The Impact of Tax Incentives on MSMEs Survivability During Covid-19 Pandemic: Case Study in Semarang City

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Abstract. The impact of the COVID-19 pandemic is quite significant, including on the economy. To reduce the adverse effects on the economy, the government issued tax incentives. This tax incentive is a stimulus to help the community, especially taxpayers, survive and boost economic growth, which slumped due to the pandemic. This study aims to determine the effect of pandemic tax incentives on the survival ability of MSMEs during a pandemic. This study uses primary data obtained through a questionnaire survey of MSMEs in Semarang City, Central Java, Indonesia. The data was then processed using multiple regression with the help of SPSS software. The study results indicate that tax incentives knowledge does not affect the survivability of MSMEs. The result also shows that the tax incentives utilization affects MSMEs survivability. Tax incentives knowledge does not affect the MSMEs survivability because, during the pandemic, MSMEs experienced a decline in turnover and profits. The taxes also paid fell or even zero. MSME actors need other direct assistance, such as Direct Cash Assistance / Assistance for Micro Business Actors, free electricity assistance, and credit restructuring.

Keywords: Tax incentives, COVID-19 pandemic, MSMEs

1 Introduction

The COVID-19 pandemic has affected the global economy and people’s activities. China is the first country to record the spread of the virus and World Health Organization (WHO) had declared Covid-19 as a pandemic on March 11, 2020 [1]. The COVID-19 pandemic emergence has had a significant impact, especially in the health and economic fields. The Indonesian economy experienced a growth contraction in 2020 by 2.07% compared to 2019 [2]. Suryo Utomo (Director General of Taxes) said three significant impacts of the Covid-19 pandemic on the Indonesian economy. The first impact is that Covid-19 has made household consumption or purchasing power which is the pillar of 60% of the economy, decline drastically. The Central Statistics Agency (BPS) noted that household consumption decreased from 5.02% in the first quarter of 2019 to 2.84% in 2020. The second impact of Covid-19, namely the continuous uncertainty that invested, weakens, and impacts the sustainability of businesses threatened with termination. The third impact of Covid-19 is the economic downturn that has occurred throughout the world, which has caused commodity prices to fall, and Indonesia's exports to several countries have also stopped.

COVID-19 pandemic also resulted in reduced demand for MSME product or services that would affect the company’s financial condition [3]. Delays in the delivery of raw materials
MSMEs significantly contribute to the economy and those most affected by the pandemic compared to employees. MSMEs are indeed more affected; sales are down, financial difficulties are paying off in installments, and so on. Support for MSMEs is the government’s primary concern in terms of economic recovery. The government's support is reflected in the National Economic Recovery Program budget allocation and the MSME stimulus that has been issued.

MSMEs are being hit hardest by the corona virus pandemic. The pandemic led to massive damage to economic activities in general and MSME’s following restriction on human mobility by the government and stay-at-home advice. Then, these actions and advice have adversely affected both the supply and demand side of MSME’s operation [5]. The decline in turnover of MSME actors and cooperatives due to covid-19 has been significant since its appearance at the end of 2019 [6]. Most of the participating enterprises have been severely affected. The face several issues such as financial, supply chain disruption, decrease in demand, reduction in sales and profit, among others [7]. During this pandemic, enterprises have difficulties operating, especially with small and medium enterprises where these problems are more serious than for other enterprises due to the considerable decline in the demand for goods [8].

Most SMEs were unable to resume work because of a shortage of epidemic mitigation materials, the inability of employees to return to work, disrupted supply chains, and reduced market demand [9]. Due to the protracted pandemic causing a decline in industrial performance in terms of processing, starting from the production of goods, the demand for new products, as well as related to employment, which resulted in many workers being laid off [10].

Tax policy has an important role in alleviating and addressing the negative consequences of the lockdown on the economy [11]. Tax incentives (tax borne by government) can be key in stimulating long-term investments and ensuring businesses viability. Through the Ministry of Finance Republic of Indonesia, the government also issued incentives as a stimulus to improve the level of economic growth affected by the pandemic. This stimulus is manifested in the Minister of Finance Regulation Number 23 of 2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Virus Outbreak. Tax policies were provided so the taxpayers would be easier to voluntarily carry out their tax obligations [12].

