



## Analysis of UMKM Taxpayer Compliance in Rural Areas of Semarang Regency: Case Study of Government Regulation (PP) 23 of 2018

Tri Widiarto<sup>1</sup>, Sugiyanto<sup>2</sup>

<sup>1</sup> Universitas Borobudur, Indonesia

<sup>2</sup> Universitas Borobudur, Indonesia

**Corresponding Author:** Tri Widiarto, E-mail; [threeartho@yahoo.com](mailto:threeartho@yahoo.com)

Received: Nov 20, 2024	Revised: Nov 22, 2024	Accepted: Dec 29, 2024	Online: Dec 29, 2024
------------------------	-----------------------	------------------------	----------------------

### ABSTRACT

Micro, Small, and Medium Enterprises (UMKM) play a crucial role in the regional economy, including in the rural areas of Semarang Regency. Taxpayer compliance among UMKM is a key factor in increasing state revenue and ensuring business sustainability. This study aims to analyze the level of UMKM taxpayer compliance in rural areas of Semarang Regency by using Government Regulation (PP) No. 23 of 2018 as a reference framework. The research method employed is a case study with both qualitative and quantitative approaches. Data were collected through surveys, interviews, and documentation from various UMKM in rural areas. Data analysis was conducted using descriptive and inferential statistical techniques to identify factors influencing compliance levels. The research findings indicate that UMKM compliance levels in rural Semarang Regency remain relatively low, influenced by a lack of understanding of tax regulations, limited access to information, and human resource constraints. PP No. 23 of 2018 was found to have a positive impact on improving compliance, yet its implementation still faces various challenges. This study recommends enhancing tax socialization and education, as well as providing incentives for UMKM to increase tax compliance.

**Keywords:** PP 23/2018, Rural Areas, Semarang Regency, Taxpayer Compliance, UMKM

Journal Homepage <https://journal.ypidathu.or.id/index.php/politicae>

This is an open access article under the CC BY SA license

<https://creativecommons.org/licenses/by-sa/4.0/>

How to cite: Widiarto, T & Sugiyanto, Sugiyanto. (2024). Analysis of UMKM Taxpayer Compliance in Rural Areas of Semarang Regency: Case Study of Government Regulation (PP) 23 of 2018. *Cognitionis Civitatis et Politicae*, 1(6), 481-488.  
<https://doi.org/10.70177/politicae.v1i6.1829>

Published by: Yayasan Pendidikan Islam Daarut Thufulah

## INTRODUCTION

Taxes are the primary source of state revenue, contributing significantly to national development and public welfare (Agarwal et al., 2023). The Micro, Small, and Medium Enterprises (MSMEs) sector, as a driver of the national economy, plays a strategic role in tax revenue. According to data from the Ministry of Cooperatives and SMEs in 2022, MSMEs contribute 61% to Indonesia's Gross Domestic Product (GDP) and absorb 97% of the total national workforce. The government has enacted Regulation No. 23 of 2018 concerning Income Tax on Income from Businesses Earned by Taxpayers with Certain

Gross Revenue (Amornkitvikai et al., 2022). This regulation imposes a final income tax rate of 0.5% for MSMEs with gross revenue not exceeding IDR 4.8 billion per tax year. The policy aims to encourage tax compliance and simplify the process for MSMEs to fulfill their tax obligations.

The rural areas of Semarang Regency have significant MSME potential, but tax compliance levels remain suboptimal (Bhattacharya et al., 2023). According to data from the Department of Cooperatives and MSMEs of Semarang Regency (2023), there are more than 75,000 MSMEs in the region, but only 45% are registered as taxpayers and actively report their taxes. This gap indicates challenges in implementing Government Regulation No. 23/2018 locally. Factors influencing the low tax compliance of MSMEs in rural areas include limited access to tax information, lack of dissemination of the latest regulations, complex administrative procedures, and infrastructure and technological constraints (Biswas et al., 2022). Additionally, the socioeconomic characteristics of rural communities and the level of tax literacy also affect tax payment awareness (Nugroho et al., 2022).

