoting (2013), looking at the service quality of tax officers, tax sanctions and compliance costs, the results of the study showed that service quality and sanction sanctions had a positive effect on tax compliance for Micro, Small and Medium Enterprises. While Susmiatun and Kusmuriyanto (2014), examined taxpayer compliance by looking at, taxation knowledge, firmness of tax sanctions and tax justice, partially showed that tax knowledge variables affected taxpayer compliance, whereas firmness of sanctions and tax fairness did not affect tax compliance, the same study was carried out by Mar'atussholihah et al. (2013), by looking at tax knowledge, quality of tax authorities and tax rates. The results showed the variables of tax knowledge, service quality and tax rates together have a significant effect on taxpayer compliance.

Research conducted related to the relationship of taxpayer compliance with voluntary tax compliance, shows the differences in compliance measurement in terms of economists as conducted Alm, et al. (1991) Alm et al. (1992), Suntono and Kartika (2015) Susmiatun and Kusmuriyanto (2014), the results show that compliance has a positive and significant effect on voluntary tax compliance but a comprehensive change is needed, whereas in terms of economic and financial aspects as done, Andreoni et al ( 1998), Harinurdin (2009), Tiraada (2013), compliance has no effect on voluntary tax compliance, for the study of Fuadi and Mangoting (2013) Mar'atussholihah et al. (2013) examined compliance in terms of the readiness of government officials in providing facilities for taxpayers, showing inconsistent results. Therefore to fill the gap or controversy is bridged by the development of the idea that the research needs to be tested whether taxpayer compliance will increase voluntary tax compliance.

To improve tax compliance for the Micro and Small Medium Enterprises the government imposed fiscal policy, an economic policy in the context of directing economic conditions for the better, in the fiscal policy of the Small and Medium Enterprises the government has changed the regulation of PP No. 46 of 2013 to PP No. 23 Year 2018. Changes in the amount of tariffs from 1% to 0.5% and the time period for conducting records, 7-year-old private businesses, CVs, firms and cooperatives 4 years and a limited company (PT) 3 years.

Study conducted by Nashrudin et al. (2014) regarding PP No. 46 of 2013's perception of voluntary compliance of taxpayers. Looking at the perception of PPNo 46 of 2013 which is a process where someone organizes, interprets, experiences, and processes information from outside about simplicity, convenience, fairness, and the elimination of administrative sanctions that have been stipulated in PP No. 46 of 2013. While voluntary compliance taxpayer, is the awareness of taxpayers in fulfilling their tax obligations even though there is no tax control.

In contrast to Nursela and Herianti (2016) where in their research they saw the effect of fair value, compliance with tax revenue by applying PP No. 46 as an intervening variable. The results show, the value of justice has a positive and significant effect, Compliance has a positive and significant effect, Justice mediated by the application of PP No. 46 of 2013 does not have a significant effect on tax revenue for Small and Medium Enterprises. While Prihantari and Supadmi (2015) examined fiscal policy in terms of taxpayer compliance behavior, compliance behavior based on the ability to pay aspect, justice aspect and tax burden. The results of the ability to pay research aspect have a significant effect, in terms of the aspect of fairness included in the unfair category because the taxpayer wishes to pay taxes according to his ability and in terms of the tax burden included in the unfair category, the imposition of a 1% final income tax is considered unfavorable because it is imposed based on turnover.

The low tax compliance of Micro Small and Medium Enterprises is caused by tax policies that are too burdensome, such as the research of Mwangi and Nganga (2006) showing that Micro and Small Enterprises in Nigeria have high potential but experience difficulties because their tax policies impose high tariffs so that they are considered burdensome for Micro Enterprises Small and Medium. In contrast to the research of Atawodi and Ojeka (2012), there is a negative relationship between tax revenue and the ability of Small and Medium Enterprises in the country to survive and develop their business, taxation policies for Small and Medium Enterprises in Nigeria are considered very heavy because of high tax rates, and the presence of double taxation, complicated taxation rules and lack of education and information related to taxation. The implementation of inappropriate fiscal