Not only in Indonesia, but some countries also give tax incentives to MSMEs to reduce the impact of COVID-19 pandemic on MSMEs, such as Saudi Arabia. Government tax incentives in Saudi Arabia include the suspension of tax and other dues to provide MSME’s liquidity [13].

This stimulus is expected to boost economic growth, which had slumped due to the COVID-19 pandemic, especially for MSMEs. As many as 47% of MSME had to go out of business caused by the pandemic. MSME actors are constrained from the supply side due to distribution disruptions during the Covid-19 pandemic. In addition, the weakening of the demand side further put pressure on the sustainability of domestic MSMEs. Indonesia’s economic growth based on BPS data for the second quarter of 2020 experienced a contraction of 5.32%. For this reason, the government in the National Economic Recovery (PEN) program
carries out a series of activities for the recovery of the national economy, which is part of the State's financial policy.

The government provides tax incentives so that taxpayers can withstand the pressures of the Covid-19 pandemic. Although tax revenues have been eroded in the short term due to stimuli [14], the impact is still better than losing the tax base in a long time. The government needs to prevent business activities, termination of employment, or a shift towards the informal economy. If the tax base is permanently lost, the government will find it more challenging to increase the tax ratio in the post-crisis phase.

The government has budgeted Rp120.6 trillion for tax incentives. However, the reality is that the use of incentives by taxpayers has not been maximized. As of October 2020, of the 120.6 trillion budget that has been disbursed for tax incentives, only 24.6% have been realized. Bolnix [15] predicts the negative side of giving tax incentives. The negative side is the loss of government revenue needed to run government and development, especially considering that the main tax function is the budgeteer function [16]. In addition, tax incentives can be misused to avoid paying taxes, not to mention the added tax administration costs which also increased.

The effectiveness of tax incentives for MSMEs in surviving the pandemic needs to be investigated. This is because the wheels of the national economy are slowing down and suppressing taxpayers’ efforts, so the use of these incentives by MSMEs needs to be investigated. Previous research conducted by Orkaido and Beriso [17] study the effect of tax incentives practices on the sustainability of SME Enterprises in Ethiopia during the pandemic. The result shows that tax holidays, tax allowance, reduction in the tax rate, accelerated depreciation, loss carry forward and tax exemption have positive and statistically significant effects on the sustainability of the MSMEs.

This study aims to examine the impact of incentives taxes on the MSMEs ability to survive during the pandemic. This research is essential to do considering that the COVID-19 pandemic tax incentives prepared by the government are significant, namely 120.6 trillion rupiahs. The effectiveness of this incentive design is essential to know whether it is under its objective, namely, to ease the burden on taxpayers so that they can survive during the pandemic so that they can boost economic growth, which had slumped due to the pandemic.

Furthermore, this research has high novelty. As the researcher know, there is no previous research that study the impact of tax incentives on MSMEs survivability during covid-19 pandemic. Previous study conducted by Indaryani et al. [4] examined the impact of Covid-19 and tax incentives on MSMEs in Jepara. Mudiarti and Mulyani [18] study the effects of socialization and understanding of PMK 86/2020 on willingness to implement tax requirements during the COVID-19 pandemic. The result show that socialization and knowledge about tax incentives positively affect the willingness to implement tax requirements during the COVID-19 pandemic. Lestari et al. [19] study the impact of tax incentives and government grants on MSMEs performance in Boyolali Regency. The study finds that tax incentives and government grants affect MSMEs' performance.

The paper's remaining section discussed literature review and hypothesis development, methodology, result and discussion, conclusions, and suggestions.
2 Literature Review

This section discusses the theory, hypothesis development, and research framework used in this study.

