INDONESIA'S SME TAX REGULATIONS: HOW WE CAN IMPROVE THEM?

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Abstrak

Riset ini bertujuan untuk menganalisis peluang untuk meningkatkan kualitas regulasi pajak Usaha Mikro Kecil dan Menengah (UMKM) dengan memeriksa 6 faktor kritis dalam model pengumpulan pajak UMKM. Metode riset menggunakan model riset kualitatif dengan pendekatan eksploratif-kualitatif. Data dikumpulkan menggunakan tinjauan pustaka dan wawancara dengan wajib pajak UMKM di Bandung, Jawa Barat, Indonesia serta aparat pajak yang bertugas di bidang UMKM. Data dianalisis menggunakan analisis isi. Hasil riset menunjukkan senjangan signifikan pada keenam faktor kritis dalam model pemajakan UMKM. Hasil riset juga menunjukkan bahwa wajib pajak memiliki pemahaman yang terbatas tentang hukum pajak dan administrasi pajak. Upaya aparat pajak harus ditingkatkan sehingga WP UMKM memiliki pemahaman pajak yang lebih baik.
Kata kunci: Usaha Mikro Kecil Menengah; Model Pemajakan; Indonesia.

Abstract

This research aims to analyze whether there is an opportunity to improve the SME's tax regulations by examining six critical factors in the SME tax collection model. The research method applied for this research is a qualitative research model with an exploratory-descriptive approach. Data was collected using literature review and interviews with SME taxpayers residing in Bandung, West Java, Indonesia, and tax officers specializing in the SME tax model. Data were analyzed using content analysis. The research showed a significant gap in taxpayer's condition from 6 critical factors in the SME tax model. Research shows that taxpayer still has no or little knowledge of tax laws and tax procedure and administration itself, so the effort of tax office should be paced up, so SME taxpayer will understand tax laws and tax procedure and administration better.
Keywords: Small Medium Enterprise; Tax Collection Model; Indonesia.

INTRODUCTION

Indonesia's economy has grown substantially in the last decade, despite the global crisis in 2008 and various environmental upheavals in Indonesia. One contributing factor to Indonesia's economic growth is Small Medium Enterprises (SME's) growth. SMEs can build financial sustainability in Indonesia's local market and are not affected by the global crisis. SMEs also have the potential to expand on an international scale, primarily by exporting SME's goods.

Ministry of Cooperatives and Small and Medium of Indonesia estimates SME contribution to Gross Domestic Product (GDP) in 2013 reached about 57 percent. The labor force is absorbed by SMEs account for about 101 million people, with some business units as many as 55 million units. Data collected by the Central Bank of Indonesia (2009) showed that the SME sector plays an essential role in Indonesia's economic growth. Although the data showed that large businesses still dominate Indonesia's economy, SME data showed great potential to overlap large companies in the future. SME's business growth and market share increase beyond large enterprises.

Characteristics of SME as stated by the Central Bank of Indonesia (2009) are:
1. There is no separation between the owner and management. The owner acts as a manager and also actively works in the business.
2. We use limited sources and quantity of workers/employees, usually workers/employees who still have bloodline or family.
3. Financing his equity (Has limited access to bank)
4. Not incorporated, almost 78.6% are individual businesses.
5. The sales orientation is to the local market.
6. The influence of family, local culture, and the environment are huge in the company's operations.
7. Have limited resources, including technology, employee, and financing resources.
8. Informal and flexible management system.
9. Business development depends on the owner's intention.
10. Most SMEs have a business in Java and Bali island (approximately 69%), and the majority are in rural areas (74%)

SME sector provides employment and contributes significantly to the Gross Domestic Product (GDP). Data based on the 2006 Economic Census showed that micro and small businesses dominate in terms of business units (99.1%) and employment (84.4%), with a ratio of 2 workers per unit of effort for micro and three workers per unit of measure for small businesses. Instead of large and medium industries, the number of business units is only 0.9%, absorbing 15.5% of workers with 19 comparisons of labor per unit of effort for medium and 108 work per unit of measure for large businesses.