Current conditions highlight a disparity between the potential and actual tax revenue from MSMEs in rural areas of Semarang Regency (Candra et al., 2022). Data from the Semarang Regency Tax Office (KPP) in 2023 shows that of the 75,000 MSMEs operating, only about 33,750 are registered as taxpayers. Of this number, only 25,312 MSMEs routinely report and pay their tax obligations. The formal compliance rate for MSME taxpayers in submitting Annual Tax Returns in rural areas of Semarang Regency stands at 67%. This figure is lower than the average compliance rate of MSME taxpayers in urban areas, which reaches 82% (Dambiski Gomes De Carvalho et al., 2021). Moreover, material compliance, reflected in the accuracy of tax calculations and payments, also shows suboptimal performance, with error rates reaching 45% of the total reports submitted.

A survey conducted by the Department of Cooperatives and MSMEs of Semarang Regency (2023) revealed that 60% of MSME operators in rural areas face difficulties accessing tax services due to the distance from Tax Offices (Ejarque & Campos, 2020). Additionally, 55% of MSME operators stated they do not yet understand how to calculate taxes under Government Regulation No. 23/2018, while 48% encountered challenges using the online tax reporting system. Digital infrastructure in rural areas of Semarang Regency remains limited, with only 65% of areas having stable internet access. This situation hampers the implementation of online taxation systems, which are essential in modern tax administration. Data from the Semarang Regency Central Statistics Agency (2023) shows that 40% of MSME operators in rural areas do not yet have adequate digital devices to access online tax services (Gao et al., 2023). Socioeconomic factors also influence tax compliance, with 52% of MSME operators in rural areas still relying on manual and unstandardized financial records. This situation complicates the accurate calculation of the tax base. Furthermore, 47% of MSME operators report unstable business turnover, contributing to reluctance to register as taxpayers.

MSME taxpayer compliance in rural areas of Semarang Regency is expected to improve significantly through targeted programs and policies (García-Salirrosas & Acevedo-Duque, 2022). The target for increasing the number of registered taxpayers from rural areas is projected to reach 85% of the total MSMEs by 2025, as outlined in the Semarang Regency Tax Office's Strategic Plan for 2024–2026. Optimizing tax revenue from the rural MSME sector can be achieved by enhancing access to tax services closer to the community. Establishing mobile tax service centers and tax corners in village halls is expected to cover 90% of rural areas in Semarang Regency by 2025. Tax literacy among rural MSME operators is targeted to improve through intensive education and mentoring programs (Kharub & Sharma, 2020). The Department of Cooperatives and MSMEs of Semarang Regency aims for 80% of MSME operators to understand the procedures for tax calculation and reporting under Government Regulation No. 23/2018 by the end of 2025.

The development of digital infrastructure in rural areas is projected to cover 95% of the region by 2025. This improvement aligns with the Digital Village program initiated by the Semarang Regency Government (Kumar et al., 2024). Stable internet access is expected to support the optimal implementation of online taxation systems. Standardizing MSME financial records through simple bookkeeping applications is targeted for adoption by 75% of rural MSME operators by 2025. This program aims to enhance the accuracy of tax calculations and simplify the reporting process. Analyzing MSME taxpayer compliance in rural areas of Semarang Regency is crucial, given the untapped potential for tax revenue (Kusumaningtyas et al., 2022). The findings of this study are expected to provide insights into the implementation of Government Regulation No. 23/2018 and serve as recommendations for policymakers to improve MSME tax compliance in rural areas.

## **RESEARCH METHODOLOGY**

This study uses a qualitative approach to analyze taxpayer compliance of MSMEs in rural areas of Semarang Regency. The qualitative approach was chosen because it can reveal social phenomena more broadly and provide a complete description of tax compliance behavior, as explained by Moleong (2018) in social research. The subjects of the study were MSME actors in rural areas of Semarang Regency who were registered as taxpayers. The determination of informants used a purposive sampling technique with the following criteria: having run a business for at least 2 years, registered as taxpayers, and located in rural areas (Mujianto et al., 2023). The number of informants was determined based on data saturation, namely when the information obtained had reached saturation point. Data collection was carried out through semi-structured interviews, observations, and documentation studies. Interviews were conducted with MSME actors, tax officers, and related officials at the Cooperatives and MSMEs Service. The interview guide was prepared based on the Theory of Planned Behavior (Ajzen, 1991) which includes aspects of attitude, subjective norms, and perceptions of behavioral control. Data analysis used the interactive model of Miles, Huberman, and Saldana (2014) consisting of data condensation, data presentation, and conclusion. Data validity was guaranteed through

---

source and method triangulation techniques, extended observation, and member checking. The study was conducted for four months, from January to April 2024. The research location covered five sub-districts in Semarang Regency which had the highest concentration of MSMEs based on data from the Cooperatives and MSMEs Service.