2.1 COVID-19 Pandemic Tax Incentives in Indonesia

Esson and Zolt [20] define a tax incentive as a tax exemption, tax reduction or credit, special tax rate or deferred tax liability. Economic development can be done by providing tax incentives, exemption facilities, lowering tax rates, and other facilities that reduce the community's tax burden. The effort is considered as a way by the government to encourage economic growth in public. One of the efforts provided in the field of taxation is providing income tax incentives to small and medium enterprises, in the form of final income tax SMEs are borne by the government. In order to encourage the economy and the sustainability of MSMEs in Indonesia, the government bears the income tax the final MSME tariff is 0.5% of turnover or gross income. This is given in order to carry out the government's function as a developer sustainable economy [21]. MSME taxpayers do not need to report by letter information on Government Regulation Number 23 of 2018, instead only need to report the realization of their business through pajak.go.id as monitoring of government.

According to tax policy set by the Government in Government Regulation Number 23 Year 2018 Regarding Income Tax on income from business received or obtained by taxpayers who have certain gross turnover applies from 1 July 2018. This regulation is known as the term PP N. 23/2018. Regulation This government is still the reference for tariffs SME tax is 0.5 from gross revenue per month.

The final income tax incentive borne by the government means that MSMEs do not need to pay final taxes based on PP23/2018, but only need to submit a realization report. The perpetrators of the MSME do not need to make tax deposits and cutters or the tax collector does not withhold or collect taxes at the time of making payments to SMEs. This can improve the financial condition of MSMEs.

Here are the government’s intentions to help taxpayers survive the pandemic:

2.1.1 To increase people's purchasing power, the government provides additional income, an incentive for Income Tax Article 21 borne by the government.

Income Tax Article 21 regulates the taxation of individual income obtained from the employer, where the employer should withhold tax on the income received by the individual. Waluyo (2011) defines Income Tax Article 21 as an income tax imposed on revenue in the form of salaries, wages, honorarium, allowances, and other payments under any name in connection with work, services, or activities carried out by domestic Individual Taxpayers. The Income Tax 21 incentives given are in the form of Income Tax 21 borne by the government, aka the employee gets total income without tax. This incentive is given from April 2020 to September 2020. The criteria for individuals who can get this tax incentive are employees who earn income from employers who have a Business Field Classification (KLIN) code and Export Destination Import Ease Company (KITE). The employee must also have a TIN and income at the time concerned if the annualized is not more than Rp.200,000,000.

2.1.2 The decline in the rupiah exchange rate impacts the ability of taxpayers to import. The exemption of Article 22 Income Tax is granted so that taxpayers can maintain the pace of import activity during the covid-19 pandemic.
The Directorate of Customs and Excise carries out the collection of Income Tax 22 on imports. Provision of incentives in the form of exemption from the collection of Income Tax 22 on imports is given to taxpayers who have a Business Field Classification (KLU) code and have been designated as KITE companies.

2.1.3 Article 25 income tax deductions that reach 30 percent are given to maintain the financial flow of taxpayers to prevent employee dismissals and provide domestic economic stability.

The government gives article 25 Income Tax Instalment Incentive in the form of a 30% reduction from the amount that should be paid. The criteria for receiving this incentive are taxpayers who have a Business Field Classification (KLU) code and/or have been designated as KITE companies.

2.1.4 VAT pre-refund incentives that help provide optimization of cash management and financial flows of taxpayers.

This Value Added Tax Incentive is given in the form of a preliminary refund of the tax overpayment. The criteria for receiving this incentive are taxpayers who have a Business Field Classification code (KLU) and/or have been designated as KITE companies and submit a Periodic Value Added Tax Return for overpayment of restitution with a maximum overpayment amount of Rp.

2.1.5 The final income tax for SMEs is borne by the government.

Regulation of the Minister of Finance of the Republic of Indonesia No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic. The chapter describes the Final Income Tax Incentives based on Government Regulation No.23 of 2018. In the previous regulation, namely PMK No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic, 23 this Final Income Tax incentive is not included. The Ministry of Finance officially bears the Final Income Tax of Micro, Small, and Medium Enterprises (MSMEs), pegged at 0.5% of gross circulation. MSME actors receive a 0.5% final income tax facility (PPPMK No. 23 of 2020 contains four fiscal stimuli. Then in PMK No. 44 of 2020, there is one additional (expansion) incentive. Final Income Tax 0.5% Tax Borne Government.

