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Article

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Suggested Citation: Khan, Muhammad Arsalan; Tjaraka, Heru (2024) : Tax justice and understanding: MSME compliance with Tax Regulation No. 55/2022 in Surabaya, Indonesia, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 11, Iss. 1, pp. 1-20, <https://doi.org/10.1080/23311975.2024.2396042>

This Version is available at:

<https://hdl.handle.net/10419/326519>

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To cite this article: Muhammad Arsalan Khan & Heru Tjaraka (2024) Tax justice and understanding: MSME compliance with Tax Regulation No. 55/2022 in Surabaya, Indonesia, Cogent Business & Management, 11:1, 2396042, DOI: [10.1080/23311975.2024.2396042](https://doi.org/10.1080/23311975.2024.2396042)

To link to this article: <https://doi.org/10.1080/23311975.2024.2396042>



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Tax justice and understanding: MSME compliance with Tax Regulation No. 55/2022 in Surabaya, Indonesia

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ABSTRACT

This research investigates the impact of tax justice perception and tax understanding on the compliance of Small and Medium-sized Enterprises (SMEs) with government regulation Number 55, 2022, in Surabaya. The study, conducted at KPP Pratama Surabaya Wonocolo employs a quantitative approach, with primary data gathered from 120 SME taxpayers through questionnaires. Data analysis is performed using SPSS version 22, using multiple linear regression, coefficient of determination, F test, and t-test. Results indicate that both the perception of tax justice and understanding of taxes positively influence SME taxpayers' compliance in Surabaya. Additionally, when considered simultaneously, these factors collectively impact the compliance of SME taxpayers with government regulation Number 55, 2022. The findings suggest that fostering a sense of tax justice perception and enhancing tax understanding among SMEs in Surabaya can significantly contribute to improving their compliance with government regulations. The research focused exclusively on SME taxpayers registered with KPP Pratama Surabaya Wonocolo, a subset under the Directorate General of Taxation East Java Regional Office 1. While this selection was based on the office's consistently high number of taxpayers, future studies within this domain should consider these inherent limitations. The originality of our research lies in its focus on the specific context of Surabaya, Indonesia, and its investigation into the impact of tax justice perception and tax understanding on the compliance of Small and Medium-sized Enterprises (SMEs) with government regulation Number 55, 2022. The research addresses the recent regulatory changes in Tax Law No. 55 of 2022, which specifically targets Micro, Small, and Medium Enterprises (MSMEs).

ARTICLE HISTORY

Received 9 May 2024
Revised 3 July 2024
Accepted 13 August 2024

KEYWORDS

Perception of tax fairness; tax understanding; taxpayer compliance; government regulation Number 55 of the year 2022; SMEs

JEL CODES

410

SUBJECTS

Accounting; Business, Management and Accounting; Financial Accounting

1. Introduction

Taxation stands as a cornerstone of fiscal policy, essential for financing public goods and services, fostering economic development, and ensuring the welfare of citizens. Recent data from the Indonesian Ministry of Finance underscores the critical role of taxes in government revenue generation, as evidenced by the targets and realizations of tax receipts over the past years.

Based on Table 1, In 2017, the government set a target of Rp. 1,283.5 trillion for tax receipts, with actual receipts amounting to Rp. 1,151.1 trillion, achieving 89.4% of the target. Subsequent years witnessed varying degrees of success in tax revenue collection, with 2018 achieving 92.41% of the targeted Rp. 1,424.0 trillion, 2019 achieving 84.44% of the targeted Rp. 1,577.5 trillion, and 2020 achieved 89.25% of the targeted Rp. 1,198.8 trillion. Notably, 2021 saw tax receipts surpassing the target, with a realization of Rp. 1,231.8 trillion against a target of Rp. 1,229.6 trillion, demonstrating a slight overachievement at 100.19%. However, it was in 2022 that tax revenue collection notably exceeded expectations, with a target of Rp. 1,485.0 trillion and actual receipts totaling Rp. 1,716.8 trillion, representing an impressive achievement rate of 115.60%. This remarkable performance reflects both the resilience of Indonesia's tax

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Table 1. Tax revenue target and realization in Indonesia (in trillion rupiah).

Years	Target Tax Recipients	Realization of Tax Recipients	Tax Achievement (%)
2017	1,283.5	1,151.1	89.4
2018	1,424.0	1,315.9	92.41
2019	1,577.5	1,332.0	84.44
2020	1,198.8	1,069.9	89.25
2021	1,229.6	1,231.8	100.19
2022	1,485.0	1,716.8	115.60

Source: (www.kemenkeu.go.id, 2023).

administration and the effectiveness of recent policy measures aimed at enhancing revenue collection and fostering compliance.

Increasing the tax revenue target annually is no easy feat for the government. Various measures, including tax reforms, have been implemented to meet the set targets (Di John, 2006). Tax reform involves a comprehensive transformation of the existing tax system, encompassing improvements in tax administration, regulatory enhancements, and an expansion of the tax base (Satya, 2017:14-15). The Indonesian government has implemented various tax reforms tailored to the country's tax conditions (Kraal, 2019). For instance, tax rate reductions alleviate the burden on taxpayers, simplified administrative procedures address taxpayer complaints, and adjustments to the Taxable Income Threshold (PKP) aim to lighten the load on taxpayers. These reforms focus on facilitating tax payments, reinforced by the establishment of the Tax Reform Team through the Minister of Finance Decree No. 885/KMK.03/2016.

In 2022, the enactment of Government Regulation Number 55 of 2022, concerning Adjustment of Regulation in the Field of Income Tax, brought significant changes to the tax landscape. Key provisions include the exclusion of foreigners as domestic tax subjects for four tax years upon meeting specific expertise criteria and the exclusion of certain tax objects such as grants and donations for micro and small businesses. Detailed regulations on dividend exclusions, including dividends of domestic or foreign origin, and income from permanent business operations abroad were introduced. Additionally, funds related to Hajj Fees and/or Special Hajj Fees, along with income from managing Hajj finances, were exempted. Article 23 of the regulation addressed the taxation of fringe benefits, allowing exemptions for certain benefits. Mechanisms to prevent tax avoidance were established, including measures to ensure fairness in income calculation, scrutinize pricing in transactions, and limit deductible borrowing costs. The regulation also aimed to prevent tax evasion by recalculating taxes owed and refraining from recognizing payments to foreign taxpayers as income-reducing costs due to tax treatment disparities across jurisdictions. Overall, Government Regulation Number 55 of 2022 aims to refine tax regulations, promote compliance, and prevent tax avoidance in Indonesia.

SMEs constitute a substantial portion of Indonesia's business ecosystem, contributing significantly to GDP and employment generation. However, their tax compliance behavior often faces scrutiny due to various factors, including limited resources, complex regulatory environments, and perceived inequities within the tax system. In this regard, Government Regulation Number 55 of 2022 represents a significant step towards addressing some of these challenges, particularly by focusing on Micro, Small, and Medium Enterprises (MSMEs) and introducing amendments to income tax regulations.

Surabaya, as Indonesia's second-largest city and a key economic center, serves as an ideal backdrop for examining the intricacies of tax compliance among SMEs. Its vibrant business community, diverse industrial sectors, and dynamic entrepreneurial spirit present a rich tapestry for understanding the factors influencing SME taxpayers' adherence to tax regulations, especially in light of recent legislative changes.