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policies will have an impact on actions of non-compliance as Jayanto's (2011) research examines taxpayer non-compliance by using attitude, subjective and moral variables that influence the intention to behave disobediently. The results explain attitudes toward tax non-compliance do not affect the intention of non-compliance of taxpayers, the formation of reserve funds and the feeling of tax use affect attitudes, subjective norms have a significant effect on taxpayer non-compliance while morale does not affect the intention of tax professionals to behave disobediently. Taxpayer indecency is seen from behavior as conducted by Hidayat and Nugroho (2016) examining the Empirical Study of Theory of Planned Behavior and the Effect of Moral Obligation on Personal Tax Disobedience Behavior. See, the influence of attitudes, subjective norms, moral obligations, perceived behavioral control of behavioral intentions, and the effect of behavioral intentions on behavior. The results show: The influence of attitude towards behavioral intention is negative and insignificant, the effect of subjective norms on behavioral intention is positive and insignificant, the effect of moral obligation on behavioral intention is positive and significant, The effect of perceived behavioral control on behavioral intention is negative and insignificant, The effect of intention to behave on behavior is positive and significant. The behavior of taxpayers in fulfilling taxation obligations using an accounting strategy called earnings management such as Marlina's research (2014) examines the effect of earnings management and tax sanctions on tax compliance. (Hartono, Krisdiana, Cuk Jaka Purwanggono, Samuel PD Anantadjaya 2022) By looking at earnings management which is a management decision to minimize or maximize earnings is measured by: Taking a bath, income minimization and income smoothing, while tax compliance is a condition where taxpayers are obedient and compliant in carrying out tax obligations and rights with applicable taxation rules. The results of the study show that earnings management has an influence on tax compliance and taxation sanctions give effect on tax compliance that cannot be separated from the behavior of taxpayers themselves. Understanding why individuals obey or disobey tax rules has attracted many rules, even though there is significant interest in tax compliance research from a different perspective, but understanding the variables that affect tax compliance for taxpayers which base on the behavior of taxpayers is still limited. In this study, the examined behavioral variables use the Theory of Planned Behavior framework, to explore behavioral beliefs, and respondents' control beliefs that encourage taxpayers to behave obediently and not obediently (Ajzen.2006). Tax compliance is defined by Kirchler (2007), the willingness of taxpayers to volunteer. Song and Yarbrough (1978), tax compliance is the ability and desire of taxpayers to obey tax laws determined by ethics, laws and other situational factors at a certain time and place, as well as reporting all income and payment of taxes by meeting legal requirements, regulations and Jackson & Milliron's court decision (1986). So based on these definitions it can be concluded that tax compliance is the taxpayer's willingness to comply with tax regulations, report income properly and pay all taxes on time.

### 2.1. Hypotheses

- H1: Taxpayer compliance has a positive and significant effect on Voluntary Tax compliance.
- H2: The trend of negotiation has a positive and significant effect on voluntary tax compliance
- H3: Moral tax has a positive and significant effect on voluntary tax compliance
- H4: Earnings management has a positive and significant effect on voluntary tax compliance
- H5: Fiscal Policy Perception has positive and significant effect on voluntary tax compliance
- H6: Taxpayer compliance has a positive and significant effect on voluntary tax compliance mediated by fiscal policy.
- H7: The tendency to negotiate has a positive and significant effect on voluntary tax compliance mediated by fiscal policy.
- H8: Tax morals have a positive and significant effect on voluntary tax compliance mediated by fiscal policy.
- H9: Profit Management has a positive and significant effect on voluntary tax compliance mediated by fiscal policy.

### 3. METODOLOGI

The right number of samples used is non probability design sampling, that is, non-random sampling (Sugiartha et al, 2001). Meanwhile, according to Roscoe, 1977 (in Sekaran, 1992) stated that the sample size was greater than 30 and less than 500. So the sample size determined in this study amounted to 260 respondents, the target respondents were leaders or representatives of the leaders of MSME companies in Surabaya. From 260 data, CV business forms are 38%, PT 27%, individuals 16%, cooperatives 12% others 7%. Data collection is done by using a questionnaire, for that the validity of a social research result is determined by the measuring instrument used in this case using a validity test and a reliability test. The main objective is to answer the statement whether the instrument used can be understood by respondents and whether the statement items available are able to measure the research variables accurately. This study uses SEM PLS and processed with WarpPLS version 6.0 to evaluate the Research model

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### 4. RESEARCH RESULT

Test results of the structural model (inner model) can be seen in R-square (R2) on each endogenous variable. Fiscal policy and voluntary tax compliance, R-square (R2) is used to measure the level of variation in endogenous variables explained by a number of variables that affect (Hartono and Abdillah, 2009), the higher R2 means the better the prediction model proposed.