2.2 MSMEs

The following table (table 1) shows the criteria for a business to be said to be an MSME:

<table>
<thead>
<tr>
<th>Types of MSMEs</th>
<th>Net Asset Value (Rp)</th>
<th>Annual Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Until 50,000,000</td>
<td>Until 300,000,000</td>
</tr>
<tr>
<td>Small</td>
<td>More than 50,000,000 until 500,000,000</td>
<td>More than 300,000,000 until 2,500,000,000</td>
</tr>
<tr>
<td>Medium</td>
<td>More than 500,000,000 until 1,000,000,000</td>
<td>More than 2,500,000,000 until 40,000,000,000</td>
</tr>
</tbody>
</table>

(Law Number 20 of 2008 concerning MSMEs)

2.3 Hypothesis Development

Indaryani et al. [4] examined the impact of Covid-19 and tax incentives on MSMEs in Jepara. The results show that the effect of Covid-19 has a negative effect on the sustainability
of the Jepara MSME business. In contrast, the variable of the use of tax incentives has a positive impact on the sustainability of the Jepara MSME business.

The use of MSME Final Income Tax borne by the government is expected to help MSMEs maintain their business continuity. MSME actors do not need to make tax deposits, and tax-cutters or collectors do not withhold or collect taxes when making payments to MSME actors. This can improve the financial condition of MSMEs. Tax incentives influence the performance of MSMEs [19] because they help ease MSME's liability expenditures where the amount that should be paid can be relatively minor or low.) Tax incentives have a significant effect on the performance of MSMEs [22].

According to OECD, several solutions need to be considered What to do is: strict health protocol in carrying out economic activities by MSMEs, delays in paying debts or credit to maintain financial liquidity MSMEs, financial assistance for MSMEs, and structural policies [23].

Previous research conducted by Orkaido and Beriso [17] also study the effect of tax incentives practices on the sustainability of SME Enterprises in Ethiopia during the pandemic. The result shows that tax holidays, tax allowance, reduction in the tax rate, accelerated depreciation, loss carry forward and tax exemption have positive and statistically significant effects on the sustainability of the MSMEs.

Research Indaryani et al. [4] show that tax incentives has a positive effect on business continuity. The tax incentive policy, namely the MSME Final Income Tax borne by the government with the aim of sustaining MSME business, greatly encourages MSME participation in Jepara in the research of Indaryani et al. [4]. MSME actors in Jepara appreciate the tax incentive policy by taking advantage of the tax incentive and continuing to improve compliance with their tax obligations. This tax incentive policy is considered able to help the financial condition of MSME actors because MSME taxes are fully borne by the government.

Fiscal stimulus deployed in response to the economic shock engendered by COVID-19 had important and substantial effects on spending and economic activity [24]. Some researchers agree that tax reductions are more effective in reviving stagnated economies whereas some others note that increase in government spending generates better results [25]. Tax incentives are still available to help private companies manage their cash flows, and additional tax cuts have been provided for new investments in Australia [25].

Taxpayers don't feel confident about the support offered related to their business [26]. For business actors such as SMEs, the provision of this tax incentive can reduce operational costs or burdens business expenses so that MSMEs are able to survive during the pandemic [27].

Based on the previous research result, we hypothesize that:

H1: Knowledge of tax incentives has a positive effect on the sustainability of MSME businesses.

H2: The use of tax incentives has a positive effect on the sustainability of MSME businesses.

2.4 Research Framework

Figure 1 shows the research framework used in this study.

![Figure 1. Research Framework](image)
3 Method

This research is quantitative research with a hypothesis-testing study design. This study uses primary data, namely data collected directly by researchers from respondents. Primary data is sourced from a questionnaire with respondents from MSMEs, business owners/entrepreneurs, and private employees. The sampling technique was carried out by random sampling. Respondents are people who meet the criteria as respondents and fill out the distributed questionnaires. The data was then analyzed using descriptive analysis and multiple linear regression with the help of IBM SPSS software to test the effectiveness of COVID-19 tax incentives in helping MSMEs/business owners/private employees survive the pandemic.