The concept of tax justice perception emerges as a critical lens through which to analyze SMEs' compliance behavior. Taxpayers' perceptions of fairness, equity, and transparency within the tax system play a pivotal role in shaping their willingness to comply with tax obligations. Understanding the nuances of tax justice perception among SMEs in Surabaya can offer valuable insights into designing targeted interventions aimed at enhancing compliance rates and fostering a culture of tax responsibility.

Inspired by the new rule, the author suggests two research problem formulations: (1) Does the Surabaya MSME taxpayers' compliance with Tax Law Number 55 of 2022 depend on their opinion of tax justice? (2) How does the compliance of MSME taxpayers in Surabaya relate to taxpayers' comprehension

of the application of Tax Law Number 55 of 2022? Aligned with these problem formulations, the research establishes distinct objectives. The primary goal is to provide empirical evidence regarding the influence of perceived tax justice on MSME taxpayer compliance in Surabaya, focusing on the implementation of Government Regulation Number 55 of 2022. Additionally, the study aims to obtain empirical evidence concerning the impact of taxpayers' comprehension of the regulation on the compliance behavior of MSME taxpayers in the same area.

The research's significance extends to both theoretical and practical realms. Theoretical contributions encompass enriching the tax accounting discipline, especially in the context of MSME taxpayer compliance, and providing a valuable reference for future research and academic materials. On a practical level, the study has implications for government authorities, offering insights for policy evaluation. Moreover, it serves as a guide for taxpayers, fostering understanding and encouraging compliance, and represents a practical application of academic knowledge in the field of taxation. Finally, the broader public can benefit from this research as it provides a comprehensive exploration of tax theories related to MSME taxpayer compliance.

The originality of our research lies in its focus on the specific context of Surabaya, Indonesia, and its investigation into the impact of tax justice perception and tax understanding on the compliance of Small and Medium-sized Enterprises (SMEs) with government regulation Number 55, 2022. The research addresses the recent regulatory changes in Tax Law No. 55 of 2022, which specifically targets Micro, Small, and Medium Enterprises (MSMEs).

2. Theory basis and hypotheses development

2.1. Perception theory

Mannopovna (2019) define perception as a process undertaken by individuals to select, organize, and interpret the information input they receive into a meaningful and interconnected picture.

According to Zhang (2019), the process of perception formation begins with individuals receiving stimuli, with the source of these stimuli originating from the five senses possessed by each individual. After receiving the stimulus, individuals respond based on their assessment and the meaning attributed to the stimulus. The second stage involves selecting the received data, followed by the third stage of organizing the data according to the received stimuli. The fourth stage entails interpretation by individuals in diverse ways, influenced by their unique abilities. The formation of perception reaches its culmination after the successful interpretation of the data and stimuli by each individual. Throughout this process, despite the object being the same, each individual's interpretation may differ. Various factors contributing to differences in perception include personal experiences, the surrounding environment, and the learning processes of each individual. According to Tourimpampa et al. (2018), three factors influence an individual's perception: the individual themselves, the target of perception, and the situational context.

2.2. Theory of justice (fairness theory)

Justice, as defined by the Big Indonesian Dictionary (KBBI), pertains to a fair nature in actions and treatment. In the context of taxation, justice refers to the government's reciprocity with taxpayers (Widuri & Irawan, 2019). Taxpayers contribute to taxes with the expectation that the government will utilize funds derived from these tax payments for state needs outlined in government spending policies (Casal et al., 2016). If taxpayers perceive that they are not receiving fair reciprocity from the government for their tax payments deposited into the state treasury, it may lead to non-compliance with tax payments by taxpayers (Gribnau, 2017).

Tax justice is divided into three categories by Niesiołędzka and Kołodziej (2019): distributive justice, retributive justice, and procedural justice. From the standpoint of the care or service that people receive from authority, procedural justice is seen (Rosenbaum et al., 2015). It is also connected to how authorities distribute resources. Procedural fairness is linked to the quality of service received by taxpayers and the effectiveness of applicable tax regulation procedures. The tax regulatory procedures in question

encompass processes related to tax calculations, payment or tax remittances, and tax reporting. Distributive justice focuses on the perception of how well the input provided can achieve the anticipated results in the pursuit of justice (Törnblom & Kazemi, 2015). This aspect relates to government spending policies, such as utilizing tax revenues to provide tax incentives or improving public facilities. Retributive justice examines the fairness of the sanctions imposed by the government on taxpayers proven to have violated applicable tax norms and regulations.

2.3. Perception of tax fairness

Tax fairness perception is crucial in shaping taxpayers' compliance behavior. It is divided into three main dimensions: distributive justice, procedural justice, and retributive justice (Niesiołędzka & Kołodziej, 2019).

2.3.1. Distributive justice

Distributive justice refers to the perceived fairness in the allocation of resources and benefits derived from tax revenues. Taxpayers assess whether the government's spending of tax funds aligns with their expectations and contributes to public welfare. For instance, taxpayers are more likely to comply if they see their tax payments resulting in improved public services, infrastructure, and social programs (Törnblom & Kazemi, 2015).

2.3.2. Procedural justice

Procedural justice focuses on the processes and procedures used by tax authorities to collect taxes. It involves the transparency, consistency, and impartiality of these procedures. Taxpayers are more compliant when they believe the tax system is fair, transparent, and administered without bias. This includes clear communication about tax obligations, fair treatment during audits, and accessible mechanisms for dispute resolution (Rosenbaum et al., 2015).

2.3.3. Retributive justice

Retributive justice concerns the fairness of penalties and sanctions imposed on taxpayers who violate tax regulations. It assesses whether the punishments are appropriate, consistent, and proportional to the offenses. Fair and just enforcement of tax laws can deter non-compliance and reinforce the perception that the tax system is equitable and just.

2.4. Tax understanding

Understanding, as defined by the Big Indonesian Baha Dictionary (KBBI), is a process, method, or act of comprehension and insight. Zanaria and Lestari (2020) define taxpayer understanding as the process of acquiring knowledge about tax regulations and simultaneously comprehending and applying this understanding in making tax payments. When discussing understanding, many individuals may struggle to differentiate between understanding and knowledge of taxation. Knowledge of taxation involves merely being aware of tax regulations without necessarily undergoing a process of understanding, whereas understanding taxation encompasses both knowing and comprehending tax regulations simultaneously (Susyanti & Askandar, 2019).

According to Simanjuntak (2012:127), taxpayers' actions when paying their taxes can be influenced by their comprehension of tax legislation. A greater degree of taxpayer comprehension typically leads to fewer tax law infractions by taxpayers, which in turn results in improved taxpayer compliance rates when it comes to filing taxes. According to Bornman and Ramutumbu (2019), a taxpayer's knowledge and comprehension of taxes is one of the elements influencing their increased awareness of the need to pay taxes on time. The degree of awareness and willingness to comply with tax duties among taxpayers increases with their comprehension of tax regulations. This is supported by Imaniati who argues that tax knowledge and understanding are crucial factors employed by the government to foster high taxpayer compliance.