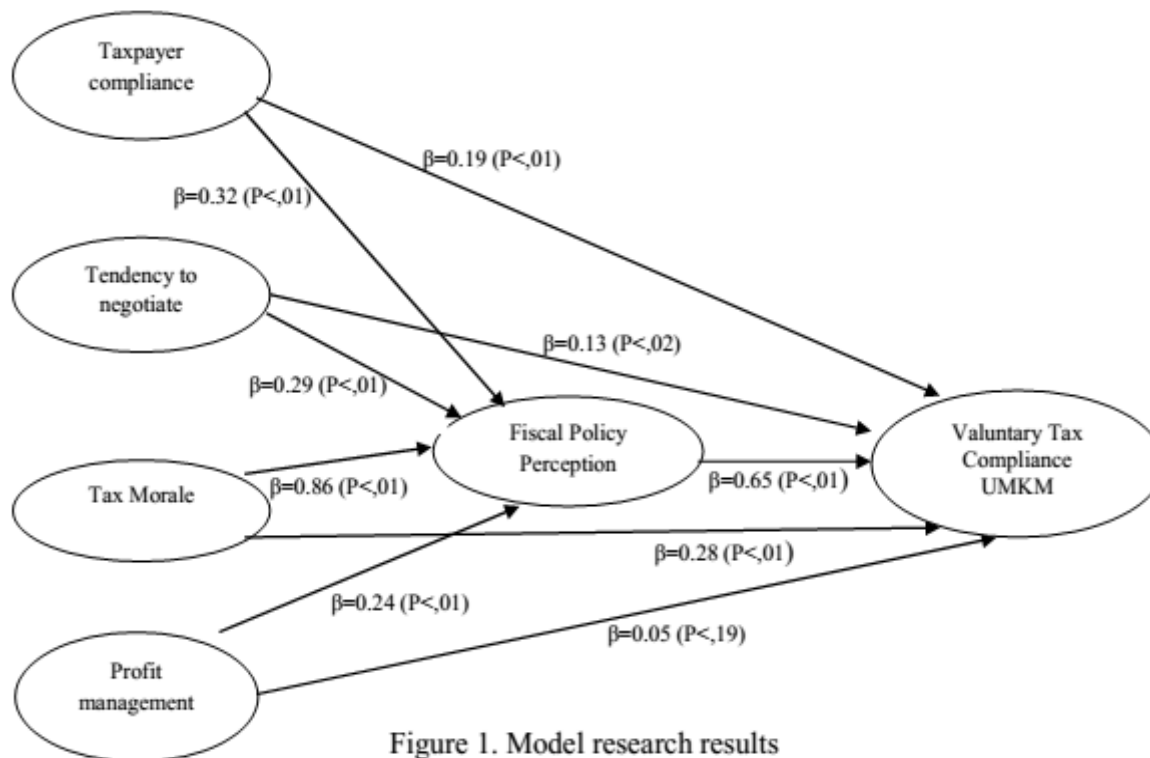


Figure 1. Model research results

Table 1. Test Results for the Path Coefficient on the Inner Model

Relationship between variables	Path coefficient	Standard Deviation	P	Decision
Compliance is mandatory → Voluntary Tax Compliance	0,284	0,059	<0,001	Significant Positive Influence
Desire to negotiate → Valuntary Tax Compliance	0,286	0,059	<0,001	Significant Positive Influence
Tax Morale → Valuntary Tax Compliance	-0,054	0,061	0,192	Negative Influences are Not Significant
Profit management → Valuntary Tax Compliance	0,244	0,060	<0,001	Significant Positive Influence
Fiscal policy → Valuntary Tax Compliance	0,652	0,056	<0,001	Significant Positive Influence
Kepatuhan wajib pajak → Kebijakan fiskal	0,060	0,045	<0,001	Significant Positive Influence
Desire to negotiate → Kebijakan Fiskal	0,059	0,168	<0,001	Significant Positive Influence
Tax Morale → Kebijakan Fiskal	0,061	0,047	0,020	Significant Positive Influence
<b>Profit management → Kebijakan Fiskal</b>	<b>0,054</b>	<b>0,734</b>	<b>&lt;0,001</b>	<b>Significant Positive Influence</b>