Tax calculations are relatively straightforward since using gross income for the income tax base. Taxpayers do not have to produce profit/loss statements or held bookkeeping to calculate tax bases, like regular Income Tax. This calculation method implied that the taxpayer still has to pay tax, although the taxpayer suffers a loss. A study conducted by Martfianto (2013) stated there are pros and cons regarding the regulation application. The taxpayer was resistant due to psychological factors such as reluctance to pay taxes. Before limitation applied, taxpayers were not paying taxes, so when the rule becomes effective, taxpayers have to pay tax, and they were not feeling happy. The study also stated that many taxpayers did not know about the tax administration system for the taxpayer.

Previous research in SME's taxation showed that SME's taxation model needs

some unique aspect adjustment. In Pakistan, a study conducted by Memon (2013) showed that most of SME's institution form is informal. This form creates a bottleneck for the implementation of income tax collections. Pakistan decided to adopt a simple taxation system (presumptive) for the SME sector. In Jamaica, a study conducted by Wedderburn et al. (2012) showed the same situation as what happened in Pakistan.

To establish a good taxation model for SMEs, the model must insert some benefits and tax incentives. For example, the taxpayer will not be reluctant to fulfill tax obligations. The tax system should be presumptive and straightforward, so the taxpayer will not find it challenging to understand the tax system. The government gives incentives to SMEs by giving broader market access to SMEs to the global level. The incentives will motivate SMEs to fulfill tax obligations instead of general motivation and persuasion procedures to taxpayers. In addition to the incentives, SMEs also need to be facilitated with several conveniences and facilities. For example, establish payment and billing system by cooperating with a bank and some financial institution or withholder, so SME taxpayers do not have to queue at the bank because tax payments can be made automatically through a bank account owned by the taxpayer, and the data connected through the point of sales (cash register) of SME taxpayers.

The tax model will support the implementation of the regulation. The research wants to describe whether the Income-tax imposed through regulation is suitable to SME tax models and perceived well by the taxpayer. Researchers are interested in researching taxpayer's conditions in the implementation process of SME Income tax. New tax regulations established for SMEs will cause SMEs to adapt immediately. For example, SMEs must register themselves to be taxpayers by obtaining a taxpayer identification number (NPWP). SME also must make a careful calculation, so the amount of tax will not be mistaken. Previously, SMEs only perform simple math, but in the future, they will expect to make transaction recordings in a professional and complete detail, although only for the revenue/income section. Some sanction or incentive will be available to enforce the implementation of the law.

SME businesses grow and contribute to Indonesia's economy, yet compliance of SMEs toward tax is still low. There are some problems to impose income tax on SMEs; the issues based on data obtained from the Directorate General of Taxes (2012) are:

1. It has different characteristics from large businesses. Some SMEs not permanently resides and can quickly move from one place to another.
2. The number of Taxpayers is large.
3. The relatively small scale of operations, so the total income is relatively small.
4. We do not have adequate bookkeeping/accounting, so the amount of tax payable is challenging to determine.
5. Most of the transactions were cash with no cash register machine, so tracing transaction data is difficult.
6. Taxpayer awareness is low.
7. High compliance cost and administration cost for tax collection (cost-benefit principle)

Various critical success factors will determine the effectiveness of the SME Income tax. It must adopt the SME Income taxation model. There are six criteria for the SME taxation model as stated by DGT (2012), namely:

1. Promoting / corrections for taxpayer registration enforced.
   The identity as a taxpayer is necessary so SME will be recognized to pay a certain amount of tax. DGT needs to develop a model to issue taxpayer-

identification numbers (NPWP) or taxable entrepreneur numbers (NPPKP) with ease so taxpayers feel it is easy to obtain identity.

2. Optimizing the Tax Withholding System
Withholding tax by a third party can be utilized so SME tax payment will be more efficient. Instead, SMEs must pay themselves. The withholding tax mechanism can follow several examples: Income Tax articles 21, 22, 23, 4(2), and value-added tax.