2.5. Tax compliance

When a taxpayer is in a state of taxpayer compliance, it means they have complied with all tax requirements and rights as specified by tax regulations. Formal compliance and material compliance are the two categories are the two types of taxpayer compliance (Hendayana et al., 2021). Formal compliance refers to the taxpayer's adherence to fulfilling all formal obligations stipulated in the applicable tax laws (Damajanti & Karim, 2017). This aspect encompasses meeting the procedural requirements and adhering to the administrative processes outlined in the tax regulations. On the other hand, material compliance pertains to the taxpayer's adherence to fulfilling all substantive provisions of taxation, ensuring alignment with the substantial aspects outlined in the applicable tax laws (Manrejo, 2019). This involves the accurate calculation and fulfillment of the financial and substantive aspects of tax regulations. Both formal and material compliance are essential components for a taxpayer to be considered fully compliant with tax obligations.

2.6. SMEs and Tax Regulation No. 55 year 2022

Small and Medium Enterprises (SMEs) play a crucial role in Indonesia's economy, contributing significantly to employment, innovation, and economic growth. In 2022, the government introduced Tax Regulation No. 55, aiming to provide support and streamline tax procedures for SMEs. This regulation, which addresses adjustments in income tax regulations, includes several provisions specifically tailored to benefit SMEs. One of the key highlights is the reduction in the final income tax rate from 1% to 0.5%, providing SMEs with greater financial relief and incentivizing growth. Moreover, Tax Regulation No. 55 introduces a specific timeframe for utilizing the reduced tax rate, offering SMEs clarity and predictability in tax planning.

Furthermore, Tax Regulation No. 55 extends provisions for the exclusion of certain tax objects, such as grants, assistance, or donations directed towards micro and small businesses. This measure aims to alleviate the tax burden on SMEs and foster a more conducive environment for their development. Additionally, the regulation includes mechanisms to prevent tax avoidance, ensuring that SMEs operate on a level playing field and contribute fairly to the tax system. By implementing measures such as recalculating taxes based on comparative financial performance and setting limits on deductible borrowing costs, the government seeks to promote transparency and accountability in SME tax compliance.

Overall, Tax Regulation No. 55 of 2022 reflects the government's commitment to supporting SMEs and fostering their growth through targeted tax policies. By providing tax relief, clarity, and preventive measures against tax evasion, this regulation aims to empower SMEs to thrive and contribute to Indonesia's sustainable economic development.

2.7. Previous research

Ananda & Rizki Dwi (2015) study on the effects of tax socialization, tax rates, and tax understanding on MHM taxpayer compliance, registered at KPP Pratama Batu Malang, comes to the conclusion that these factors have a significant impact on MSME taxpayer compliance, registered at KPP Pratama Batu Malang. The tax rate variable has the biggest impact on the three variables under study when compared to the other factors.

According to Imaniati and Isroah's research, Yogyakarta's MSME taxpayer compliance is positively and significantly impacted by taxpayers' perceptions of the implementation of Tax Law No. 46 of 2013. In Yogyakarta, the knowledge of taxes possessed by MSME taxpayers also has a favorable and noteworthy influence on MSME taxpayer compliance; additional positive and noteworthy effects are caused by tax punishments on MSME taxpayer compliance.

The study conducted by Mohd Faizal et al. (2017) examines the impact of justice and trust on taxpayer compliance in Malaysia. There are three justice indicators taken into consideration: distributive justice, retributive justice, and procedural justice. The findings show that the only factors that influence tax compliance are procedural justice and trust, with procedural fairness having a positive and significant correlation with trust. Nonetheless, the relationship between obedience and justice is not mediated by

trust. According to Mohd Faizal et al. (2017) research, most respondents are inclined to behave more tax compliantly if they believe that tax authorities treat them justly and equitably when it comes to tax-related activities and processes.

Wulandari and Andrie's research (2017) on perceptions of tax justice in Government Regulation No. 46 of 2013 employs various indicators, including general justice, government reciprocity, special provisions, tariff structures, and personal interests. The study finds that, among these indicators, only general justice and the structure of tax rates affect MSME taxpayer compliance in fulfilling their tax obligations, while government reciprocity indicators and special provisions do not impact taxpayer compliance in meeting their tax obligations.

Lazuardini & Rahmawati (2018) investigated how taxpayer compliance is impacted by knowledge of tax laws, tax rates, and tax penalties. The study comes to the conclusion that while tax sanctions have a negative and negligible impact on each individual MSME taxpayer's compliance, comprehending tax regulations and tax rates has a positive and large influence on MSME taxpayer compliance.

2.8. Research hypothesis

2.8.1. Tax justice perception on tax compliance

According to the Fairness Theory, justice in the context of taxation pertains to the reciprocity between the government and taxpayers. Taxpayers contribute to taxes with the expectation that the government will utilize the funds derived from these payments for state needs outlined in government spending policies. Taxpayers may choose not to file their taxes if they believe they are not being treated fairly by the government in exchange for their contributions (Gribnau, 2017).

Tax justice is divided into three categories by Niesiołędzka and Kołodziej (2019). The first is procedural fairness, which is related to the way authorities allocate resources and is concerned with how people perceive the care or services they receive from them (Rosenbaum et al., 2015). According to Inasius Procedural justice is related to the standard of service the taxpayer receives and the efficiency of the relevant tax laws. These procedures include tax reporting, payment methods, and tax calculations. The second is distributive justice, which is the idea of how well resources are able to accomplish justice. Retributive justice, the third, deals with the idea of proper punishment for behavior that deviates from norms and emphasizes the need for adequate sanctions for wrongdoing.

In accordance with perception theory, each taxpayer's perception of tax justice varies because individual perceptions differ even when observing the same object. In this study, the perception of tax justice is associated with the application of Tax Law No. 55 of 2022. The first hypothesis posited is as follows:

***H1:** Perceptions of tax justice on the application of Tax Law No. 55 of 2022 have a positive effect on MSME taxpayer compliance in Surabaya.*

2.8.2. Tax understanding on tax compliance

Theoretical perspectives on the connection between tax understanding and tax compliance have been articulated by Simanjuntak, Sumarsan, and Imaniati. Simanjuntak (2012:127) posits that the level of understanding taxpayers possess regarding taxation can influence their behavior when fulfilling tax obligations. A higher level of understanding correlates with lower violations of tax regulations by taxpayers, leading to increased compliance with tax payments. Sumarsan (2012:35) argues that factors promoting taxpayer awareness and obedient tax payments include the knowledge and understanding of tax regulations held by taxpayers. A greater understanding of existing tax regulations corresponds to heightened awareness among taxpayers to fulfill their tax obligations. Imaniati supports the theory of tax understanding, asserting that tax knowledge and comprehension are potential factors the government can leverage to encourage high taxpayer compliance. The second hypothesis is presented as follows:

***H2:** Taxpayer's understanding of the implementation of Tax Law No. 55 of 2022 has a positive effect on MSME taxpayer compliance in Surabaya.*

2.9. Research framework

The research framework illustrated in the [Figure 1](#) above explores the factors influencing MSME taxpayer compliance (Y) by examining two main constructs: the perception of tax justice on the implementation of Government Regulation No. 55 of 2022 (X1) and taxpayers' understanding of Government Regulation No. 55 of 2022 (X2). Perception of tax justice (X1) is influenced by three types of justice perceptions: procedural, distributive, and retributive justice. Meanwhile, taxpayers' understanding of the regulation (X2) encompasses understanding of tax obligations, tax rights, tax calculation mechanisms, tax payment mechanisms, and tax reporting mechanisms. The framework suggests that both the perception of tax justice and the taxpayers' understanding significantly impact MSME taxpayer compliance.