Prior to the regression analysis, the data normality test and classical assumption test were carried out to fulfill the BLUES (Best Linear Unbiased) Estimator characteristic of the regression estimation. The validity and reliability of the data were also tested before the regression analysis was carried out. Measurement of variables using a question instrument with a Likert scale of 1-5. Respondents were asked to provide an opinion on each question item starting from Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5) by circling or crossing the answer to be answered. selected by the respondents on the questionnaire sheet.

The analytical technique used in this study is multiple regression analysis which first tested the research instrument (validity test and reliability test). The classical assumption test (normality test, multicollinearity test, and heteroscedasticity test), model feasibility test (coefficient of determination and F test) and hypothesis testing were carried out.

The population of SMEs in Semarang City is 17,603. According to Slovin Formula, we must select 376 samples. But due to this pandemic obstacle, we only get 120 samples. But this is still acceptable. According to Sekaran [28], the number of samples for multivariate analysis is 10 times the variable number. We have 3 variables, so minimum 30 samples. We choose Semarang City as the object of the research because Semarang has the most licensed MSMEs in Indonesia [29]. Here is the research variable used.

Dependent Variable: Ability to survive a pandemic.
- a) During the pandemic, my business is still running.
- b) During the pandemic, I did not experience financial difficulties.
- c) During the pandemic, I did not reduce the number of employees.

Independent Variables:

3.1 Understanding COVID-19 Tax Incentives

This variable was measured using a Likert scale of 1-5 with the following questions:
- a) I know an MSME tax incentive during the pandemic, namely the government-borne final Income Tax (DTP) incentive.
- b) I understand very well the tax incentives for MSMEs during the pandemic.
- c) The government has carried out socialization related to MSME tax incentives during the pandemic.
- d) I participated in the socialization of MSME tax incentives during the pandemic.
- e) The MSME tax incentive procedure is easy to understand.

3.2 Utilization of COVID-19 Tax Incentives

This variable was measured using a Likert scale of 1-5 with the following questions:
a) I have taken advantage of the tax incentive for MSMEs, namely the government-borne final income tax (DTP) incentive.
b) The tax incentive procedure for MSMEs is easy to do.
c) I hope that MSME tax incentives will continue to be given in the future until the pandemic is entirely over.

4 Result and Discussion

This section discusses the test results with the arrangement of the validity test and instrument reliability test, classical assumption test, and hypothesis testing (F test and t-test). Table 2 shows the results of construct validity testing for questionnaire items, with Pearson's Product moment correlation. It is known that the correlation value of the test results \( r_{count} > r_{table} \). It can be concluded that the items in this research questionnaire are constructively valid.

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. item</th>
<th>R statistic</th>
<th>R table</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Tax Incentive Knowledge)</td>
<td>X1.1</td>
<td>0.7452</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>0.7416</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>0.6679</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.4</td>
<td>0.6761</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.5</td>
<td>0.6485</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td>X2 (Tax incentive Usage)</td>
<td>X2.1</td>
<td>0.8348</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>0.7642</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>0.6632</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td>Y (MSMEs survivability)</td>
<td>Y2.1</td>
<td>0.9009</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2.2</td>
<td>0.8046</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2.3</td>
<td>0.8040</td>
<td>0.1509</td>
<td>Valid</td>
</tr>
</tbody>
</table>