3. Presumptive tax system
A presumptive tax system is a tax system that is simpler than the prevailing tax system. Because the SME has several limitations with the large taxpayer, SME income tax must be more straightforward, so SME will be easier to comply and do not feel overload with many tax administration procedures.

4. Incentives on Taxpayers
There must be an incentive to taxpayers who comply with the law. This incentive could be in the form of broader banking access, international trade incentive. Tax authorities must cooperate with various government agencies or financial institutions to provide these incentives.

5. Improvements Administration of Taxation and simplification for SMEs
Tax administration, especially regarding calculation, payment, and reporting, needs improvement to make it easy for SMEs. Several improvements can be used, for example, using information technology infrastructure.

6. Granting Tax Amnesty on compulsory SMEs
Several SME taxpayers who meet the terms and conditions must be eligible for tax amnesty, such as: Not conduct audits for pas tax payable or administration sanction waive.

However, to impose a tax on SMEs, several challenges must be faced by the Directorate General of Taxes (DGT. 2012):

1. Many SMEs were operating in the shadow economy/informal sector. Shadow economy means it has no legal permission (or only a few applications for legal consent); this will make it difficult for DGT to gather taxpayer databases or potential map taxpayers.

2. Current taxpayer's level of understanding SME taxpayers have already established and operated for a long time and do not have much education or knowledge regarding tax administration and procedure.

3. Taxpayers currently perceived tax as a burden/expense. Certain taxpayers conduct tax avoidance and or tax evasion, and regarding the nature of SME taxpayers, it will be difficult for DGT to trace and prevent those actions.

Based on various challenges, DGT decides to modify the tax collection model of SMEs. Modifying the tax collection model has a purpose to more effortless tax administration procedures and minimize taxpayer's tax payment burden. The transformation happens based on six tax collection models, based on DGT (2012):

1. Model for Taxpayer Registration.
2. Model for calculation and collection of the tax system.
3. Presumptive model of the tax system
4. Model for Incentives for Taxpayers
5. Model for Tax Administration Improvement and simplification
6. Model for Tax Amnesty

However, there is still a possibility of a gap between SME taxpayers and DGT in the SME tax collection model, caused by the level of understanding of SME taxpayers. It still creates difficulty for SME Income Tax collection.

Graph 1
Theoretical Framework
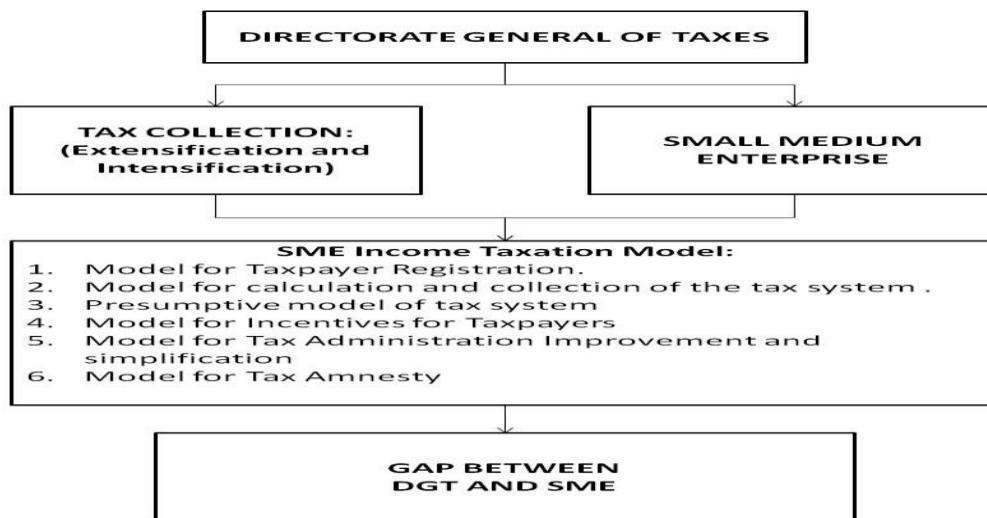
On the other hand, the Directorate General of Taxes has to assess the implementation of the SME Income Tax system. Will the tax system provided in this law make taxpayers comply voluntarily with income tax law? Will this tax law provided a suitable model for income taxation for SMEs? Based on previous explanations, the research aims to analyze whether there is a gap between the SME tax model and SME taxpayer's condition.