3. Research method

3.1. Research design

A quantitative research approach is the one that was employed. The dependent variable in the study is MSME Taxpayer Compliance, while the two (two) independent variables are Perceptions of Tax Justice on the Implementation of Tax Law No. 55 of 2022 and Tax Understanding on the Implementation of Tax Law No. 55 of 2022. The research variables are measured using the Likert scale measurement in conjunction with the interval scale method. Primary and secondary data are the two (two) categories of data employed in this study. Primary data was gathered through the distribution of questionnaires to MSME taxpayers registered at KPP Pratama Surabaya Wonocolo, while secondary data was gathered from a variety of sources, including pertinent online sources, journals, e-books, textbooks, and documents from the Tax Service Office. research. Testing hypotheses with the F (simultaneous test), t (partial test), coefficient of determination, and multiple linear regression tests.

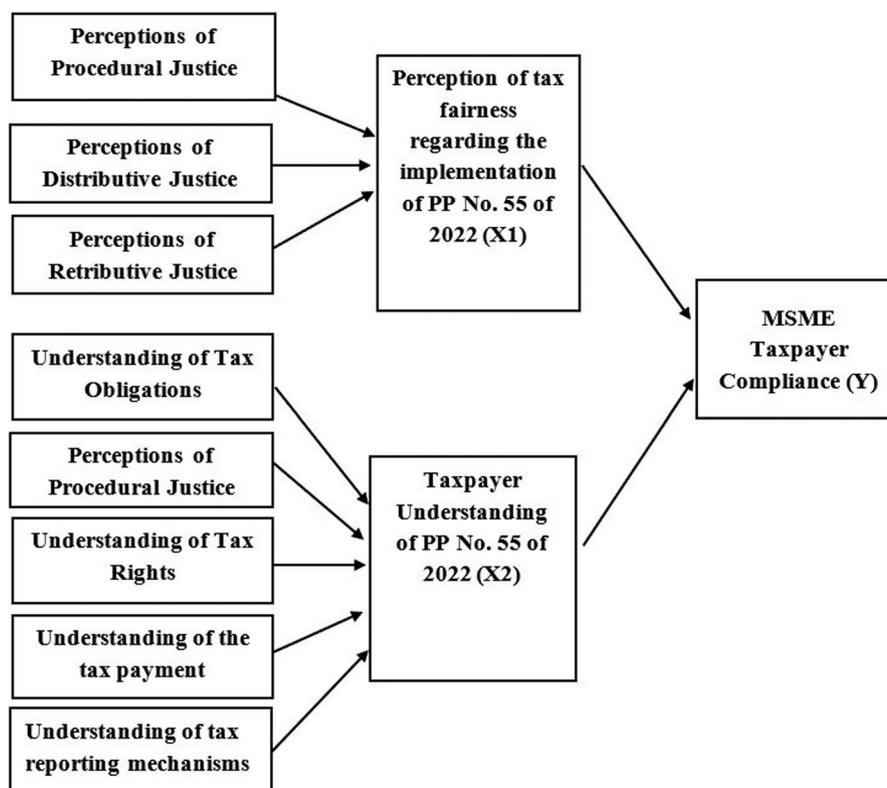


Figure 1. Research framework.

3.2. Data and sample

There are two types of data used in this research: primary data and secondary data. Primary data are obtained by distributing questionnaires to MSME taxpayers registered with the Tax Office (KPP) Pratama Surabaya Wonocolo, while secondary data are obtained from various sources such as documents from the Tax Office, journals, e-books, textbooks, and information from the internet that is relevant to the research topic.

This study focuses on Micro, Small, and Medium Enterprises (MSME) taxpayers, both individual and corporate, registered with the Tax Office (KPP) Pratama Surabaya Wonocolo who have implemented Government Regulation No. 55 of 2022 and are covered under Government Regulation No. 55 of 2022. The population consists of 4,238 MSME taxpayers registered in 2022. Respondents were selected by distributing questionnaires directly to MSME taxpayers visiting the Tax Office Pratama Surabaya Wonocolo, ensuring each taxpayer had an equal opportunity to participate. A total of 120 questionnaires were distributed, with details of distribution and return

The study utilized Probability sampling as its sampling method, which ensures equal opportunity for every element of the population to be selected as a sample member (Anshori & Iswati, 2009:102). The determination of the sample size employed the Solvin formula with a 10% tolerance level. The formula used in the study is represented as:

$$n = \frac{N}{1 + Ne^2}$$

Information: n: Sample; N: Population; e: Tolerance level.error.

3.3. Data collection procedures

The data collection procedure in the research involves two main steps:

1. **Preliminary survey:** Conduct brief interviews with data and information management sections at the Regional Office of the Directorate General of Taxes East Java 1 and the Tax Office (KPP) Pratama Surabaya Wonocolo. These interviews provide an overview of the subjects under investigation and facilitate the distribution of questionnaires during the field data collection.
2. **Field study:** Gathering data through questionnaires distributed to respondents. The respondents in this study are MSME taxpayers (both individual and corporate) registered with the Tax Office (KPP) Pratama Surabaya Wonocolo in the year 2022.

3.4. Description of the research instrument and measuring scales

The research instrument used in this study is a structured questionnaire designed to measure the compliance of Micro, Small, and Medium Enterprises (MSMEs) with the tax regulations outlined in Government Regulation No. 55 of 2022. The questionnaire includes various sections to capture respondent demographics, business characteristics, and specific perceptions related to tax justice and understanding of the regulation. The measuring scales used in the questionnaire are as follows:

3.4.1. Demographic information

- Gender: Options include "Man" and "Woman".
- Age: Categories are "<20 Years", "20-35 Years", "36-50 Years", and ">50 Years".
- Last Education Level: Options include "SD", "JUNIOR", "SMA", "Bachelor", and "Others (Mention...)".
- Types of Taxpayers: Options include "Individual Taxpayer (WP OP)" and "Corporate Taxpayer (Corporate WP)".

- Business Type: Options include "Service", "Trade", "Industry", and "Others (Mention...)".
- Length of Business: Categories are "<1 Year", "1-2 Years", "3-5 Years", "6-10 Years", and ">10 Years".
- Position in the Company: Options include "Owner" and "Not the Owner".
- Gross Circulation (Turnover) for the last 1 (one) year: Categories are "IDR 0 - IDR 300,000,000", "> IDR 300,000,000 - IDR 2,500,000,000", ">2,500,000,000 - IDR 4,800,000,000", and "> IDR 4,800,000,000".

3.4.2. Knowledge and implementation of regulation

- Awareness of PP No. 55 of 2022: Options include "Yes" and "No".
- Agreement with the stipulation of PP No. 55 of 2022: Options include "Yes" and "No".
- Implementation of PP No. 55 of 2022: Options include "Yes" and "No".