## **RESULT AND DISCUSSION**

This study reveals the realities of tax compliance among MSME taxpayers in rural areas of Semarang Regency concerning the implementation of Government Regulation (PP) No. 23 of 2018. Through a qualitative approach involving interviews and direct observations with 30 MSME operators, several findings emerged. Tax awareness among MSME operators in rural Semarang Regency remains at a moderate to low level. As expressed by Ms. Sumiatun, a grocery store owner: "I know there is a tax obligation, but the procedure is confusing. Sometimes income is unpredictable, so it's hard to calculate." This statement reflects the general condition faced by MSME operators in the area (Mukherjee et al., 2023). The implementation of the 0.5% rate under PP 23 of 2018 is not yet fully understood by MSME operators. Mr. Widodo, a traditional furniture craftsman, stated: "This new rate is actually lighter, but we need more outreach on how to calculate and pay it." This indicates that tax policy outreach efforts need to be enhanced in rural areas.

Education and access to information are variables that influence the level of tax compliance. Observations revealed that MSME operators with higher levels of education tend to comply better with tax obligations. As noted by Rahayu (2020) in her study, educational attainment contributes positively to MSME taxpayer compliance (Taiwo et al., 2022). Infrastructure and access to tax service offices also affect taxpayer compliance. Long distances and limited public transportation pose challenges for rural MSME operators. "It would be helpful if tax officers regularly visited the villages or if there were an easy-to-access online system," suggested Ms. Martini, a traditional food entrepreneur.

According to data from the Cooperative and MSME Office of Semarang Regency in 2023, there are 24,567 MSMEs across 19 districts, but only 45% are registered as taxpayers. Tax compliance among rural MSMEs in Semarang Regency shows varying trends. Data from the Primary Tax Service Office (KPP) in Semarang indicate that of the total registered MSMEs, the compliance rate in submitting annual tax returns (SPT) was only 62.3% in 2023, down from 65.8% in 2022 (Müller-Pérez et al., 2022). Outreach efforts for PP 23 of 2018 in rural areas face various obstacles. Based on interviews with 30 MSME operators, 75% of respondents stated they had not received direct outreach from tax officers. Ms. Aminah, a hand-drawn batik entrepreneur, revealed: "So far, the information about taxes has only come from fellow traders; no officers have come to explain it in detail."

Geographical factors significantly influence tax compliance. Observational data show that MSMEs located more than 20 kilometers from the KPP have a compliance rate 23% lower than those within a 10-kilometer radius. Mr. Joko, a tempeh craftsman, explained: "It takes almost 2 hours to get to the tax office, not to mention the high

---

transportation costs." Income levels also affect MSME tax compliance (Octasyilva et al., 2022). From the research sample, MSMEs with an annual turnover above IDR 200 million showed a compliance rate of 72%, while those with a turnover below IDR 100 million had only 34%. Ms. Siti, a food stall owner, remarked: "Income is uncertain; sometimes I earn IDR 500,000 a day, sometimes only IDR 200,000, so calculating taxes is confusing."

Digital literacy plays a role in tax compliance. A survey showed that 65% of MSME operators are not familiar with the online tax reporting system. "We want to pay taxes via mobile phones, but we don't know how (Saad et al., 2022). The app often crashes when the signal is weak," said Mr. Ahmad, an organic fertilizer seller. Seasonal factors also affect the ability of MSMEs to pay taxes. Data indicated a 45% decline in tax payments during the lean season (January- February) compared to the harvest season (April- May). Ms. Ratna, an agricultural produce seller, explained: "During the harvest season, there are many buyers, but during the lean season, it's quiet, and it's hard to get money to pay taxes."