METHOD

An object of this study is the gap between taxpayer condition and knowledge of SME taxation and the DGT income tax collection model. This study will examine six factors for the SME Income Tax Collection model and assess taxpayer condition and knowledge, and also the implementation in Government Regulation, stated as follows :

1. Model for Taxpayer Registration.
2. Model for calculation and collection of the tax system.
3. Presumptive model of the tax system
4. Model for Incentives for Taxpayers
5. Model for Tax Administration Improvement and simplification
6. Model for Tax Amnesty

Data was collected using a variety of data collection methods, namely :

1. Literature review, which is studying and analyzing literature relating to the taxation of SMEs.
2. Interview, which interviewed SME and the Apparatus from DGT.
   a. From SME, the Researcher selected three respondents who are SME entrepreneurs. SME entrepreneurs have chosen to see the readiness of SMEs and SME perceptions of SMEs in the implementation of the tax law.
   b. From DGT, the Researcher selected three respondents who understand taxation on SMEs to explain the regulation and information regarding tax model implementation in tax law and perform triangulation (data matching) between the data collected from respondents SME and literature review.

Data will be analyzed using the qualitative descriptive method. Qualitative descriptive research, including the exploration and analysis, plays a vital role

in creating a hypothesis or understanding of various social variables (Burhan Bungie. 2007). The results of the interview will be analyzed using the content analysis method. Content analysis is a research technique for making inferences that can be emulated and validate the data by taking into the context or theory (Burhan Bungin, 2007). The use of content analysis will focus on how the literature review and the data content of the interview can describe social interaction to be analyzed and concluded. In analyzing the interviews using the content analysis, the Researcher wrote an answer in every question asked in an interview, and researchers would interpret the meaning of the informant's answers both explicitly or implicitly.

RESEARCH RESULT AND DISCUSSIONS

1. Taxpayers Registration Model

The taxpayer in Indonesia mostly does not have sufficient awareness regarding tax administration and procedure. Namely, most of the Indonesian taxpayers do not register as a taxpayer. To implement new tax regulations on SMEs, the tax office must design a new model for the taxpayer to report, so it will be convenient for the taxpayer to do so.

Respondents from the tax office stated that taxpayer registration and data would utilize an electronic national identity card (E-KTP) designed by the Ministry of Domestic Affairs. The tax office also will gather taxpayer data by cooperating with several SME associations, traditional market surveys, and also with a national census, the respondent said:

"We will utilize the E-KTP system; although the accuracy is still not 100%, it looks like we will still be using it. We also " pick up the ball " to the traditional market, so we have all the record (of the taxpayer)."

To raise awareness, the tax office also effort to socialize the tax regulation through various media. Respondents from the tax office stated that socialization efforts take forms: opening the stand on the traditional markets and malls, besides mass media, to provide information closer to potential taxpayers. As stated in the interview:

"We do socialization through the mass media, print, electronic .... but most of it is through a stand in the SME exhibition, in the mall, market ... "

Taxpayers' responses at this point are varied. One of them already knows about taxes but does not understand the technique and procedures for registration. One of the respondents claimed not knowing the regulation at all. Socialization is also perceived to be less effective, one of the respondents that sell product in his residence say that he had received no socialization from tax office since it never comes to residential, but mainly to mall or market. Other respondent knows about this tax but had not received a direct explanation from the tax office but rather from fellow SMEs and the general public gossip.

The above results showed that there is a gap between taxpayer conditions and taxpayer registration models. Respondents felt that the tax office efforts to disseminate registration information is still low, so taxpayer effort to register as a taxpayer was still lacking.