3.4.3. Likert scale questions

The Likert scale is used to measure perceptions and compliance levels. Respondents rate their agreement with various statements related to tax justice and understanding of the regulation on a scale from 1 to 5, where 1 indicates "Strongly Disagree" and 5 indicates "Strongly Agree".

The questionnaire was designed to gather comprehensive data on how MSMEs perceive and comply with the new tax regulations. The use of a Likert scale allows for quantifying subjective perceptions and attitudes, facilitating statistical analysis of the data to identify trends and correlations.

3.4.4. Reliability and validity testing

Reliability Test: The reliability of the questionnaire was tested using Cronbach's Alpha to ensure consistency. A threshold of 0.6 was used, and all variables showed values greater than this threshold, indicating high reliability.

Validity Test: The validity of the questionnaire was tested using the Pearson correlation value, with a threshold of 0.30. All items for each research variable showed values greater than this threshold, confirming the validity of the instrument.

3.5. Ethical consideration

3.5.1. Ethical approval

Ethical approval for this study titled "Tax Justice and Understanding: MSME Compliance with Tax Regulation No. 55/2022 in Surabaya, Indonesia" was granted by the Universitas Airlangga Faculty of Economics and Business Ethics Committee (Approval Number: 3378/UN3.1.4/KM.00.00/2024, dated May 8, 2024). The research was conducted in accordance with the approved ethical guidelines set forth by the university's ethics committee.

3.5.2. Informed consent

Prior to participation in this study, all human participants provided informed consent. Participants were fully informed about the purpose, procedures, potential risks, and benefits of the research. They were assured that their participation was voluntary and that they could withdraw at any time without consequences. Informed consent was obtained in written form from each participant. The consent form outlined the study objectives, confidentiality measures, and contact information for the researchers. Participants were given sufficient time to review the consent form and ask questions before providing their consent to participate.

3.6. Research model

The multiple linear regression test is applied to measure the strength of the relationship between two or more variables and to determine the direction of the relationship between independent variables and

the dependent variable. The following is the equation for multiple linear regression to test the research hypothesis.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

where: Y: Compliance of UMKM taxpayers; α : Constant; β : Regression coefficients; X1: Perception of tax justice on the implementation of Government Regulation No. 55 of 2022; X2: Understanding of taxes on the implementation of Government Regulation No. 55 of 2022; e: Error term

4. Results and discussion

4.1. Number of samples

The sampling method employed in this study is probability sampling, which ensures that every element of the population has an equal chance of being selected as a sample member (Anshori & Iswati, 2009:102). The determination of the sample size utilized the Solvin formula with a 10% tolerance level. The Solvin formula used in this study is represented as:

$$n = \frac{N}{1 + Ne^2}$$

Information: N: Sample; N: population; e: Error tolerance level.

In accordance with the Solvin formula above, the number of samples to be used is 98 WP.

$$n = \frac{4.238}{1 + 4.238(10\%)^2} = 97,69479023(\text{rounded to } 98)$$

4.2. Description of respondent characteristics

Based on Table 2, the descriptive analysis of UMKM taxpayers subject to Policy PP No. 55/2022 offers a nuanced understanding of their demographic characteristics. With a predominant male representation at 71.4%, the age group of 36-50 years emerges as the majority, comprising 49% of respondents. Furthermore, a significant proportion of 61% hold a bachelor's degree, reflecting a relatively well-educated sample. The distribution between individual (49%) and corporate (51%) taxpayers is nearly even, signifying a diverse range of businesses.

Trading businesses dominate the respondent pool, constituting 51% of the sample, while the majority of respondents (31%) have been engaged in their respective enterprises for over a decade. A substantial 66% of the respondents hold positions as business owners, indicating a level of influence and decision-making within their enterprises. In terms of financial performance, the gross revenue distribution shows a peak (38%) in the range of >Rp300,000,000 - Rp2,500,000,000.

The data collection process involved the distribution of 120 questionnaires, with an impressive 85% return rate. However, 3.3% of the received questionnaires were deemed unusable, potentially impacting the overall analysis.

4.3. Description of respondent's answer

The description of respondents' answers provides an overview of their responses to the questions listed in the questionnaire. This analysis involves calculating the mean for each question item. Class intervals are employed to categorize the average responses from each respondent.

$$\text{Class interval} = \frac{\text{Highest class} - \text{lowest class}}{\text{Number of classes}} = \frac{5 - 1}{5} = 0.8$$

Table 2. Descriptive analysis results.

Category	Description
Respondent Characteristics	
Gender	71.4% male, 28.6% female
Age	The majority (49%) are in the 36-50 age group, and only 1% are below 20
Education	61% have a bachelor's degree, with limited representation from lower education levels
Taxpayer Type	Almost equal distribution between Individual (49%) and Corporate (51%) taxpayers
Business Type	Trading businesses dominate the UMKM landscape, constituting 51% of the respondents. Other categories include service (36%), industrial (7%), and others (6%).
Business Duration	A significant portion of UMKM respondents (31%) have been operating for over 10 years, highlighting the stability and experience of many businesses.
Position in Company	Business owners constitute the majority (66%) of respondents, indicating a significant presence of entrepreneurs among UMKM taxpayers.
Gross Revenue	The highest proportion (38%) falls in the range >Rp300,000,000 - Rp2,500,000,000, showcasing diversity in revenue levels
Data Collection Details	
Distributed Questionnaires	A total of 120 questionnaires were distributed to UMKM taxpayers.
Questionnaires Returned	A commendable 85% response rate was achieved, with 102 questionnaires returned.
Unusable Questionnaires	Only 4 questionnaires (3.3%) were deemed unusable due to incomplete responses from taxpayers.

Table 3. Average criteria for respondents' answers.

No	Interval	Criterion
1.	$1.00 \leq X \leq 1.80$	Strongly disagree (STS)
2.	$1.81 \leq x \leq 2.60$	Disagree (TS)
3.	$2.61 \leq x \leq 3.40$	Hesitate (R)
4.	$3.41 \leq x \leq 4.20$	Agree(s)
5.	$4.21 \leq X \leq 5.00$	Strongly Agree (SS)

Source: Processed data by the author (2024).

Based on the class interval of 0.8, the criteria for respondents' answers are categorized as follows:

The [Table 3](#) categorizes respondents' average scores into five intervals, each corresponding to a different level of agreement with a statement. Scores between 1.00 and 1.80 are classified as "Strongly Disagree (STS)," 1.81 to 2.60 as "Disagree (TS)," 2.61 to 3.40 as "Hesitate (R)," 3.41 to 4.20 as "Agree (s)," and 4.21 to 5.00 as "Strongly Agree (SS)." These categories provide a clear framework for understanding the degree of consensus or divergence in respondents' opinions based on their numerical ratings

4.2.1. Perception of tax justice on the implementation of Government Regulation No. 55 of 2022

The following are the respondents' answer criteria in answering the questions listed in the tax justice perception variables for the implementation of Government Regulation No. 55 of 2022.