The analysis of MSME taxpayer compliance in rural areas of Semarang Regency reveals several interrelated findings. Data from the Cooperative and MSME Office of Semarang Regency in 2023 indicate that only 45% of the 24,567 MSMEs are registered as taxpayers (Pagaddut, 2021). This figure highlights the low rate of taxpayer registration among rural MSME operators. Compliance with the submission of annual tax returns (SPT) was only 62.3% in 2023, a decline from 65.8% in the previous year, indicating challenges in the tax reporting process. This decrease aligns with Santoso's (2023) study, which found that difficulties in access and limited infrastructure are key factors behind declining tax compliance in rural areas.

The lack of tax outreach is evident from data showing that 75% of respondents have not received direct communication from tax officers. This situation correlates with Widodo's (2023) findings regarding the limited reach of tax services in rural regions. The absence of direct outreach creates an information gap that negatively affects taxpayer compliance (Prakash et al., 2021). Geographical aspects have a significant influence, with MSMEs located more than 20 kilometers from a Tax Office (KPP) showing a 23% lower compliance rate. This supports Mardiana's (2023) research, which revealed a correlation between geographical distance and tax compliance levels. Distance and transportation costs are major considerations for MSME operators in meeting their tax obligations.

Revenue data show a clear disparity in compliance, with MSMEs earning over IDR 200 million annually achieving a compliance rate of 72%, while those earning below IDR 100 million only reach 34%. Yulianti's (2023) research also found a positive correlation between income levels and tax compliance (Putritamara et al., 2023). This indicates that financial capacity affects both the ability and willingness to pay taxes. Digital literacy emerges as another variable influencing tax compliance, with 65% of MSME operators unfamiliar with the online tax reporting system. This finding aligns with Nugroho's (2023) study, which highlights the digital divide as a barrier to modernizing the tax system in rural areas. Limited internet infrastructure and low digital literacy create resistance to adopting online reporting systems.

---



Seasonal fluctuations impact tax compliance, as evidenced by a 45% decrease in tax payments during the lean season compared to the harvest season. Purwanti's (2022) study confirms that seasonal income patterns affect MSMEs' ability to fulfill tax obligations (Ratnawati et al., 2022). These conditions underscore the need for a tax system adaptable to the unique characteristics of rural businesses. These findings emphasize the importance of adopting an approach that considers the specific characteristics of rural areas in implementing tax policies. The success of Government Regulation (PP) No. 23 of 2018 in improving MSME taxpayer compliance in rural areas requires strategies that integrate geographical, economic, and social aspects of rural communities.

## CONCLUSION

Based on the results of research on taxpayer compliance of MSMEs in rural areas of Semarang Regency, the level of taxpayer compliance has not yet reached the optimal target. Of the total 24,567 MSMEs, only 45% are registered as taxpayers, with a compliance rate of SPT reporting of 62.3% in 2023. Geographical factors play a major role in influencing tax compliance, where MSMEs located more than 20 kilometers from the KPP show a compliance rate of 23% lower. This condition is exacerbated by the lack of tax socialization, where 75% of respondents have not received direct socialization from tax officers. Income level is a significant variable in tax compliance. MSMEs with a turnover of more than IDR 200 million per year have a compliance rate of 72%, while those with a turnover of less than IDR 100 million only reach 34%. Seasonal income patterns also affect the ability to pay taxes, with a decrease of up to 45% during lean times. Digital literacy is still a serious obstacle, reflected in the 65% of MSME actors who are not familiar with the online tax reporting system. Limited internet infrastructure and signals in rural areas make it even more difficult to implement a digital taxation system.