Source: Primary data processed in 2019

From Table 1 and figure 1 illustrates the relationship between variables explained as follows: Compliance with taxpayers, the desire to negotiate, earnings management and fiscal policy on voluntary tax compliance has a positive direction coefficient, significant to voluntary tax compliance, meaning there is a relationship between Compliance compliance tax, the desire to negotiate, earnings management and fiscal policy towards voluntary tax compliance, while tax morale against Valuntary Tax Compliance has a coefficient with a negative direction, not significant to voluntary tax compliance, meaning it has a inversely

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proportional direction, if tax morale is increased it will reduce voluntary tax compliance and there is little relationship between tax morale and voluntary tax compliance.

Taxpayer compliance, desire to negotiate, tax morale and earnings management to fiscal policy have a coefficient with positive direction, significant to fiscal policy, meaning there is a relationship between taxpayer compliance, desire to negotiate, tax morale and earnings management to fiscal policy.

### 4.1. Mediation Variable Test Results.

The mediation testing method can be done by looking at the indirect path test. Table 2 shows the coefficients and P-values for assessing mediation effects.

**Table 2. Hypothesis Testing Results for Mediation Tests**

No	Relationship between variables			Path coefficient	P-value	Information
	Testing the 2 segment Mediation Variable					
	Independent variable	Mediation Variable	Dependent variable	Indirect path coefficient	P-value	Information
1	Taxpayer compliance	Fiscal Policy Perception	Voluntary tax compliance	0,046	0,002	Mediation
2	Desire to negotiate	Fiscal Policy Perception	Voluntary tax compliance	0,107	<0,001	Mediation
3	Tax Morale	Fiscal Policy Perception	Voluntary tax compliance	0,030	0,030	Mediation
4	Profit management	Fiscal Policy Perception	Voluntary tax compliance	0,248	<0,001	Mediation

The results of testing fiscal policy mediation variables in the relationship between taxpayer compliance, desire to negotiate, tax morale, earnings management to voluntary tax compliance, P-value <0.05, this shows that fiscal policy is a mediating variable.

### 4.2. Hypothesis Test Results mediating influence.

There are 9 hypotheses in this study, 5 hypotheses of direct influence, 4 hypotheses looking at indirect effects and 1 hypothesis seeing the effect of mediating variables.

**Table 3. Hypothesis testing of the research model**

Research Hypothesis	Second Order constructs	Path Coefficient	P-Value	Conclusion
H 1	KWP→VTC	0,284	<0,001	Positive, significant effect
H 2	KB →VTC	0,286	<0,001	Positive, significant effect
H 3	MP→VTC	-0,054	0,192	Negative effect, not significant
H 4	ML→VTC	0,244	<0,001	Positive, significant effect
H 5	KF→VTC	0,652	<0,001	Positive, significant effect
H 6	KWP→KF→VTC	0,188	<0,001	Positive, significant effect
H 7	KB→KF→VTC	0,323	<0,001	Positive, significant effect
H 8	MP→KF→ VTC	-0,125	0,020	Negative effect, significant
H 9	ML→KF→ VCT	0,862	<0,001	Positive, significant effect

## 5. DISCUSSION

### 5.1. Effect of Taxpayer Compliance on Voluntary Tax Compliance.

The results of the analysis of the effect of taxpayer compliance on tax compliance are positive and significant. These results indicate if taxpayer compliance is increased which includes increased accuracy in submitting tax returns carried out by taxpayers due to sanctions that must be paid in the event of a delay but there is a need for the role of the government especially for taxpayers reporting using e-filing and e-SPT, supported by Mar'atussholihah et al (2013) research, looked at taxpayer compliance through: taxation knowledge, tax service and tax rate quality, tax knowledge, tax service quality and tax rate together have a significant effect on taxpayer compliance.