IFC (2009) stated that the successful implementation of regulation depends on successful taxpayer registration. The tax authorities may take various efforts to increase registered taxpayers as follows :

1. Facilitate taxpayer registration by opening stands in malls, markets, and several strategic places.
2. Simplify the registration process and time for processing. Any delays would give a negative impression on taxpayers.
3. Ensure accuracy of taxpayer data. Research shows that although new SMEs are born every month and SMEs survive only for a short

period, only 50% of SMEs are still in operation after five years, the data updating will be critical.

4. Establish a program for disseminating information and communication to the SME community.
5. Establish taxpayer database.

2. Models for Calculation and Collection of Tax

Adam Smith mentioned four principles of the tax system, namely: equality, convenience, economic, and certainty (Siti Resmi. 2010). In this taxation principle, equality means that taxation must be fair and equitable, subject to an individual who should be proportional to the ability to pay and the benefits received. Economic means that every tax collected should provide more help rather than its cost. Certainty means that the assessment is determined using specific laws and procedures. So, taxpayers will know how much tax is due, when to pay, and the payment deadline. The convenience principle means that time for the taxpayer to pay tax in accordance does not provide difficulties for the taxpayer. For example, taxation should be payable at the time when the taxpayer obtains income. (Resmi. 2010).

Respondents from the tax office stated that the SME income tax model follows four canons of taxation as described above. The SME taxation must facilitate the taxpayer to provide the easy and not complicated procedure. Respondent state information as follows:

1. SME Income tax collection system designed as final income tax, intended to provide easy administration for taxpayers in meeting their tax obligations. As stated by respondents :*"Final tax provides benefit, the taxpayer did not have to do further obligations, so filling tax return will become easy."*

2. Tax authority set low tax rates. Tax authority was assessing the economic capacity of the taxpayer, Imposition of a single rate make calculation become simple and provide certainty to calculate the tax payable, respondent said:
"We cannot say in detail why we set that rate, but single, the low tariff will make it easier for taxpayers to remember and calculate taxes."

3. Income tax is based on gross income because most SME taxpayers do not understand much about bookkeeping and accounting. Most SMEs only calculate sales numbers periodically. Respondents from the tax office said:
"Not all taxpayers understand accounting and bookkeeping. Usually, the income tax base is on net income, but how to derive it since they do not calculate it (expense)? they only calculate revenue, so actually, it will be easier for them to do so."

Taxpayer respondents stated they are still confused about the mechanism of tax calculation, payment, and report. Many taxpayers do not know the tool and do not put any effort into understanding it further. In an interview conducted, most respondents answered do not know about the mechanism of tax calculation and reporting.

Based on the explanation above, there is still a gap between taxpayer conditions in the model for calculating and collecting tax. Most respondents still do not know about analysis, payment, and reporting of the tax, so although the tax system is easy, it still does not run correctly because the taxpayers do not know how to do their tax obligations.

IFC (2009) research showed that the taxpayer should use a third party to withhold tax in collecting tax. By delegate the calculation, withhold, and payment

using a third party, it will provide a variety of benefits for taxpayers and tax office, as follows :

1. Lowering the administrative burden by shifting some responsibility of collecting taxes to the tax withholder.
2. It will be an effective instrument for collecting tax from the unregistered taxpayer to minimize tax evasion. In a country with low levels of tax awareness, the withholding tax system is a mechanism that can force the taxpayer to pay tax through a third party.
3. They increase registered taxpayers since usually unregistered taxpayers will impose an enormous tax rate rather than registered taxpayers.

3. Presumptive Tax System Model

The government of Indonesia uses self-assessment as its tax system. The self-assessment tax system gives authority, trust, and responsibility to the taxpayer to calculate, pay and report the amount of tax due by themselves (Resmi., 2010). With a self-assessment tax system, taxpayers do four things in the fulfillment of tax obligations, namely :

1. Calculate tax
2. Calculate tax credits and subtracting them with tax payable.
3. Pay tax payable.
4. Report tax payment and payable by filing a tax return.

