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RESEARCH ARTICLE

THE INFLUENCE OF PPH UMKM INCENTIVES ON COMPLIANCE OF UMKM TAXPAYERS WITH ENTREPRENEURIAL NATIONALISM AS A MEDIATING VARIABLE (EMPIRICAL STUDY ON MSME TAXPAYERS AT KPP PRATAMA SAMARINDA ULU)

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Abstract

This study aims to investigate the impact of MSME income tax incentives (PPH) on MSME taxpayers' compliance, with entrepreneurial nationalism as a mediating variable. The method used is quantitative with 200 personal and corporate taxpayers interviewed at KPP Pratama Samarinda Ulu. The data was collected using a Likert scale questionnaire and analyzed using SEM-PLS with SmartPLS 4.0. The results showed that MSME income tax incentives have a significant positive effect on taxpayer compliance. In addition, income tax incentives also have a significant positive effect on nationalism, and nationalism has a significant positive effect on compliance. Nationalism is found to partially mediate the effect of MSME income tax incentives on MSME taxpayers' compliance.

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Introduction:-

Taxes are one of the main sources of government revenue that play an important role in financing development and public services. Taxes are not only a tax instrument, but also a form of citizen participation in national development. Therefore, the level of tax compliance by taxpayers is an important factor that determines the success of the tax system in Indonesia.

One sector that contributes significantly to the economy and the tax base is micro, small and medium enterprises (MSMEs). Data from the Ministry of Cooperatives and SMEs in 2021 shows that there are around 64.2 million MSMEs, which contribute more than 61% of Indonesia's gross domestic product (GDP) and employ 97% of the workforce. Despite this large contribution, MSMEs' tax compliance is still low and tends to fluctuate, including in the KPP Pratama Samarinda Ulu area.

To counteract this, the government offers tax incentives through Government Regulation No. 55 of 2022. The regulation stipulates that MSMEs with a turnover of up to IDR 500 million are not subject to 0.5% income tax. This policy is expected to ease the burden on small businesses, increase motivation to file tax returns and promote

national economic growth (Aryawan et al., 2022). Tax incentives are therefore not only seen as tax relief, but also as a strategic instrument to improve tax compliance.

In addition to incentive factors, the values of nationalism also play a role in shaping tax compliance behavior. Nationalism fosters a sense of patriotism and moral responsibility among entrepreneurs to contribute to the country's development through tax payments (Santoso et al., 2023). Previous research has shown that nationalism can strengthen the relationship between external factors, such as tax incentives, and taxpayers' compliance behavior.

Based on these conditions, this study was conducted to analyze the impact of MSME income tax incentives on MSME taxpayer compliance by considering entrepreneurial nationalism as a mediating variable. It is expected that this research will make a theoretical contribution to the development of the tax literature based on the theory of planned behavior (TPB) as well as a practical contribution to the government in formulating more effective tax policies for MSMEs.

Literature Review:-

theory of planned behavior (TPB):

The theory of planned behavior (Ajzen, 1991) states that the intention to behave is influenced by three main factors, namely attitude towards behavior, subjective norms and perceived behavioral control. In the context of taxation, taxpayer compliance is influenced not only by external factors in the form of regulations (Adil Muhammad, 2023), but also by beliefs, social norms and perceived control. Tax incentives can increase perceived behavioral control, while nationalism forms a positive attitude that encourages compliance. Thus, TPB is relevant to explain the relationship between income tax incentives for MSMEs, nationalism and taxpayer compliance.

income tax incentives for MSMEs:

Tax incentives are measures taken by the government to reduce the tax burden on taxpayers. PP No. 55 Year 2022 provides relief in the form of final income tax exemptions for MSMEs with a turnover of up to IDR 500 million. This policy aims to improve administrative compliance, promote business development and broaden the national tax base. Previous research (Apriliansi, 2021; Agustiana et al., 2023) shows that tax incentives have a positive impact on taxpayer compliance. However, several other studies (Zahra, 2024) came to different conclusions, so this relationship needs further investigation.

nationalism of the entrepreneur:-

Nationalism is an attitude of love of country and awareness of contributing to the nation. In the context of taxation, entrepreneurial nationalism is reflected in the willingness to pay taxes to support the development of the state. Research by Haryati & Putra (2023) dan Tambun & Haryati (2022) shows that nationalism plays an important role in increasing tax compliance. In addition, nationalism can increase the influence of external factors, such as incentives, on taxpayer compliance.