Awareness for taxpayers to carry out their tax obligations to pay tax owed on time and understand the imposition of tax sanctions fairly for those who violate it will be able to increase voluntary tax compliance, in other words increasing taxpayer compliance will increase voluntary tax compliance. Supported by Alm, et al. (1992), Harinurdin (2009) The model of tax compliance



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using moral factors, social dynamics and tax culture. The results showed that perception of behavioral control had no significant effect on tax compliance, perception of behavioral control had a significant positive effect, whereas Susmiatun and Kusmuriyanto (2014), examining compliance by looking at taxation knowledge, tax sanction assertiveness and tax justice, simultaneously shows tax knowledge, tax assertiveness and tax justice have an effect on tax compliance for Micro, Small and Medium Enterprises.

Compliance with fulfilling tax obligations voluntarily shows the success of the government in the self assessment system, where taxpayers are responsible for setting their own tax obligations, reporting, paying taxes. With the availability of online tax reporting facilities through e-filing and e-forms, it is expected to be able to increase taxpayer compliance so as to increase voluntary tax compliance.

### **5.2. Effect of Negotiating Tendency on Voluntary Tax Compliance.**

Negotiation is a structured and planned communication process, where two or more people with different goals to communicate in order to reach an agreement that can benefit all parties, solve problems and find solutions to problems encountered in the hope that all get benefits.

The results of the hypothesis show a positive and significant influence it shows that there are taxpayers who tend to negotiate, because taxpayers have taxation rights and obligations in accordance with the tax collection system adopted, namely the self assessment system, taxpayers are given authority, trust and responsibility to calculate, calculating and reporting taxes to be paid. Taxpayers sometimes need to negotiate to reduce tax debt as a result of miscalculating, calculating, depositing and reporting taxes, so that it can be concluded that there is a tendency for taxpayers to still negotiate, meaning that taxpayers for Micro, Small and Medium Enterprises lack understanding of calculating the tax owed.

Supported by Jayanto (2011), seeing taxpayer non-compliance through attitude, subjective and moral norms influences the intention of taxpayer compliance. The results show the attitude of tax non-compliance does not affect the intention of non-compliance of taxpayers, while subjective norms have a significant effect on taxpayer non-compliance in this study moral does not affect the intention of tax professionals to behave disobediently.

### **5.3. Effect of Tax Morale on Voluntary Tax Compliance**

Hypothesis results show negative and insignificant effect it has an understanding that if tax morale is increased it will reduce the receipt of voluntary tax compliance, tax morale is an intrinsic motivation to comply with and pay taxes and can explain why taxpayers are honest in tax issues while tax compliance is a condition where taxpayers formally fulfill their tax obligations in accordance with the formal rules of the tax law. The results of this study are supported by Cahyonowati (2011) examining moral and tax compliance using independent variables (1) Social community measured: Trust in the legal system, trust in the taxation system, national pride, Avoidance of perceived tax, religiosity, political participation and decentralization, (2) demographics are measured by: Age, Gender, level of education, level of income and perception of economic conditions. (3) deterrence factors are measured by tax penalties and tax audits and the dependent variable is tax morale and tax compliance. The results show that social and demographic does not affect tax morale, while inhibiting factors are only tax fines that have a negative and significant effect on tax morale of taxpayers. While tax morale has a positive and significant effect on the level of tax compliance. The same research about the model of tax compliance using moral factors, social dynamics and tax culture as conducted by Andreoni et al (1998). Tax morality is described through eight indicators, namely, citizen participation, level of trust, regional autonomy and decentralization, pride, demographic aspects, economic conditions, aspects of tax evasion and taxation systems Tax compliance or tax compliance. The results show that tax morale and social dynamics have a positive and significant effect while tax culture has a negative and not significant effect. The concept of tax compliance, in accordance with the opinion of Yoingco (1997) which mentions the level of voluntary tax compliance has three aspects, formal, material and reporting aspects.

