

Impacts of Growing Number of Taxable Entrepreneurs on the Revenue of Value Added Tax

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Abstract. This study aims to determine how much impact of the Number of Taxable Entrepreneurs on Value Added Tax (VAT) Revenue at the Madya Bandung Tax Service Office. The research method used is descriptive and verification methods with a quantitative approach. The sampling technique used is the Non-Probability Sampling technique with the determination of sampling using Saturated Sampling. The data analysis method used in this study is multiple linear regression analysis using SPSS v25 software. The results of this study indicate that partially the Number of Taxable Entrepreneurs has an positive impact on the of Value Added Tax Revenue at the Bandung Madya Tax Service Office. which means that the increasing number of taxable entrepreneurs will have an impact on increasing value added tax revenues at the Bandung Madya Tax Service Office.

1. Introduction

The government is currently experiencing various very complex problems, one of which is in the economic sector. Rising world oil prices, high levels of inflation, rising prices of goods and the weakening of the rupiah exchange rate against the US dollar as well as the decline in people's purchasing power are serious problems that must be resolved by the government. In order to survive and improve the existing economic conditions, of course, the government needs quite a lot of funds, so it must try to maximize all existing revenue potential.[1] Taxes are the primary source of revenue for the state treasury. Taxes are taxes on the people that must be paid to the government. Every rupiah of tax money paid by the public will be included in the state's tax revenue. As a result, taxes play a vital role in state treasury revenues, ensuring the long-term viability of the government's ongoing national development efforts. National development is a government-led initiative that aims to promote the community's material and spiritual well-being. To aid national growth, the government needs that everyone in the society be aware of the importance of paying taxes.[2]

Sources of state revenue from taxes include domestic taxes and taxes from international trade. Domestic taxes include Value Added Tax (VAT), Income Tax, Sales Tax on Luxury Goods, Land and Building Tax. Tax revenue in the State Budget is the largest source of state revenue and Value Added Tax (VAT) is the second largest source of tax revenue after Income Tax. According to Law Number 42 of 2009 concerning VAT and Sales Tax on Luxury Goods, VAT is a tax on the consumption of goods and services within the Customs Area which is imposed in stages in each production and distribution channel.[3]

One of the most important elements of the tax system is a value added tax. Value-added tax compared to the other taxes in terms of the part of budget revenue is one of the major taxes comprising the largest part of tax revenue of the state budget. In case of cyclical fluctuations of the economy, it is the system of value added tax that is primarily used to stabilize state revenue and to ensure the performance of public functions.[4] Value added tax (VAT) is a consumption tax, levied at each stage of the consumption chain and borne by the final consumer of the product or service. The administration of VAT is relatively easy, unselective and difficult to evade.[5] The phenomenon that occurred in Indonesia was stated by the Minister of Finance Sri Mulyani Indrawati that the realization of VAT and Sales Tax on Luxury Goods revenues until the end of September 2020 amounted to IDR 290.33 trillion or 57.21% of the target in Presidential Decree 72/2020 of IDR 507.5 trillion. In the last year, VAT and Sales Tax on Luxury Goods were minus 4.39% and until now minus 13.61%, domestic VAT revenues in September 2020 were under quite deep pressure due to a decline in the trade system and development administration, coupled with the imposition of large-scale social restrictions.

Domestic VAT collection until the first quarter of 2020 remained positive with a development of 10.27%. However, contractions began to occur in May, so that in the second quarter of 2020 there was a contraction of 19.08%. Meanwhile, import VAT receipts until September 2020 recorded a contraction of 17.97%, much deeper than the contraction until September 2019 which was minus 6.15%. According to Sri Mulyani, the reason is that international trade has not recovered. Import VAT revenue in the first quarter of 2020 contracted by 8.72%, but in the second quarter of 2020 it contracted by 18.57%. Especially for September 2020 alone, the contraction was 20.6%. One way to optimize tax revenue in Indonesia, especially VAT, is through the inauguration of a Taxable Entrepreneur. 55,928 Taxable Entrepreneurs in 2020. This number exceeds the research target of 40,292 Taxable Entrepreneurs. Managing Partner DDTC Darussalam believes that the high limit on PKP in Indonesia causes the VAT base to tend to be small. As a result of the too high PKP threshold, the World Bank noted that the VAT collected by Indonesia was only 60% of its original potential. In fact, if there is an increase in the number of taxable entrepreneurs who register and establish themselves as PKP, it can encourage an increase in the amount of VAT revenue. This is because the increasing number of registered allows the greater number of transactions of Taxable Goods and/or Taxable Services to occur, the greater the amount of VAT that is collected and paid to the state, meaning that VAT receipts will increase.