Previous research and hypotheses:-

Tax incentives are fiscal measures provided by the government to reduce the burden on taxpayers, especially MSMEs, so that they are more encouraged to fulfill their tax obligations. PP No. 55 of 2022 stipulates that sales up to IDR 500 million are not subject to 0.5% income tax, which provides room for MSMEs to develop businesses with a lower tax burden. According to the Theory of Planned Behavior (TPB), tax incentives can increase the perceived behavioral control of taxpayers as they feel they can meet their tax obligations without being burdened. Previous research (Apriliansi, 2021; Olivia et al., 2023) also shows that tax incentives have a demonstrably positive effect on taxpayer compliance. It can therefore be expected that income tax incentives for MSMEs will have a positive impact on taxpayer compliance.

In addition to incentives, the value of nationalism also plays a role in shaping taxpayer compliance behavior. Nationalism is understood as a feeling of love for the country and the awareness of contributing to nation building through taxes. The higher the nationalism of an entrepreneur, the stronger the moral urge to comply with taxes. Previous research (Purnamasari et al., 2017; Tambun & Haryati, 2022) has found that nationalism is positively related to tax compliance. In addition, tax incentives provided by the government can foster a sense of nationalism as they are seen as a form of support for MSMEs. In this context, nationalism is expected to mediate the effect of incentives on tax compliance.

Based on this description, the hypothesis of this study is formulated as follows:

H1: MSME income tax incentives have a positive effect on tax compliance.

H2: MSME income tax incentives have a positive effect on entrepreneurial nationalism.

H3: Entrepreneurial nationalism has a positive effect on taxpayer compliance.

H4: Entrepreneurial nationalism mediates the effect of MSME income tax incentives on MSME taxpayer compliance.

Research methods:-

Sample selection and data source:

This type of research uses a quantitative approach with primary data. The data is obtained by distributing questionnaires to MSME taxpayers (individuals and companies) registered with KPP Pratama Samarinda Ulu. The questionnaire was designed on a Likert scale of 1-5 to measure the respondents' perceptions on the research variables.

The research population is active MSME taxpayers registered in KPP Pratama Samarinda Ulu, consisting of 27,017 individual taxpayers and 17,094 corporate taxpayers, making the total population 44,111 taxpayers. The number of samples was determined using the Slovin formula with a margin of error of 10%, so that 200 respondents could be identified. The sample was selected according to the principle of proportional stratified random sampling, so that each stratum (individual taxpayers and corporate taxpayers) is proportionally represented.

Table 1 Purposive sampling

Criteria	Number
Population MSME taxpayers registered with KPP Pratama Samarinda Ulu	44.111
The sample was determined according to the Slovin formula ($e = 10\%$)	200
Number of final respondents	200

Source: Processed data (2025)

Research variables and measurement:

Dependent variable (Y): Taxpayer compliance:

Taxpayer compliance is defined as the willingness of taxpayers to register, file tax returns, and calculate and pay taxes owed on time. This variable is measured by indicators of willingness to register, file tax returns and calculate and pay taxes.

Independent variable (X1): Income tax incentives for MSMEs:

MSME income tax incentives are tax concessions according to PP No. 55 from 2022, which are measured using indicators on tariff policy, the exercise of MSME rights and obligations and the receipt of tax subsidies.

Mediating variable (Z): Entrepreneurial nationalism:

Entrepreneurial nationalism is defined as a sense of patriotism and responsibility for the country, measured by indicators of awareness of tax obligations, concern for the national interest and commitment to social justice.

All variables were measured using a questionnaire on a Likert scale of 1-5.

Method of data analysis:-

Data analysis was conducted using structural equation modeling (SEM) based on partial least square (PLS) using SmartPLS 4.0 software. The analysis was performed in two stages:

Measurement model (Outer model): to test the validity and reliability of the constructs (convergent validity, discriminant validity, composite reliability).

Structural model (Inner model): to test the relationship between the variables, the R-squared value, the F-squared and the significance of the hypotheses.

