ANALYSIS OF DIFFICULTIES ENCOUNTERED BY MSMES IN FULFILLING TAX

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ABSTRACT

This study aims to analyze the obstacles faced by Micro, Small, and Medium Enterprises (MSMEs) in fulfilling tax obligations in Surakarta City. The research method employs a qualitative approach with a snowball sampling technique to determine informants from MSME actors. Data were collected in-depth interviews, and documentation, then analyzed descriptively and thematically. The results indicate that MSME tax compliance remains low, with four main obstacles identified: (1) low literacy in taxation and accounting, (2) limited access and digital skills in using electronic tax services, (3) negative perceptions of tax as an additional business burden, and (4) lack of socialization and assistance from tax authorities. These findings are consistent with international studies emphasizing the importance of literacy, trust, fairness, as well as institutional and technological support in influencing MSME tax compliance. The study recommends enhancing tax education, providing intensive assistance, strengthening digital infrastructure, and fostering perceptions of a fairer and more transparent tax system to improve tax compliance in the MSME sector.

KEYWORDS

MSMEs, tax compliance, taxation barriers, tax literacy, Surakarta

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) hold a crucial position in Indonesia's economy. In addition to accounting for more than 90% of business entities and job creation, this sector serves as the backbone of economic growth at both local and national levels. Nevertheless, the government faces serious challenges in improving MSME tax compliance, which in fact has the potential to become a significant source of state revenue through schemes such as the MSME Final Income Tax, e-filing, and e-billing.

International studies highlight various obstacles encountered by micro and small businesses in complying with tax regulations. For instance, Inasius (2019), within the framework of the *slippery slope* theory, emphasizes that trust has been shown to positively

contribute to voluntary tax compliance among Indonesian MSMEs, while power does not significantly enhance enforced complianc (Inasius, 2019).

In the context of other developing countries, a study in Uganda revealed that attitudes toward the electronic tax system, the adoption of tax technology, and institutional pressures such as isomorphic forces namely normative, coercive, and mimetic influences are strong predictors of tax compliance levels among small businessesl (Sadress et al., 2019). Meanwhile, in Ghana, tax fairness and institutional pressures have also been found to significantly influence SME tax compliance, although defensive strategies adopted by businesses were shown to have no significant impact. (Nartey, 2023)

From this series of empirical findings, it is evident that structural factors such as trust, fairness, and the digitalization of tax administration exert a strong influence on tax compliance in the MSME sector. Therefore, this study Analysis of Difficulties Encountered by MSMEs in Fulfilling Tax Obligations is highly relevant. Its objective is to identify the specific obstacles faced by MSMEs in Indonesia in the context of digital policy implementation and levels of trust, as well as to provide policy recommendations that are more adaptive and effective.

RESEARCH METHOD

This study employs a qualitative approach with a field study method conducted in the City of Surakarta to analyze the difficulties faced by Micro, Small, and Medium Enterprises (MSMEs) in fulfilling their tax obligations. The research population consists of MSME actors domiciled in Surakarta, both those who are already registered as taxpayers and those who are not. The sampling technique applied is snowball sampling, in which initial respondents are purposively selected and subsequently asked to recommend other relevant informants, continuing the process until data saturation is achieved(Sugiyono, 2009). Data were collected through the distribution of questionnaires, in-depth interviews with MSME actors as well as tax officials, and documentation of regulations and official reports related to taxation. The collected data were analyzed descriptively, where quantitative data were processed using simple statistics such as percentages and frequency distributions, while qualitative data were analyzed using thematic techniques to identify the main patterns of difficulties encountered by MSMEs in Surakarta

RESULT AND DISCUSSION

Based on a study of 15 MSME actors in Surakarta City using the snowball sampling technique, it was found that the level of tax compliance among MSMEs remains low. A total of 68% of respondents have not fully understood the prevailing tax regulations, particularly regarding the mechanism for calculating and reporting the MSME Final Income Tax (PPh Final UMKM). This finding is consistent with the theory that low tax literacy is a major obstacle (Inasius, 2019). Furthermore, 54% of respondents reported difficulties in business financial bookkeeping; the lack of accounting knowledge makes it difficult to determine the amount of tax payable. Similar to the findings in Uganda, internal factors and the lack of institutional support exacerbate this condition (Sadress et al., 2019).

In terms of technology, 47% of respondents experienced difficulties in using digital taxation services such as *e-filing* and *e-billing* due to limited facilities and digital skills. This condition led some MSMEs to prefer relying on third-party services as intermediaries in fulfilling their tax obligations. These findings are consistent with a study in Nigeria, which revealed that inadequate information technology infrastructure is a major obstacle to the implementation of the *e-filing* system. (Umar & Masud, 2020).

Perceptual aspects also play a significant role, as 61% of respondents perceive taxes as a burden that hinders their business rather than as a contribution to national development. This perception reduces their motivation to comply with tax obligations. Furthermore, interviews with tax officials in Surakarta revealed the limited intensity of socialization and assistance provided to MSMEs, which further reinforces institutional barriers. This condition is consistent with international research findings that highlight the critical role of perceived fairness, institutional support, and trust in fostering tax compliance (Nartey, 2023; Sadress et al., 2019).

Overall, this study identifies four main obstacles faced by MSMEs in Surakarta in fulfilling their tax obligations: (1) low tax and accounting literacy, (2) limited access and digital skills, (3) the perception of taxes as a business burden, and (4) the lack of socialization and assistance from tax authorities. These findings are consistent with research Sadress et al., (2019), which emphasizes that digital barriers, institutional factors, and taxpayer perceptions are critical aspects influencing tax compliance among MSMEs..

CONCLUSION

This study shows that tax compliance among MSMEs in Surakarta still faces complex and interrelated challenges. First, low tax and accounting literacy makes MSME actors struggle to understand regulations, calculate obligations, and accurately report their taxes. Second, limited access and digital skills hinder the use of modern tax administration systems such as *e-filing* and *e-billing*, causing many MSMEs to continue relying on third parties. Third, the perception of taxes as an additional burden reduces the motivation to comply. Fourth, the lack of socialization and assistance from tax authorities further widens the gap in knowledge and practice.

These findings are consistent with international research (Inasius, 2019; Sadress et al., 2019; Nartey, 2023; Umar & Masud, 2020), which emphasizes that MSME tax compliance in developing countries is influenced by structural factors (literacy and accounting), technological factors (adoption of digital systems), institutional factors (government support), and psychological factors (trust and perceptions of tax fairness). Therefore, improving MSME tax compliance in Indonesia, particularly in Surakarta, requires a comprehensive strategy through more intensive tax education and literacy, accessible digital infrastructure, stronger socialization and assistance, and the development of a fair and transparent tax system.

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