Based on [Table 4](#), the highest average value representing the perception of tax justice (variable X.1) is 3.93, while the lowest is 3.40. The highest average score, 3.93, is associated with question X1.5, indicating that respondents perceive the use of gross turnover as the basis for calculating Income Tax as fair. Conversely, the lowest average score, 3.40, pertains to question X1.3, which concerns the fairness of the 0.5% Income Tax rate. Respondents' answers to this question indicate hesitation. Overall, the perception of tax justice in the implementation of Government Regulation No. 55 of 2022 is mixed, with the tax rate still being viewed as unfair by some respondents.

4.3.2. Taxpayers' understanding of the implementation of Government Regulation No. 55 of 2022

The following table presents the respondents' answer criteria regarding taxpayers' understanding of the implementation of Government Regulation No. 55 of 2022.

As shown in [Table 5](#), the highest average score for the variable X.2 is 4.04, found in item X2.3, which indicates that taxpayers understand the tax rights they obtain under Government Regulation No. 55 of 2022. The lowest average score is 2.91, found in item X2.7, indicating hesitation. This suggests that taxpayers poorly understand the mechanism for reporting Income Tax related to Government Regulation No. 55 of 2022.

Table 4. Respondents' answer criteria on tax justice perception variables on the implementation of government regulation no. 55 of 2022.

No	Indocator	Mean Score	Category
1.	X1.1	3,60	Agree(s)
2.	X1.2	3,59	Agree(s)
3.	X1.3	3,40	Hesitate (R)
4.	X1.4	3,71	Agree(s)
5.	X1.5	3,93	Agree(s)
6.	X1.6	3,72	Agree(s)
7.	X1.7	3,79	Agree(s)
8.	X1.8	3,82	Agree(s)

Source: Author Processed Data (2024).

Table 5. Respondents' answer criteria on taxpayers' understanding variables on the implementation of government regulation No. 55 of 2022.

No	Indocator	Mean Score	Category
1.	X2.1	3,10	Hesitate (R)
2.	X2.2	2,98	Hesitate (R)
3.	X2.3	4,04	Agree(s)
4.	X2.4	3,09	Hesitate (R)
5.	X2.5	3,85	Agree(s)
6.	X2.6	3,98	Agree(s)
7.	X2.7	2,91	Hesitate (R)
8.	X2.8	3,77	Agree(s)

Source: Author Processed Data (2019).

Table 6. Respondents' answer criteria on the MSME taxpayer compliance variable.

No	Indocator	Mean Score	Category
1.	Y.1	3,39	Hesitate (R)
2.	Y.2	3,76	Agree(s)
3.	Y.3	3,63	Agree(s)
4.	Y.4	3,32	Hesitate (R)
5.	Y.5	3,13	Hesitate (R)
6.	Y.6	2,83	Hesitate (R)

Source: Author processed data (2019).

4.3.3. MSME taxpayer compliance

The following table presents the respondents' answer criteria regarding MSME taxpayer compliance.

Table 6 indicates that the highest average score among the questions representing the tax compliance variable (Y) is 3.76, found in item Y.2, which suggests that taxpayers consistently calculate Income Tax related to Government Regulation No. 55 of 2022. The lowest average score is 2.83, found in item Y.6, which indicates hesitation regarding the willingness of taxpayers to accept sanctions if they violate tax provisions stated in Government Regulation No. 55 of 2022. This implies that taxpayers are still unsure about their willingness to comply fully with the sanctions stipulated in the regulation.

4.4. Data quality test

4.4.1. Reliability test

Reliability testing is used to measure the consistency of a research instrument. The questionnaire is the instrument used in this study, and the purpose of the reliability test is to ensure whether the answers to the questions remain consistent over time. Anshori and Iswati (2009:75) stated that a research instrument can be considered reliable if it consistently produces the same data when used multiple times to measure the same object. The reliability is tested by comparing the Cronbach's Alpha value from the SPSS calculation results with a threshold of 0.6. If the Cronbach's Alpha value is greater than 0.6, the research instrument (questionnaire) is deemed reliable; if it is less than 0.6, the research instrument is deemed unreliable (Daud et al., 2018).

Table 7. Reliability test results.

Variable	Cronbach Alpha Values	Cut Off	Conclusion
Perception of tax justice on the implementation of Government Regulation No. 55 of 2022 (X_1)	0,892	0,6	Reliable
Compulsory Understanding of Taxes on the Implementation of Government Regulation No. 55 of 2022 (X_2)	0,803	0,6	Reliable
Compliance.Tax (Y)	0,880	0,6	Reliable

Source: Processed data by the author.

Based on the results of the reliability test listed in [Table 7](#) above, it can be concluded that all questions in the questionnaire across all variables—namely, the perception of tax justice on the implementation of Government Regulation No. 55 of 2022, taxpayer understanding of the implementation of Government Regulation No. 55 of 2022, and tax compliance—have Cronbach's Alpha values greater than 0.6, indicating that the instrument is reliable.

4.4.2. Validity test

The validity test evaluates whether the questionnaire effectively measures what it intends to measure. According to Ghozali, a questionnaire is valid if its questions can reveal the targeted measurement. Similarly, Anshori and Iswati (2009:83) assert that a research instrument is valid if it accurately measures the desired variables, providing precise data. A research instrument is considered valid if the Corrected Item-Total Correlation value obtained from SPSS results is greater than 0.30 (Susmita and Supadmi 2016).

Based on the results listed in the [Table 8](#), all items for each research variable have a Pearson correlation value greater than 0.30, indicating that all the data are valid

4.5. Classical assumption test

The classical assumption test is conducted to avoid bias in the results of the research hypothesis test. This study includes a normality test, a multicollinearity test, and a heteroscedasticity test.

This [Table 9](#) above summarizes the results of the classical assumption tests, demonstrating that the regression model meets the necessary assumptions: the residuals are normally distributed, there is no multicollinearity among the independent variables, and no heteroscedasticity is present.

4.6. Result of testing hypothesis

4.6.1. F Test (simultaneous test)

Uji F (simultaneous test) is employed to examine whether the independent variables in the regression model collectively influence the dependent variable or not (Ghozali, 2018). The measurement of the F-test involves comparing the alpha (α) value of 5% with the significance value. If the significance value is smaller than the alpha (α) value, it can be concluded that all independent variables (explanatory variables) collectively and significantly influence the dependent variable. Here are the results of the F-test

[Table 10](#) indicates a significance value of 0.000, which is smaller than the alpha (α) value of 0.05. This suggests that the variables of tax justice perception and understanding of tax regarding the implementation of Government Regulation No. 55 of 2022 have a significant joint impact on the compliance of UMKM taxpayers at the Tax Office Pratama Surabaya Wonocolo.

4.6.2. T-test (partial)

The t-test (partial test) is used to examine whether independent variables have an individual impact in explaining the variations in the dependent variable. According to Ghozali (2018), the t-test can be employed by researchers to determine the magnitude of the influence of independent variables on the dependent variable. The measurement of the t-test involves comparing the significance value (p-value) with the confidence level, typically set at 0.05. If the significance value is smaller than 0.05, it indicates

Table 8. Validity test results.