Results and Discussion:-

characteristics of the respondents:

The respondents were a total of 200 MSME taxpayers (individuals and companies) registered with KPP Pratama Samarinda Ulu. The characteristics of the respondents are determined based on the age of the company, the age of the taxpayer and the type of taxpayer.

analysis of the measurement model (Outer model):

The test of the outer model was conducted to assess the validity and reliability of the construct. The test results show that all indicators have an outer loading value of more than 0.7, so they meet the criteria for convergent validity. In addition, the AVE value > 0.5 and the composite reliability > 0.7, indicating that all constructs are reliable.

Table 1: Results of the construct validity and reliability tests

Variable	Indicator	External stress	Ave	Composite reliability	Description
Taxpayer compliance (Y)	Y1-Y3	0,721 - 0,856	0,881	0,881	Valid & reliable
Income tax incentives (X1)	X1-X3	0,734 - 0,842	0,874	0,874	Valid & Reliable
Entrepreneurial nationalism (Z)	Z1-Z3	0,752 - 0,865	0,889	0,889	Valid & Reliable

Source: Data processed with SmartPLS (2025)

structural model analysis (inner model):

The inner model test is performed to determine the strength of the relationship between the variables by looking at the R-squared and F-squared values.

Table 2: R-squared results

Endogenous variable	R-squared	R-squared Description
Nationalism of the entrepreneur (Z)	0,482	Moderate
Tax compliance (Y)	0,563	Moderate

Source: Data processed with SmartPLS (2025)

The R-squared value shows that 48.2% of the variation in nationalism can be explained by income tax incentives, while 56.3% of the variation in taxpayer compliance is explained by income tax incentives and nationalism.

hypothesis testing:-

The hypothesis tests are conducted using the bootstrapping technique on SmartPLS. The results are shown in the following table:

Table 3. results of hypothesis testing

Hypothesis	Variable Relationship	Path coefficient	T-statistic	P-value	P-value Description
H1	Income tax incentives → WP compliance	0,412	7,821	0,000	Assumed
H2	Income tax incentives → Nationalism	0,694	13,275	0,000	Assumed
H3	Nationalism → Tax compliance	0,327	5,946	0,000	Assumed
H4	Income tax incentives → Tax worship through nationalism	0,227	4,113	0,000	Assumed

Source: Data processed with SmartPLS (2025)

Discussion:-

The effect of income tax incentives on taxpayer compliance The results show that MSME income tax incentives have a positive and significant effect on taxpayer compliance ($\beta = 0.412$; $p < 0.05$). This implies that the simpler the incentives provided by the government, the more compliant MSME taxpayers are in paying their taxes.

The effect of income tax incentives on entrepreneurial nationalism Income tax incentives also have a positive effect on entrepreneurial nationalism ($\beta = 0.694$; $p < 0.05$). This shows that a tax policy that relieves MSMEs can trigger a feeling of appreciation and thus strengthen entrepreneurial nationalism.

Effect of nationalism on tax compliance Entrepreneurial nationalism was shown to have a positive effect on tax compliance ($\beta = 0.327$; $p < 0.05$). The higher the entrepreneurs' patriotism and sense of social responsibility, the higher their tax compliance.

The mediating role of nationalism Nationalism plays a partial mediating role in the relationship between income tax incentives and tax compliance by taxpayers ($\beta = 0.227$; $p < 0.05$). This suggests that tax incentives not only have a direct effect on compliance, but also increase compliance by enhancing feelings of nationalism.

Conclusions and Suggestions:-

The results of the analysis, hypothesis testing and discussion show that income tax incentives for MSMEs have a positive and significant impact on taxpayer compliance. This shows that the simpler the incentives provided by the government, the higher the compliance of MSME taxpayers in reporting and paying taxes. MSME income tax incentives have a positive and significant effect on entrepreneurial nationalism. Tax incentive policies are able to foster a sense of esteem and increase entrepreneurs' loyalty to the state. Entrepreneurial nationalism has a positive and significant effect on tax compliance. The greater the feeling of love for the country and the social awareness of entrepreneurs, the greater the urge to fulfill tax obligations. Entrepreneurial nationalism partially mediates the effect of income tax incentives for MSMEs on tax compliance. This proves that tax incentives not only have a direct effect but also indirectly increase tax compliance by strengthening nationalism.

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