A different study conducted by Hidayat and Nugroho (2016) examined the Empirical Study of Theory of Planned Behavior and the Effect of Moral Obligations on personal tax non-compliance behavior. The effect of attitude on intention to behave, Effect of subjective norms on intention to behave, Effect of moral obligation on intention to behave, Effect of perceived behavioral control on intention to behave, Effect of intention to behave on behavior. The results showed the influence of attitudes on intention to behave was negative and insignificant, the influence of subjective norms on intention to behave was positive and insignificant, the effect of moral obligations on intention to behave was positive and significant, the effect of perceived behavioral control on behavioral intentions was negative and insignificant, the influence of intention to behave on behavior is positive and significant.

### **5.4. Effect of Profit Management on Voluntary Tax Compliance**

Hypothesis results show a positive and significant effect, earnings management arises because of weaknesses in the accounting rules earnings management is a deliberate attempt to reduce or fluctuate in earnings that are considered normal for

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the company, this is part of the company's management efforts to reduce abnormal variations in earnings in the level allowed by accounting principles, because it still uses accounting methods or procedures that are generally accepted or recognized. This is in line with Marlina's research (2014) examining the effect of earnings management and tax sanctions on tax compliance with management decisions to minimize or maximize earnings measured by: Taking a bath, income minimization and income smoothing. The results show that earnings management has an effect on tax compliance and tax sanctions have an effect on tax compliance, according to Peter (2003) research that earnings management will affect the improvement of Tax Compliance for Micro, Small and Medium Enterprises. Whereas Mustikasari (2007) looked at the influence of attitudes, subjective norms, moral obligations, perceived behavioral control, perceptions about financial conditions, perceptions about company facilities, perceptions of organizational climate, intention of tax professionals to behave disobediently, and non-compliance of corporate taxpayers on the behavior of tax professionals or professional people in companies that are experts in the field of taxation.

Also supported by Ajzen (2006) examines why individuals obedient or disobedient to tax rules have become interested in many rules, towards understanding variables that affect tax compliance, behavior that is carefully examined using the Theory of Planned Behavior framework, to explore behavioral beliefs and respondents' confidence beliefs that encourage taxpayers to behave obediently and not obediently

### **5.5. Effect of Fiscal Policy on Voluntary Tax Compliance**

Hypothesis test results have a positive and significant meaning that improvements to the taxation system and changes in tax regulations will be able to improve taxpayer compliance, voluntary tax compliance can be achieved if the taxation system that includes tax policy and tax administration can be managed properly and the use of tax-derived revenue is implemented through expenditure policies with good and appropriate government methods. In an effort to encourage voluntary fulfillment of tax obligations and encourage revenue contributions from Micro and Small and Medium Enterprises, the government has issued a fiscal policy for Small and Medium Enterprises from PP 46 of 2013 which has been amended by PP 23 of 2018, one of the reasons for fiscal policy this is issued simplifying the collection and improvement of tax justice for MSMEs that have a gross circulation of less than 4.8 billion.

The results of the hypothesis are supported by research by Syafiqurrahman et al (2017) researching on the analysis of the influence of fiscal policy for Micro and Small and Medium Enterprises on the government's efforts to improve the Indonesian economy through the Micro and Small and Medium Enterprises sector. The results show: fiscal policy has a positive effect on tax compliance for tax payers for Micro and Small and Medium Enterprises, while according to Nashrudin et al. (2014) looked at the effect of perceptions of fiscal policy on voluntary compliance of taxpayers who have a certain gross circulation. The results show that the perception of fiscal policy has a positive and significant effect on voluntary compliance of taxpayers. It shows that the better the perception of taxpayers on fiscal policies that have been established, the higher the level of voluntary compliance of taxpayers.

The same study by Nursela and Heriyanti (2016) examined the effect of fair value, compliance with tax revenue by applying fiscal policy as an intervening variable. The value of fairness, compliance, implementation of fiscal policies and tax revenues for Micro and Small and Medium Enterprises. The results showed, the value of fairness and compliance had a positive and significant effect on the implementation of fiscal policy, the value of justice and compliance had a positive and significant effect on tax revenue for Micro, Small and Medium Enterprises, justice and tax compliance mediated by the application of fiscal policy had no significant effect on tax revenue for Small Micro Enterprises and intermediate.