As shown in Table 3 above, the reliability test results show that each variable has a Cronbach alpha coefficient greater than 0.6. Because the Cronbach alpha coefficient of each variable is greater than 0.6, it can be concluded that the level of reliability for the questionnaire is in the high category or very reliable.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Critical Value</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Tax Incentive Knowledge)</td>
<td>0.7290</td>
<td>0.6000</td>
<td>Reliable</td>
</tr>
<tr>
<td>X2 (Tax incentive Usage)</td>
<td>0.6140</td>
<td>0.6000</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y (MSMEs survivability)</td>
<td>0.7870</td>
<td>0.6000</td>
<td>Reliable</td>
</tr>
</tbody>
</table>
The classical assumption test was carried out before testing the hypothesis. Based on the Kolmogorov Smirnov test, the significance value is 0.112, more significant than 0.05, indicating the normally distributed data. The data is cross-section data, so there is no need for an autocorrelation test (autocorrelation test is only for time series test). The independent variable VIF value is 1.095 below 10, so there is no multicollinearity problem. The significance value of ABS RES is 0.227 and 0.116 > 0.05, so there is no heteroscedasticity problem.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Range</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9583</td>
<td>0.7491</td>
</tr>
<tr>
<td>X1.2</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1417</td>
<td>0.9375</td>
</tr>
<tr>
<td>X1.3</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1750</td>
<td>0.8566</td>
</tr>
<tr>
<td>X1.4</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9917</td>
<td>0.8550</td>
</tr>
<tr>
<td>X1.5</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9667</td>
<td>0.9160</td>
</tr>
<tr>
<td>TotX1</td>
<td>14.00</td>
<td>7.00</td>
<td>21.00</td>
<td>16.2333</td>
<td>2.9978</td>
</tr>
<tr>
<td>X2.1</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>2.6583</td>
<td>0.8249</td>
</tr>
<tr>
<td>X2.2</td>
<td>2.00</td>
<td>2.00</td>
<td>4.00</td>
<td>3.0833</td>
<td>0.6557</td>
</tr>
<tr>
<td>X2.3</td>
<td>3.00</td>
<td>2.00</td>
<td>5.00</td>
<td>3.8167</td>
<td>0.4671</td>
</tr>
<tr>
<td>TotX2</td>
<td>8.00</td>
<td>6.00</td>
<td>14.00</td>
<td>9.5583</td>
<td>1.4995</td>
</tr>
<tr>
<td>Y2.1</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>4.2000</td>
<td>0.8361</td>
</tr>
<tr>
<td>Y2.2</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9167</td>
<td>0.7285</td>
</tr>
<tr>
<td>Y2.3</td>
<td>4.00</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9750</td>
<td>0.7036</td>
</tr>
<tr>
<td>TotY</td>
<td>12.00</td>
<td>3.00</td>
<td>15.00</td>
<td>12.0917</td>
<td>1.9053</td>
</tr>
</tbody>
</table>

R square research shows a value of 0.219. The variables of knowledge and tax incentives utilization can explain the variation in the MSMEs survivability variable by 21.9%, while other variables outside the study explain the remaining 78.1%. The F test shows a significance value of 0.0000. It can be concluded that the knowledge variable and the use of tax incentives together can explain the MSMEs survivability variable, and the model is said to be feasible. The t-test is in table 5.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Coefficient</th>
<th>Significance</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>0.0280</td>
<td>0.6460</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>0.2600</td>
<td>0.0320</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Table 5 shows that hypothesis 1, which states that knowledge of tax incentives affects SME survivability, is rejected. Table 5 also indicates that Hypothesis 2, which states that tax incentives affect SMES survivability, is accepted. It can be concluded that MSME actors who only know but do not take advantage of tax incentives will not affect their ability to survive
MSME actors who take advantage of tax incentives will have a more vital ability to stay during a pandemic than MSME actors who do not take advantage of these tax incentives. This result is in line with research conducted by Cheisviyanny [22] in Indonesia, which in his study concluded that tax incentives have a significant effect on the performance of MSMEs. This research shows that the implementation of tax incentives during the Covid-19 pandemic can increase the survival ability of MSMEs because tax incentives can help ease MSME's liability expenditures where the amount that should be paid can be relatively minor or low.