Variable	Statement	Pearson correlation value	Sig Count	α	Conclusion
1. Perception of Justice (X_1)	X _{1,1}	0.605	0	0.3	Valid
	X _{1,2}	0.682	0	0.3	Valid
	X _{1,3}	0.707	0	0.3	Valid
	X _{1,4}	0.838	0	0.3	Valid
	X _{1,5}	0.808	0	0.3	Valid
	X _{1,6}	0.841	0	0.3	Valid
	X _{1,7}	0.838	0	0.3	Valid
	X _{1,8}	0.836	0	0.3	Valid
2. Tax Understanding (X_2)	X _{2,1}	0.735	0	0.3	Valid
	X _{2,2}	0.65	0	0.3	Valid
	X _{2,3}	0.559	0	0.3	Valid
	X _{2,4}	0.606	0	0.3	Valid
	X _{2,5}	0.73	0	0.3	Valid
	X _{2,6}	0.628	0	0.3	Valid
	X _{2,7}	0.72	0	0.3	Valid
	X _{2,8}	0.596	0	0.3	Valid
3. Tax Compliance (Y)	Y.1	0.844	0	0.3	Valid
	Y.2	0.633	0	0.3	Valid
	Y.3	0.772	0	0.3	Valid
	Y.4	0.894	0	0.3	Valid
	Y.5	0.846	0	0.3	Valid
	Y.6	0.74	0	0.3	Valid

Source: Processed data by the author (2024).

Table 9. Classical assumption tests.

Test	Purpose	Method	Result	Conclusion
Normality Test	To determine if there is a normal distribution in the residuals of the regression model	Kolmogorov-Smirnov test; variables have a normal distribution if Sig. > 0.05	Kolmogorov-Smirnov Z: 0.852, Sig.: 0.462	Residuals are normally distributed
Multicollinearity Test	To identify correlations between independent variables in a regression	Tolerance \geq 0.1, VIF \leq 10	Perception of justice: Tolerance = 0.731, VIF = 1.369; Understanding of taxes: Tolerance = 0.731, VIF = 1.369	No multicollinearity detected
Heteroscedasticity Test	To assess variance inequality in residuals across observations	Glejser test; no heteroscedasticity if Sig. > 0.05	Perception of justice: Sig. = 0.106; Understanding of taxes: Sig. = 0.755	No heteroscedasticity present

Source: Processed data by the author (2024).

Table 10. Result of f-test.

		ANOVA ^a				
	Model	Sum of Squares	Df	Mean Square	F	Sig
1	Regression	353.954	2	176.977	15.043	.000 ^b
	Residual	1117.678	95	11.765		
	Total	1471.633	97			

a. Dependent Variable: COMPLIANCE.

b. Predictors: (Constant), UNDERSTANDING, JUSTICE.

that each independent variable has a significant impact on the dependent variable. Here are the results of the t-test for all independent variables.

The results of the t-test presented in Table 11 indicate that all hypotheses in this study have a positive and significant impact. This is evidenced by comparing the p-values of all variables with the confidence level set at 0.05. The variable "perception of tax justice regarding the implementation of Government Regulation No. 55 of 2022" has a p-value of $0.002 < 0.05$. This suggests that the first hypothesis stating "the perception of tax justice regarding the implementation of Government Regulation No. 55 of 2022 has a positive impact on the compliance of Micro, Small, and Medium-sized Enterprises (MSMEs) taxpayers in Surabaya" is accepted. The second hypothesis, stating that "the understanding of taxpayers

Table 11. Result of t-test.

Variable	Beta	T	Sig	Description
Perception of tax justice regarding the implementation of PP No. 55 of 2022	0.336	3.216	0.002	Positively and significantly influences
Understanding of tax regarding the implementation of PP No. 55 of 2022	0.223	2.129	0.036	Positively and significantly influences

Table 12. Determination coefficient test results.

Type	R	R Square	Adjusted R Square
1	.490	.241	.225

Source: Author's data (2019).

regarding the implementation of Government Regulation No. 55 of 2022 has a positive impact on the compliance of MSMEs taxpayers in Surabaya," is accepted because the p-value of the understanding of taxpayers' variable, as shown in Table 4, is $0.036 < 0.05$.

4.6.3. Determination coefficient test (R^2)

The determination coefficient test is utilized to estimate the extent to which the independent variables in the research, alongside those not included in the research, influence the dependent variables (Susmita and Supadmi, 2016). The determination coefficient ranges from 0 (zero) to 1 (one). A value close to 1 indicates that the independent variables significantly explain the variation in the dependent variable. Conversely, a determination value above 0.5 suggests a strong correlation between the independent and dependent variables (Chicco et al., 2021). The value of the determination coefficient is reflected in the adjusted R square value, as shown in Table 4.21.

As presented in Table 12, the adjusted R Square value is 0.225. This indicates that the independent variables explain 22.5% of the variation in the dependent variable, while the remaining 77.5% is influenced by other independent variables not included in this study. The adjusted R Square value of 0.225 suggests that the influence of the independent variables on the dependent variable is relatively weak, as it does not exceed 0.5.

4.7. Result multiple linear regression

The purpose of conducting multiple linear regression analysis in this research is to measure the strength of the influence relationship between the perception of tax justice regarding the implementation of PP No. 55 and the compliance of Micro, Small, and Medium Enterprises (UMKM) taxpayers, as well as the influence of understanding of tax related to PP No. 55 of 2022 on the compliance of Micro, Small, and Medium Enterprises (UMKM) taxpayers. In addition to measuring the strength of the relationship between the two variables, multiple linear regression analysis also aims to indicate the direction of the relationship between independent and dependent variables, whether it has a positive or negative impact. The following are the results of the multiple linear regression analysis using SPSS version 22.

Based on the above Table 13, the multiple linear regression equation can be formulated as follows:

$$Y = 6.377 + 0.277 \text{ perception of tax justice} + 0.198 \text{ understanding of tax} + 3.430$$

The results of the multiple linear regression equation above explain the following:

1. The constant value of 6.377 indicates that if the independent variables, in this case, the perception of tax justice regarding the implementation of Government Regulation No. 55 of 2022 and the understanding of tax regarding the implementation of Government Regulation No. 55 of 2022, do not change, the variable compliance of UMKM taxpayers (Y) will increase by 6.377 due to other variables outside the study.

Table 13. Result in multiple linear regression test.

Model	Coefficients ^a						Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Tolerance	VIF	
	B	Std. Error	Beta					
1	(Constant)	6.377	2.537		2.513	.014		
	JUSTICE	.277	.086	.336	3.216	.002	.731	1.369
	UNDERSTANDING	.198	.093	.223	2.129	.036	.731	1.369

a. Dependent Variable: COMPLIANCE.

- The coefficient value of the perception of tax justice regarding the implementation of Government Regulation No. 55 of 2022 is 0.277, indicating that if the value of the perception of tax justice variable increases by one unit, the value of the UMKM taxpayer compliance variable will increase by 0.277, assuming that other variables remain constant.
- The coefficient value of the understanding of tax variable is 0.198, indicating that if the value of the understanding of tax variable increases by one unit, it will cause an increase in the value of the UMKM taxpayer compliance variable by 0.198, assuming that other independent variables remain constant.
- The Std. The error of the Estimate value of 3.430 indicates that the regression model is good because when compared to the Std. Deviation of the tax compliance variable (Y), the result is smaller. The Std. The deviation value of the tax compliance variable (Y) is 3.895.