### **5.6. Effect of Taxpayer Compliance on Voluntary Tax Compliance. mediated fiscal policy**

In an effort to encourage the fulfillment of voluntary tax obligations and encourage the contribution of state revenue from MSMEs, the government has issued MSME fiscal policies through PP 23 of 2018 on income from businesses received or obtained by taxpayers with gross circulation of less than 4.8 billion, in this regulation regulated the imposition of final income tax on income received or obtained, this regulation is the application of a presumptive regime model in taxation which is a form of taxation approach where the culprit still has limited administrative and bookkeeping capabilities.

Supported by Nurpratiwi et al's research (2015) The perception of the tax wajib on the fiscal policy of income tax for Micro, Small and Medium Enterprises in terms of simplicity in its collection or the principle of convenience is agreed, in terms of reduced administrative burden or the principle of efficiency is stated as agreed, in terms of accuracy in the collection or the principle of certainty disagrees and in terms of fairness or equality the results indicate disagreement.

The concept of behavior disclosed by Duncan in Indrajaya (2010) became the basis of the relationship between perceptions of fiscal policy and Voluntary compliance. In fact (2013) the results of his research were perceptions of tax administration reforms having a significant and positive influence on tax compliance.

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In connection with this study, the theory of planned behavior is relevant to explain WP's behavior in fulfilling its tax obligations. Before the individual does something, the individual will have confidence about the results that will be obtained from the behavior. Then he will decide that he will do it or not. This is related to the awareness of WP, tax conscious WP, will have confidence about the importance of paying taxes to help organize the country's behavioral beliefs development.

### **5.7. The Influence of Negotiating Tendency towards Voluntary Tax Compliance is mediated by fiscal policy.**

The results showed a positive influence between the desirability of negotiations with taxpayer compliance mediated by fiscal policy, this indicated that Micro and Small Business entrepreneurs did not understand fiscal policy well and could not distinguish between final and non-final income, but taxpayers had a good perception with respect to tax policy by being aware of paying taxes is a liability, related to fiscal policy the majority of taxpayers realize that the new policy makes it easier and simpler in fulfilling their tax obligations (Hartono et al., 2022). Negotiations are carried out when a calculation error occurs so submit an application for removal of tax penalties and delay in payment.

In line with research by Syafiqurrahman et al (2017). In his research an analysis of the effect of fiscal policy on government efforts to improve the Indonesian economy through the Micro and Small and Medium Enterprises Sector. The results show that fiscal policy has a positive effect on the sustainability of Micro, Small and Medium Enterprises and fiscal policy has a positive effect on government efforts to improve the economy through tax compliance for small and medium enterprises. Likewise Nashrudin et al (2014) examined the perception of fiscal policy on taxpayer voluntary compliance. The results showed the perception of fiscal policy has a positive effect on voluntary compliance of taxpayers.

### **5.8. The Effect of Tax Morale on Voluntary Tax Compliance is mediated by fiscal policy**

The implementation of self assessment system, the obligation to calculate, deposit and report the tax owed is on the taxpayer and the tax system reform program is expected to produce a taxation service mechanism that is responsible and can increase taxpayer compliance, taxpayer compliance is strongly influenced by the morality of taxpayers, this due to pay taxes is a behavioral activity the condition of the taxpayer itself. Moral aspects in the field of taxation include, moral obligations of taxpayers in carrying out their tax obligations as good citizens and awareness of taxpayers on the allocation of revenue by the government.

Taxpayer compliance is where taxpayers fulfill all tax obligations and rights, while non-compliance as a condition where taxpayers do not fulfill tax obligations, which are the basis for non-compliance, which can lead to avoidance of tax obligations, moral aspects in the taxation area are important to increase compliance, while Setyaningsih and Ridwan (2015) the tendency of negotiating the obligation to pay taxes related to fiscal policy is based on the perception of taxpayers of Micro and Small and Medium Enterprises the results show the tendency of negotiations to be carried out because there is no choice.