A presumptive tax system is a tax system that provides simplicity for taxpayers in conducting their tax obligations (Jones. 2012). A presumptive tax system is also a more straightforward tax system than the prevailing regular tax system. Applying hypothetical tax regimes in various countries is based on the belief that standard tax systems often obligate taxpayers to maintain heavy and costly administration (such as bookkeeping, accounting, filing many tax returns). From the point of view of SMEs, the tax system will be a burden. Tax office respondent in

an interview stated a prove that SME tax system already a presumptive one, as follows:

> "*We already meet the presumptive system, from the tax bases, rates, and the nature of this collection is much simpler than the regular income tax. Other alternatives exist, such as using third party or tax office calculating tax payable, but this is not following the spirit of self-assessment system that applies in Indonesia income tax.*"

The taxpayer respondent stated that although the tax system is simple, it still results in higher taxes. One of the respondents said that the tax authority should levy taxes on net income instead of sales or at least a fixed amount because then the tax paid will be cheaper. As stated by respondents :

> "*Taxes base must be net income, so if I suffer net loss, I am not paying tax. If the tax bases are gross sales, we must pay tax despite suffering a net loss. This system is detrimental to the taxpayer.*"

For the question of whether taxpayers agree to a final income tax on the SME Income tax system, all respondents agreed because it simplifies the fulfillment of tax obligations.

Based on the above results, there is still a gap in taxpayer's conditions regarding presumptive tax system models. The tax office needs to make improvements to this system. Various models of the hypothetical tax system, proposed by the Organization for Economic Development (OECD. 2012), are as follows :

1. Establish different tariffs for business segments or industries. Other business segments can be taxed differently, according to the conditions that happen to exist industry.
2. The tax is imposed only for certain Taxpayers. It only applied to certain types of taxpayers, and thus for the

taxpayer who has specific economic insufficiency, taxes are not imposed.

3. Maintain a simple system of bookkeeping. The tax office may design so bookkeeping will be simpler for certain taxpayers, such as keeping records of total income, expenses, assets, liabilities, and equity in a simple, or prepare a partial complete financial statement.

4. Models for Taxpayers Incentive

Taxpayers who meet certain tax obligations as provided by law are entitled to specific incentives. Incentives themselves can be interpreted as a form of reward to comply with the taxpayer and motivate taxpayer compliance to comply with tax obligations.

SME taxpayers were heavily affected by new regulations in SME's Government Regulation. As taxpayers are affected by the new rules, the taxpayer will incur costs and times to adopt with unique system, and sometimes resistance will surface, so it needs an incentive for SME taxpayers to comply with new rules. A respondent from the tax office said that the tax office had provided various stimuli such as excluding some merchants of SME taxation obligations, such as merchants who sell goods on the street or sidewalk (informal sectors). Additionally, incentives are also given in the form of tariff reduction for specific industries and accelerated costs and depreciation, as stated by the respondents like this:

"This regulation does not apply to all taxpayers, not for informal sectors, it has been incentives actually, then in addition to this regulation, Income Tax Law give incentives such as longer loss compensation, accelerated costs, and depreciation expense, for certain taxpayers."

All respondents from the taxpayer whom researchers interviewed claimed not to know about the incentive to implement SME's income tax regulation. Based on the above results, there is still a gap between the taxpayer's condition and model for a tax incentive of SMEs. According to the OECD (2012), few incentives for SMEs taxpayer can be as follows :

1. Reduction in tax rates. To maintain the competitiveness of SMEs, the tax office can provide lower income tax rates for SMEs.
2. Tax Holiday. Usually carried out by exempt SME for paying tax first few years, followed by a lower tax rate for a couple of years later, before the standard rates applied.
3. Accelerated Costs and Depreciation Expense. Accelerated depreciation is one of the features that exist in taxation, accelerated depreciation which allows taxpayers to expense significant depreciation expenses in the early years to lowering tax payable of the taxpayer.
4. The tax authority can extend The tax due date for the specific taxpayer. The extension will provides more time for taxpayers to be able to pay tax underpayment amount.