MSME actors are aware of tax incentives' existence but do not take advantage of them for several reasons.

a) MSME actors still have low tax literacy. Based on the data, there are still a few MSMEs with a tax identification number (only 20%), and only 5% are Pengusaha Kena Pajak (PKP).

b) Tax incentives are not used too much by MSMEs because the slumping economic conditions have resulted in their business experiencing decreased turnover and some even making losses. This reason makes the tax incentives offered unattractive to MSMEs. The realization of the use of Income Tax DTP incentives is minimal. MSMEs are less interested in taking advantage of this incentive because their business conditions are in a slump, and even at a loss, the tax is zero.

c) Tax incentives are an unattractive aid for MSMEs during a pandemic. This is in line with national conditions that show realization. Throughout 2020, the government allocated a ceiling of Rp. 2.4 trillion for the final Income Tax incentives for DTP MSMEs, but it was later revised to Rp. 1.08 trillion. However, until the end of the year, the realization was only IDR 670 billion or 62.03%.

d) Based on the survey, half of MSMEs closed their business, and half experienced a drastic decline in turnover. MSMEs expect tax incentive assistance to be combined with cash: BPUM, electricity discounts, reduced loan interest, etc.

e) Concerns about additional obligations for MSMEs. Therefore, the DGT must provide transparent information and demonstrate incentives to relieve MSMEs without any extra burden (dtc.com).

f) Obstacles in accessing online submissions. There should not be a need to apply, but automatically if it is included in the MSME category, it will get the tax incentive.

Based on the results of this study, it is recommended that more socialization and education related to tax incentives by the Directorate General of Taxes (DGT) be carried out to MSMEs so that they know more. It is necessary to approach MSME associations and cooperation with universities (tax centres). This is due to the lack of socialization of this policy, and the majority of MSMEs who are still low in tax literacy are the causes of MSMEs' lack of understanding of this policy. MSMEs need other assistance such as cash assistance, credit relief, and others that can be utilized more by those who have experienced significant losses or decreased turnover during the pandemic. But, it must be considered that policy interventions will also need to be sensitive to the different types of SMEs, rather than adopting a one-size-fits-all approach [30].

MSMEs give a positive view of the existence of this incentive policy, where MSMEs feel that this policy can help them a little in reducing their business burden due to the COVID-19 pandemic. However, most MSMEs are very complaining about the lack of socialization that can reach them, resulting in many MSMEs not knowing what this policy is and how to take advantage of this policy.
These MSMEs also hope that this policy will be extended again for the tax period in 2021. They reasoned that the pandemic conditions have not yet subsided. There is still a high possibility that various pandemic handling policies will later impact the instability of the business world. As many as 50 percent of respondents know that the government provides a tax stimulus. Most of the respondents who knew there was a tax stimulus program received information through the DGT website (53%), Online News Portal (49%), and social media (45%). As many as 25% percent of business actors stated that they had not taken advantage of the stimulus, arguing that the tax stimulus was not a priority.

Another thing to encourage is the transformation of SMEs to go into digitization, because things this is one way so that MSMEs can survive in pandemic period and facilitate business to get closer with consumers/suppliers [31]. The efficiency of the policies that can be classified into two main categories, government spending and tax incentives, exhibit different aspects in developed economies. In developing economies, the government spending is more influential in alleviating the impacts of the crisis whereas in developed economies, tax reductions work better [25]. Indonesia’s government must consider again which policy is effective, government spending or tax incentives.

5 Conclusion

MSME knowledge of tax incentives does not affect MSMEs survivability. In contrast, the utilization of tax incentives does not affect MSMEs' survivability. MSME actors who only know but do not take advantage of tax incentives will not affect their ability to survive during the pandemic. MSME actors who take advantage of tax incentives will have a more vital ability to stay during a pandemic than MSME actors who do not take advantage of these tax incentives.

MSMEs do not widely use tax incentives because of the slumping economic conditions resulting in their business experiencing decreased turnover and some even making losses. MSMEs also still have a common understanding of taxation, concerns about additional costs, and obstacles to accessing online submissions.

This study only examines the effect of government-borne MSME tax incentives (DTP). Further research can analyze the impact of government assistance in addition to tax incentives (such as cash transfers, credit relaxation, etc.) on the ability of SMEs to survive a pandemic.

This research is helpful for DGT in evaluating MSME final Income Tax incentives. DGT should socialize and educate society related to the tax incentives, approaches to MSME associations, and collaborate with universities (tax centers). The government needs to review the effectiveness of other assistance such as cash transfers, credit relief, and others.

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References


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