4.7.1. Impact of tax justice perception on the compliance of taxpayers with the execution of Government Regulation Number 55, 2022

This study's first hypothesis investigates the beneficial impact that tax justice perception has on the execution of Government regulation Number 55, 2022, as well as the compliance of small and medium-sized taxpayers in KPP Pratama Surabaya Wonocolo. The first hypothesis is accepted based on the t-test results, which show that the variable of tax fairness perception has a significant value of $0.002 < 0.05$. This indicates that those surveyed concur that the perception of tax justice in the implementation of Government Regulation Number 55, 2022, affects SME taxpayer compliance. SME taxpayers are more likely to comply with their tax duties when they have a greater sense of tax justice. Furthermore, the F-test produced a significant value of 0.000, indicating that the perception of tax justice perception and the tax understanding regarding the execution of Government regulation Number 55, 2022, have a substantial simultaneous effect on the compliance of small and medium-sized taxpayers in Surabaya.

The perception of justice explored in this study aligns with Niesiobędzka and Kołodziej (2019) tax justice theory, encompassing procedural justice, distributive justice, and retributive justice. If SME taxpayers perceive that these dimensions of justice are met, it enhances their awareness and encourages compliant behavior in meeting their tax obligations. This finding is consistent with Wulandari and Andrie's (2017) research on the influence of tax justice perception in Government Regulation No. 46, 2013, indicating that perceptions of general tax justice impact the compliance of SME taxpayers. The alignment of results across different regulations and studies underscores the significance of tax justice perception in influencing taxpayer compliance.

Tax justice perception is crucial because it reflects how taxpayers view the fairness of tax laws and their enforcement. When taxpayers believe that tax laws are applied fairly and that they receive adequate public services in return for their taxes, their willingness to comply increases. This is consistent with the concept of distributive justice, where taxpayers' compliance is influenced by their perception of the benefits received from tax contributions (Törnblom & Kazemi, 2015). The study's results are in line with previous research by Gribnau (2017), which found that perceived fairness in the tax system enhances compliance.

The phenomena of justice and knowledge within the community play a pivotal role in shaping tax compliance behavior. In Surabaya, the implementation of Tax Regulation No. 55/2022 has been perceived positively, largely due to the government's efforts to ensure transparency and fairness in tax collection and the provision of public services. This perception of procedural justice, where the processes and

procedures of tax collection are viewed as fair and transparent, is critical for fostering compliance (Rosenbaum et al., 2015).

4.7.2. Impact of taxpayers' understanding on compliance with the execution of Government regulation Number 55, 2022

The second hypothesis investigates the positive impact of taxpayers' understanding of the execution of Government regulation Number 55, 2022, on the compliance of SME taxpayers in Surabaya. The t-test results indicate a significant acceptance of the second hypothesis, with a significance value of $0.036 < 0.05$ for the understanding of taxpayers. This implies that respondents agree that the understanding of SME taxpayers regarding Government regulation Number 55, 2022, influences their compliance with tax obligations. A higher understanding of SME taxpayers regarding the execution of Government regulation Number 55, 2022, leads to increased tax compliance. The F-test further corroborates these findings, with a significant value of 0.000, emphasizing the joint substantial influence of tax justice perception and tax understanding on SME taxpayers' compliance in KPP Pratama Surabaya Wonocolo.

Indicators measuring the level of taxpayer understanding include understanding of tax obligations, understanding of tax rights, comprehension of tax calculation mechanisms, knowledge of tax payment procedures, and awareness of tax reporting mechanisms. The theories associated with the second hypothesis assert that taxpayers' behavior during tax obligations is influenced by their level of understanding of taxation. Higher understanding results in lower violations of tax regulations and, consequently, higher taxpayer compliance. These theories, presented by Simanjuntak (2012:127) and Sumarsan (2012:35), find support in the study conducted by Imaniati and Isroah, emphasizing that tax knowledge and understanding are potent factors for achieving taxpayer compliance. Moreover, aligned findings are observed in studies by Ananda & Rizki Dwi (2015) and Lazuardini & Rahmawati (2018), reinforcing the positive and significant impact of taxpayer understanding on compliance among SME taxpayers.

The understanding of tax regulations among taxpayers significantly influences their compliance. When taxpayers have a clear understanding of their tax obligations and the benefits of compliance, they are more likely to adhere to tax laws. This is supported by the concept of tax understanding, where greater knowledge leads to higher compliance (Susyanti & Askandar, 2019). The study found that SMEs in Surabaya with better tax knowledge and understanding are more compliant, which aligns with the findings of Bornman and Ramutumbu (2019) that increased tax knowledge enhances compliance.

5. Conclusion

The study concludes by illuminating the substantial impact that tax fairness perception and tax comprehension have on SMEs' adherence to Government regulation Number 55, 2022, in Surabaya. The findings underscore that a higher level of confidence in the fairness of implementing this regulation corresponds to increased compliance levels among SME taxpayers. Additionally, a deeper understanding of the regulation positively impacts compliance, enabling SMEs to navigate and adhere to the stipulated provisions more effectively.

Moreover, the study recommends several measures to enhance the effectiveness of tax policies. Firstly, considering the disagreement among respondents regarding the implementation of Government regulation Number 55, 2022, the government, particularly the Directorate General of Taxation, should conduct extensive awareness campaigns. These initiatives should not only highlight the benefits accrued to SMEs from the regulation but also elucidate the optional use of tax rates, providing flexibility to taxpayers.

Furthermore, addressing dissenting opinions on the perceived high 0.5% final tax rate, the government should contemplate and potentially adjust the tax rates applicable to SME taxpayers in future fiscal policies. Such considerations could alleviate concerns among SMEs and foster better compliance.

To ensure the successful implementation and understanding of Government regulation Number 55, 2022, the Directorate General of Taxation should intensify awareness campaigns. These campaigns should aim at comprehensively educating SME taxpayers about the regulation's implications and consequences for their tax obligations.

It is crucial to note the study's limitations. The research focused exclusively on SME taxpayers registered with KPP Pratama Surabaya Wonocolo, a subset under the Directorate General of Taxation East Java Regional Office 1. While this selection was based on the office's consistently high number of taxpayers, future studies within this domain should consider these inherent limitations. Additionally, the variables investigated were limited to perceptions of tax justice and understanding of taxes related to the implementation of Government regulation Number 55, 2022. Subsequent research endeavors should carefully navigate and expand upon these limitations for a more comprehensive understanding of the broader tax landscape.

Author contributions

Muhammad Arsalan Khan conducted this research under the supervision of Heru Tjaraka. The contributions of each author are as follows: Muhammad Arsalan Khan was involved in the conception and design of the study, data collection, analysis, and interpretation of the data, as well as drafting the paper. Heru Tjaraka contributed to the supervision of the research, critical revision of the manuscript for intellectual content, and final approval of the version to be published.

Disclosure statement

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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Data availability statement

The data and materials supporting the findings of this study are available upon reasonable request. Interested parties may contact the corresponding author for access to the data used in this research. Please note that certain data related to individual respondents or sensitive information may be subject to privacy or ethical constraints and may not be shared openly. Requests for specific data will be considered and accommodated to the extent possible within these limitations.

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