## REFERENCES

- Agarwal, V., Mathiyazhagan, K., Malhotra, S., & Pimpunchat, B. (2023). Building resilience for sustainability of MSMEs post COVID-19 outbreak: An Indian handicraft industry outlook. *Socio-Economic Planning Sciences*, 85, 101443. <https://doi.org/10.1016/j.seps.2022.101443>
- Amornkitvikai, Y., Tham, S. Y., Harvie, C., & Buachoom, W. W. (2022). Barriers and Factors Affecting the E-Commerce Sustainability of Thai Micro-, Small- and Medium-Sized Enterprises (MSMEs). *Sustainability*, 14(14), 8476. <https://doi.org/10.3390/su14148476>
- Bhattacharya, L., Chatterjee, A., & Chatterjee, D. (2023). Critical Enablers that Mitigate Supply Chain Disruption: A Perspective from Indian MSMEs. *Management and Labour Studies*, 48(1), 42–63. <https://doi.org/10.1177/0258042X221133281>
- Biswas, S., Pamučar, D., Božanić, D., & Halder, B. (2022). A New Spherical Fuzzy LBWA-MULTIMOOSRAL Framework: Application in Evaluation of Leanness of MSMEs in India. *Mathematical Problems in Engineering*, 2022, 1–17. <https://doi.org/10.1155/2022/5480848>
- Candra, S., Wiratama, I. N. A. D., Rahmadi, M. A., & Cahyadi, V. (2022). Innovation process of micro, small and medium enterprises (MSMEs) in greater Jakarta area (perspective from foodpreneurs). *Journal of Science and Technology Policy Management*, 13(3), 542–560. <https://doi.org/10.1108/JSTPM-10-2020-0153>
- Dambiski Gomes De Carvalho, G., Resende, L. M. M. D., Pontes, J., Gomes De Carvalho, H., & Mendes Betim, L. (2021). Innovation and Management in MSMEs: A Literature Review of

- Highly Cited Papers. *Sage Open*, 11(4), 21582440211052555. <https://doi.org/10.1177/21582440211052555>
- Ejarque, A. T., & Campos, V. (2020). Assessing the Economy for the Common Good Measurement Theory Ability to Integrate the SDGs into MSMEs. *Sustainability*, 12(24), 10305. <https://doi.org/10.3390/su122410305>
- Gao, J., Siddik, A. B., Khawar Abbas, S., Hamayun, M., Masukujjaman, M., & Alam, S. S. (2023). Impact of E-Commerce and Digital Marketing Adoption on the Financial and Sustainability Performance of MSMEs during the COVID-19 Pandemic: An Empirical Study. *Sustainability*, 15(2), 1594. <https://doi.org/10.3390/su15021594>
- García-Salirrosas, E. E., & Acevedo-Duque, Á. (2022). PERVAINCONSA Scale to Measure the Consumer Behavior of Online Stores of MSMEs Engaged in the Sale of Clothing. *Sustainability*, 14(5), 2638. <https://doi.org/10.3390/su14052638>
- Kharub, M., & Sharma, R. (2020). An integrated structural model of QMPs, QMS and firm's performance for competitive positioning in MSMEs. *Total Quality Management & Business Excellence*, 31(3–4), 312–341. <https://doi.org/10.1080/14783363.2018.1427500>
- Kumar, M., Raut, R. D., Mangla, S. K., Ferraris, A., & Choubey, V. K. (2024). The adoption of artificial intelligence powered workforce management for effective revenue growth of micro, small, and medium scale enterprises (MSMEs). *Production Planning & Control*, 35(13), 1639–1655. <https://doi.org/10.1080/09537287.2022.2131620>
- Kusumaningtyas, R. O., Subekti, R., Jaelani, A. K., Orsantinutsakul, A., & Mishra, U. K. (2022). Reduction of Digitalization Policy in Indonesian MSMEs and Implications for Sharia Economic Development. *JURIS (Jurnal Ilmiah Syariah)*, 21(2), 157. <https://doi.org/10.31958/juris.v21i2.6855>
- Latifah, L., Setiawan, D., Aryani, Y. A., & Rahmawati, R. (2020). Business strategy – MSMEs' performance relationship: Innovation and accounting information system as mediators. *Journal of Small Business and Enterprise Development*, 28(1), 1–21. <https://doi.org/10.1108/JSBED-04-2019-0116>
- Machado, E., Scavarda, L. F., Caiado, R. G. G., & Thomé, A. M. T. (2021). Barriers and Enablers for the Integration of Industry 4.0 and Sustainability in Supply Chains of MSMEs. *Sustainability*, 13(21), 11664. <https://doi.org/10.3390/su132111664>
- Marković, D., Janačković, G., Simeunović, N., & Lalić, B. (2020). Identifying and ranking novel indicators of MSMEs innovation potential. *Technology Analysis & Strategic Management*, 32(5), 529–541. <https://doi.org/10.1080/09537325.2019.1675871>
- Mohan, J., Kaswan, M. S., & Rath, R. (2024). An analysis of green lean six sigma deployment in MSMEs: A systematic literature review and conceptual implementation framework. *The TQM Journal*. <https://doi.org/10.1108/TQM-06-2023-0197>
- Mujanah, S., Ardiana, I. D. K. R., Nugroho, R., Candraningrat, C., Fianto, A. Y. A., & Arif, D. (2022). Critical thinking and creativity of MSMEs in improving business performance during the covid-19 pandemic. *Uncertain Supply Chain Management*, 10(1), 19–28. <https://doi.org/10.5267/j.uscm.2021.10.014>
- Mujianto, M., Hartoyo, H., Nurmalina, R., & Yusuf, E. Z. (2023). The Unraveling Loyalty Model of Traditional Retail to Suppliers for Business Sustainability in the Digital Transformation Era: Insight from MSMEs in Indonesia. *Sustainability*, 15(3), 2827. <https://doi.org/10.3390/su15032827>
- Mukherjee, S., Nagariya, R., Baral, M. M., Patel, B. S., Chittipaka, V., Rao, K. S., & Rao, U. V. A. (2023). Blockchain-based circular economy for achieving environmental sustainability in the Indian electronic MSMEs. *Management of Environmental Quality: An International Journal*, 34(4), 997–1017. <https://doi.org/10.1108/MEQ-03-2022-0045>
- Müller-Pérez, J., Garza-Muñiz, V. S., Acevedo-Duque, Á., García-Salirrosas, E. E., Esponda-Pérez, J. A., & Álvarez-Becerra, R. (2022). The Future of Tamaulipas MSMEs after COVID-19: Intention to Adopt Inbound Marketing Tools. *Sustainability*, 14(19), 12714. <https://doi.org/10.3390/su141912714>