While Hidayat and Nugroho (2016) conducted an empirical study of theory of planned behavior and the influence of moral obligations on the behavior of non-compliance with different personal taxes also conducted by Cahyonowati (2011) examining moral and tax compliance (Tax compliance) by using social, social, demographics and deterrence factors, the results show that social and demographic society do not affect tax morals but tax morals affect the level of tax compliance. Referring to the above research, in this study, the researcher looked at the non-compliance of taxpayers seen from the behavior of taxpayers

### **5.9. Effect of Profit Management on Voluntary Tax Compliance is mediated by fiscal policy**

The results showed a positive and significant effect this shows that if earnings management is carried out with reference to fiscal policy for Micro, Small and Medium Enterprises, it will increase the Voluntary Tax Compliance. Earnings management for tax purposes is often hit by the pressure of earnings increase, the desire of earnings management for the purpose of minimizing the amount of tax owed does not have to be smaller fiscal profit than accounting income, but the difference in tax profits from accounting profits can be minimized to avoid overpayment tax calculation so as to minimize the possibility existence of inspection. The results of the hypothesis are in line with Marlina's research (2014) examining the effect of earnings management and tax sanctions on tax compliance. The independent variables used, earnings management, management decisions to minimize or maximize profits are measured by: Taking a bath, income minimization and income smoothing, while taxation sanctions, a taxpayer guarantee not to violate taxation provisions, with the sanction indicator given must clear and unequivocal, knowing no compromise, sanctions provided are balanced and sanctions given should have a deterrent effect. The dependent variable is tax compliance, tax compliance is a condition where taxpayers are obedient and obedient in carrying out tax obligations and rights with applicable taxation rules. The results of the study show that earnings management has an influence on tax compliance and tax sanctions have an influence on tax compliance that cannot be separated from the behavior of taxpayers themselves.

### **5.10. Research Limitations.**

The research subjects are Micro Small and Medium Enterprises in Surabaya whose business circulation is  $\leq$  Rp.4,800,000,000, tax obligations using the registration, calculated final 0.5% of business circulation, does not involve Micro and



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Small Enterprises that carry out bookkeeping where tax obligations are calculated based on Fiscal Profit Using Article 17 Tariffs Tax Law No. 36 Year 2008. This study only looks at the behavior of taxpayers in using fiscal policy to fulfill their tax obligations, without looking at the role of the government as an administrative implementation provider in applying the fiscal policy, not looking at financial conditions and corporate taxpayers' facilities, where the company's poor financial condition will indirectly lead to negative actions from staff and employees of the company, including actions to indict taxpayers, while company facilities will affect tax professional actions relating to applicable tax regulations, data obtained using the help of a questionnaire / in writing do not use the interview method so that researchers do not know the respondent's reaction when filling out the questionnaire.

### 6. CONCLUSION

The level of taxpayer compliance is getting better, it can encourage increased voluntary tax compliance, if taxpayer compliance is increased which includes an increase in accuracy in delivering tax returns carried out by taxpayers due to sanctions that must be paid in case of delays but there is a need for the role of government, especially for taxpayers whose reporting using e-filing and e-SPT. Tax morals are intrinsic motivation to obey and pay taxes and can explain why taxpayers are honest in tax matters. Earnings management arises because of weaknesses in accounting regulations, earnings management is a deliberate attempt to reduce or fluctuate in earnings that are considered normal for the company. Fiscal policy to improve the taxation system and changes in tax regulations will be able to improve taxpayer compliance, voluntary tax compliance can be achieved if the taxation system that includes tax policy, tax administration can be managed properly and the use of tax revenue is implemented through expenditure policies with the government good and appropriate. The desire to negotiate compliance with taxpayers mediated by fiscal policy shows that Micro and Small Business entrepreneurs lack understanding of fiscal policy and cannot distinguish between final and non-final income, but taxpayers have a good perception of tax policy by realizing paying taxes is obligation.

Based on the results of the study, there are a number of suggestions that can be put forward: The government as a policy maker can provide legal certainty and clarity on issued fiscal policies, carry out regular fiscal policy socialization especially in the Micro, Small and Medium Enterprises sector, improve the quality of taxation services, both in the form of improvements the quality of Human Resources and service facilities, so as to encourage taxpayers to comply in carrying out their tax obligations. Suggestions for Micro, Small and Medium Enterprises Taxpayers. To avoid being subject to sanctions in the form of late fees, in e-Filing and e-SPT annual SPT reporting should be done before the end of the reporting deadline, so that reporting delays do not result due to server errors or downtime because they are used simultaneously by all mandatory tax.

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