Several previous studies related to the effect of the number of taxable entrepreneurs on value added tax revenues were research conducted by Farida Khairani which stated that taxable entrepreneurs did not have a significant effect on value added tax revenues. This identified that taxable entrepreneurs could not motivate taxpayers to obedient in reporting their taxes, this can happen because the Taxable Entrepreneur is obtained or not felt by all taxpayers [1]. Other research according to Tongam Sinambela states that the number of registered Taxable Entrepreneurs does not have an effect on VAT receipts due to the large number of Entrepreneurs who are stubborn and use the services of a tax consultant.[3] According to Rima Sundari stated that the number of taxable entrepreneurs has a positive influence on value added tax. [6] According to Almira Herna Renata stated that the number of taxable entrepreneurs has a positive influence on value added tax revenue [7]. And according to Rizki Bagas Pratama stated that the number of taxable entrepreneurs has a positive influence on value added tax revenue [8]. According to Fayuma Dinta stated that the Number of Taxable Entrepreneurs has a positive and significant influence on Value Added Tax Receipts [9]. According to Yoosita Aulia stated that the number of taxable entrepreneurs affects VAT receipts. [10] The difference between this research and previous research is seen from the location of the research, research methods and research samples owned. The purpose of this study is to see how big the impact of the number of taxable entrepreneurs on value added tax revenues.

2. Method

This research uses descriptive and verification methods using a quantitative approach. The object of research in this study is the number of taxable entrepreneurs and value added tax revenues. The source of this research data is in the form of secondary data obtained from the Bandung Madya Tax Office. The data collection technique is by making direct observations to the Tax Service Office to obtain data in the form of reports on value added tax receipts from 2017 to 2021. The sample in this study is the number of taxable entrepreneurs and value added tax revenues from 2017-2021 which total 60 data.

3. Results and Discussion

Results

Descriptive Analysis Results

The number of Taxable Entrepreneurs at the Bandung Middle KPP does not experience a continuous increase every year, where in 2019 and 2020 it has decreased quite drastically. Where the lowest average value is in 2020 and the highest average is 2021. For the ideal value, the number of Taxable Entrepreneurs at KPP Madya Bandung does not have an ideal value, but it is good that the number of taxable entrepreneurs is increasing every year because if entrepreneurs are taxable every year The increase means that there are many entrepreneurs who are already aware that the income they get meets the criteria as a taxable entrepreneur and indeed must immediately register and establish themselves as a taxable entrepreneur.

Correlation Analysis

Table 1. Correlation Analysis

Correlations			
		Number Of Taxable	VAT Revenue
Number Of Taxable	Pearson Correlation	1	.000
	Sig. (2-tailed)		.998
	N	60	60
VAT Revenue	Pearson Correlation	.000	1
	Sig. (2-tailed)	.998	
	N	60	60
**. Correlation is significant at the 0.01 level (2-tailed).			
*. Correlation is significant at the 0.05 level (2-tailed).			

It can be seen in table 1 that the correlation coefficient value for the amount of Number Of Taxable on Number Of Taxable receipts is 0.252 greater than 0.05, so it can be concluded that the first hypothesis is not accepted which indicates that there is no significant relationship between the variable amount of Number Of Taxable and tax revenue. Meanwhile, the correlation value of the number of Number Of Taxable variables is 0.00033 which can be categorized as the relationship between the variable number of Number Of Taxable and VAT receipts is very low.

Analysis of the Coefficient of Determination

Table 2. Coefficient of Determination

Correlation	r Value	r ² Value	Coefficient of Determination
Number Of Taxable	0,006	0.0036	0.0036%

It can be seen in table 2 that the value of r Square for the variable Amount of Number Of Taxable to VAT Revenue is 0.0036. The r square value comes from the squaring of the correlation coefficient value or r which is equal to 0.006, so it can be concluded that the variable amount of Number Of Taxable only has an effect of 0.0036% on value added tax revenue.