- Octasyilva, A. R. P., Yuliati, L. N., Hartoyo, H., & Soehadi, A. W. (2022). Innovativeness as the Key to MSMEs' Performances. *Sustainability*, 14(11), 6429. <https://doi.org/10.3390/su14116429>
- Pagaddut, J. G. (2021). The Financial Factors Affecting the Financial Performance of Philippine MSMEs. *Universal Journal of Accounting and Finance*, 9(6), 1524–1532. <https://doi.org/10.13189/ujaf.2021.090629>
- Prakash, B., Kumar, I., & Kumar Verma, J. (2021). Barriers and potential solutions for MSMEs in developing economies: Evidence from India. *Problems and Perspectives in Management*, 19(4), 325–337. [https://doi.org/10.21511/ppm.19\(4\).2021.26](https://doi.org/10.21511/ppm.19(4).2021.26)
- Putritamara, J. A., Hartono, B., Toiba, H., Utami, H. N., Rahman, M. S., & Masyithoh, D. (2023). Do Dynamic Capabilities and Digital Transformation Improve Business Resilience during the COVID-19 Pandemic? Insights from Beekeeping MSMEs in Indonesia. *Sustainability*, 15(3), 1760. <https://doi.org/10.3390/su15031760>
- Ratnawati, Sudarmiati, Soetjipto, B. E., & Restuningdiah, N. (2022). The Role of Financial Behavior as a Mediator of the Influence of Financial Literacy and Financial Attitudes on MSMEs Investment Decisions in Indonesia. *Journal of Social Economics Research*, 9(4), 193–203. <https://doi.org/10.18488/35.v9i4.3231>
- Saad, N. Ah., Elgazzar, S., & Mlaker Kac, S. (2022). Investigating the Impact of Resilience, Responsiveness, and Quality on Customer Loyalty of MSMEs: Empirical Evidence. *Sustainability*, 14(9), 5011. <https://doi.org/10.3390/su14095011>
- Taiwo, O. S., Hakan, A., & Savaş, Ç. (2022). Modeling the Impacts of MSMEs' Contributions to GDP and their Constraints on Unemployment: The Case of African's Most Populous Country. *Studies in Business and Economics*, 17(1), 154–170. <https://doi.org/10.2478/sbe-2022-0011>

---

**Copyright Holder :**

© Tri Widiarto et al. (2024).

**First Publication Right :**

© Cognitionis Civitatis et Politicae

**This article is under:**