5. Model For Tax Administration Improvement And Simplification

To support the presumptive tax system model, the tax office must simplify and reform tax administration itself. It is necessary to implement a tax administration system that facilitates the taxpayer and does not cause difficulties to the taxpayer. The respondent from the tax office stated that the tax administration system already has several new improvements such as Data Collection taxpayer of SMEs based on various segments, utilization of information technology for ease of payment and tax reporting, cooperation with local governments, especially enterprises that deal with traditional markets for data collection and payment of taxes. The interview results expressed as follows:

"Tax office has tried to simplify the administration of ta. We take advantage of information technology for the creation of e - NPWP, e - filing and a lot of use of information technology, like payment through ATM of various Banks .... We also cooperate with local governments, such as in Jakarta Province, we cooperate with the traditional market caretaker so that all tenants must use the cash register, it is beneficial for the income tax collection."

Respondents stated that the taxpayer's tax reporting and payment system with the current system already provide convenience. Although taxpayers still propose improvements to the tax administration system such as: utilizing bank transfer and electronic banking, for example, pay tax through the internet or mobile phone, or using auto-debit. The taxpayer also agreed with tax office efforts to improve and simplify payment processing and tax reporting for SMEs. Although respondents also stated that taxpayers often do not receive news regarding improvement.

Although at this point, there is no gap between taxpayer condition and model for tax administration improvement and simplification, IFC (2009) states that information technology is not the only factor that determines the success of the implementation of the SME tax. The administration should be improved so the tax authority can appropriately implement the information technology. Some form of organizational improvements of SME taxation is as follows:

1. Organizational Restructuring
2. Develop Taxpayer Segmentation
3. Optimization of IT through the development of information and content on the Website,
4. Raise e-tax or module solution development - implementation of self-assessment modules, such as e - filing.
5. Risk-based tax audit, tax auditor only audited the taxpayer who has a high risk of tax avoidance or tax evasion that the tax authority will audit,
6. Establish cooperation with the local government tax authorities and certain private institutions (banks, markets).

6. Models for Tax Amnesty

As a consequence for the non-comply taxpayer, the taxpayer may be subject to several tax penalties. Sanctions could be in the form of administrative sanctions, for just an error in tax calculation and tax return mistake and or criminal sanctions, if there is an indication that the taxpayer intentionally commits fraud and manipulate tax payment.

As a new taxpayer, the SME also needs to get some tax incentives, one of which is Tax Amnesty. Tax Amnesty is a form of exemption of one or all of the tax penalties. Respondents from the tax office stated that there is currently no specific method of tax amnesty for SMEs, as stated as follows :

"No tax amnesty for SME provided in current regulation, but tax office try to analyze and evaluate carefully, tax amnesty may be provided in future, as long as the taxpayer risk is known, clear periods of amnesty, and we have to keep in mind that tax amnesty not for al taxpayer, but only certain taxpayer."

Respondents from the taxpayer did not know about the system of tax amnesty granted by the tax office. Tax amnesty is one strategy that is often applied in various countries to improve tax compliance. Taxpayers exempted from penalties or fines and penalties for taxpayers who voluntarily participated in the program. For taxpayers who do not take advantage of the tax, amnesty will usually be severely penalized if they discovered at a later date that the tax -reporting is not valid. IFC's (2009) research showed that tax amnesty should be applied selectively. The taxpayer in the Large Tax Office complies with the law

after tax amnesty. Besides, the period for tax amnesty should be limited.

CONCLUSIONS

To conclude the article, there are several interesting findings. First, Taxpayers still do not know or has limited knowledge regarding further implementation of SME Income Tax provided in current Government Regulation. Taxpayers do not know details about the tax administration system, so implementation of tax regulation will be complex. Second, the Directorate General of Taxation has attempted to construct a taxation model for the SME sector through 6 dimensions of the Income Tax model for SMEs. From the six categories, there is a gap of information acquired by a taxpayer with tax regulations.

Based on the above conclusion, the authors suggest several ideas: For the Directorate General of Tax, the results showed that many taxpayers do not know about new tax regulations for SMEs. Hence, there is still much effort to disseminate information to the taxpayer regarding implementing the SME tax regulation and construct tax modeling for SME Income Tax collection. Future Researchers can conduct further research to see if there is an improvement in taxpayer's condition in implementing SME Income Taxes.

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