Hypothesis test

Table 3. Hypothesis test

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	178832489890.742	88571468687.935		2.019	.048
PKP	38208935.105	33033165.404	.120	1.157	.252

a. Dependent Variable: VAT Revenue

It can be seen in table 3 that the tcount value for the number of PKP (X1) is 1.157. With a significant level (α) of 5% san degrees of freedom (df) = $n - k - 1$, or (df) = $60 - 3 - 1 = 56$, a table value of 2.003 is obtained. So it can be concluded that the value of tcount < ttable ($1.157 < 2.003$) and it can be concluded that the amount of PKP has no effect on VAT receipts.

Discussion

Based on the results of the research that has been done, it shows that the number of taxable entrepreneurs has no relationship with VAT receipts. The results of testing the hypothesis t test obtained show that H0 is accepted, because the results of the t test sig value > 0.05 means that there is no significant impact between the number of Number Of Taxable on VAT receipts. The phenomenon that occurred at the Bandung Middle KPP in 2020 was a total of 7,860 registered Number Of Taxable there is an increase in 2021 to 19,050 WP but this does not increase the efficiency ratio. This shows that the total Number Of Taxable increased but was not accompanied by an increase in VAT receipts. Therefore, the effect of the number of Number Of Taxable on VAT receipts at the Bandung Madya KPP is 0.0036%, which means that the impact between the increase in the number of registered Number Of Taxable and VAT receipts is very low.

The results of the statistical equation from the linear regression analysis state that VAT revenue is predicted not to always increase where in 2022 it is predicted that VAT receipts will be Rp. 4,043,725,528,331, in 2025 VAT revenue is predicted to decrease where VAT revenue is predicted to be Rp. 4,041,405,064,339, and in 2026 VAT revenue is predicted to be Rp. 4,047,982,063,342 is bigger than predictions in previous years. As for the results of the correlation coefficient, the relationship between the number of Number Of Taxable and VAT receipts is stated to be 0.006 which is classified as very low in the positive direction of VAT receipts, while the rest influences other factors not examined. This proves that taxable entrepreneurs do not have a significant impact on VAT receipts because they are influenced by the use of tax consultant services so that the tax paid is kept to a minimum. Then this can also be caused by the existence of taxable entrepreneurs who are in arrears in paying taxes, or entrepreneurs whose income should already be taxable do not register themselves as taxable entrepreneurs due to a lack of understanding of the existing taxation system. The results of this study are also supported by the research of Tongam Sinambela and Suci Rahmawati [3], If there is a change in the amount of Number Of Taxable it is considered that it will have an impact on the amount of VAT receipts because the number of parties who will pay VAT decreases or increases can affect VAT receipts received. This result is also in line with research conducted by Farida Khairani Lubis which stated that the amount of Number Of Taxable did not have a significant effect on VAT receipts [1], while these results were not in accordance with the research of Rima Sundari, Almira Herna Renata

Rizky Bagas, Fayuma Dinta and Yoosita Aulia who show that the Number of Taxable Entrepreneurs has a positive and significant influence on Value Added Tax Receipts. [6,7,8,9,10]

4. Conclusion

Taxable entrepreneurs do not have a significant impact on VAT receipts because they are influenced by the use of tax consultant services so that the tax paid is kept to a minimum. Then this can also be caused by the existence of taxable entrepreneurs who are in arrears in paying taxes, or entrepreneurs whose income should already be taxable do not register themselves as taxable entrepreneurs due to a lack of understanding of the existing taxation system. The results of this study are also supported by the research of Tongam Sinambela and Suci Rahmawati [3], If there is a change in the amount of Number Of Taxable it is considered that it will have an impact on the amount of VAT receipts because the number of parties who will pay VAT decreases or increases can affect VAT receipts received. This result is also in line with research conducted by Farida Khairani Lubis which stated that the Number Of Taxable did not have a significant effect on VAT receipts [1], while these results were not in accordance with the research of Rima Sundari, Almira Herna Renata Rizky Bagas, Fayuma Dinta and Yoosita Aulia who show that the Number of Taxable Entrepreneurs has a positive and significant influence on Value Added Tax Receipts. [6,7,8,9,10].

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