ANALYSIS OF MSME TAXPAYERS' UNDERSTANDING IN FULFILLING TAX OBLIGATIONS IN TUMINTING DISTRICT

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Abstract

This study aims to analyze MSME taxpayers' understanding of tax obligations in Tuminting District, analyze how MSME taxpayers fulfill their tax obligations, and identify factors affecting their understanding. This research uses a descriptive qualitative approach. Data were obtained through in-depth interviews, observation, and documentation involving five MSME taxpayers who own a Taxpayer Identification Number (NPWP). The findings show that MSME taxpayers' understanding of tax obligations remains inadequate even though all informants have NPWP. Four of the five informants obtained NPWP mainly because of external administrative needs, while only one informant obtained it from personal awareness. Tax obligation fulfillment was also not optimal. Four informants had never reported an Annual Tax Return, while one informant had reported it twice but did not continue because of limited understanding of the reporting procedure. In addition, two informants did not regularly record business turnover. All informants stated that they had never paid MSME income tax and generally could not explain the tax provisions underlying their position. The factors affecting understanding consist of internal factors, particularly limited tax knowledge and the perception that tax obligations apply only to large businesses, and external factors, including administrative needs, environmental influence, limited access to information, and the lack of tax socialization. The findings indicate that having NPWP does not necessarily mean that MSME taxpayers understand and fulfill their subsequent tax obligations.

***Keywords**: Taxpayer Understanding, MSMEs, Tax Obligations, Tax Compliance, Tuminting District.*

A. INTRODUCTION

Tax revenue is an important source of state financing and supports the provision of public services and economic development. The effectiveness of the tax system depends heavily on taxpayers' understanding, compliance, and willingness to fulfill their tax obligations. According to Purba and Purba (2025), taxes have a crucial budgetary function to collect funds from the public for state treasury purposes. However, adequate tax understanding is required to help taxpayers recognize their obligations, including registration, record-keeping, payment, and reporting. Low levels of tax understanding in society, as noted by Sopiaandi (2025), often result in taxpayers knowing their duty to pay without fully understanding the underlying regulations and purposes, leading to suboptimal compliance. Micro, Small, and Medium Enterprises (MSMEs) play a massive role in Indonesia's economy.

According to Lova (2025), MSMEs form a transformative economic pillar, contributing significantly to the Gross Domestic Product (GDP). The large number of MSMEs represents a substantial potential tax base. Nevertheless, Arief and Sani (2025) assert that a large MSME population does not guarantee adequate tax literacy, and limited understanding of MSME tax provisions can severely hinder the implementation of tax obligations. Abel (2026) also found that taxpayers often face difficulties in understanding tax provisions, calculating turnover, and reporting tax returns, which creates a gap between tax regulations and their practical implementation.

MSME taxation in Indonesia has undergone several regulatory changes, moving from a 1% final rate to a 0.5% rate, alongside new gross turnover threshold exemptions for individual taxpayers. These changes make accurate understanding of turnover and the distinction between tax payment and tax reporting particularly important. Tuminting District is a relevant setting for examining this issue due to its substantial MSME population. Based on data from the Statistics Indonesia (BPS) Manado City (2025) and the Department of Cooperatives and MSMEs Manado City (2025), Tuminting District has 3,140 MSME units, indicating the highest concentration of MSMEs in the city.

studies have shown various factors affecting tax understanding. Ponggalo, Ramananda, and Damayanti (2024) highlighted that education, age, and business experience affect taxpayers' understanding. Budiarsa (2024) found that MSME taxpayers still had difficulties understanding new tax provisions and needed massive socialization to boost compliance. Despite these studies, research specifically examining the understanding of MSME taxpayers in Tuminting District remains limited. Accordingly, this research aims to analyze MSME taxpayers' understanding and fulfillment of tax obligations in Tuminting District and to identify the internal and external factors affecting their understanding.

B. LITERATURE REVIEW

1. Accounting and Taxation Basics

Accounting is an information system that identifies, records, and communicates the economic events of an organization to interested users, including tax authorities (Kieso, Weygandt, & Warfield, 2022). Taxation, on the other hand, is a mandatory contribution to the state owed by individuals or entities, which is coercive under the law (Mardiasmo, 2024). Income tax is the most significant contributor to state revenue from the tax sector (Hikmah, 2024)

2. Attribution Theory

Attribution theory explains how individuals interpret the causes of behavior and events. Heider (1958) distinguishes explanations that arise from within the individual from explanations associated with external circumstances. In the context of taxation, taxpayer behavior can therefore be viewed through internal factors, such as knowledge, awareness, perception, and willingness to seek information, and external factors, such as administrative requirements, social influence, and the availability of tax information. This perspective is relevant to the present study because the possession of NPWP and the fulfillment of tax obligations may arise from different motives.

In this study, attribution theory is used as an analytical lens rather than as a statistical model. Internal attributions are reflected in the informants' own knowledge, awareness, perceptions, and initiative in obtaining tax information. External attributions are reflected in circumstances such as bank requirements, family advice, previous employment requirements, business administration, and limited tax socialization. The distinction helps explain why the same observable status having NPWP does not necessarily lead to the same level of tax understanding.

3. Tax Understanding

Tax understanding is a process where taxpayers comprehend tax laws and procedures, applying them to pay and report taxes (Akbar & Hardiansyah, 2024). Previous literature emphasizes that better understanding leads to better compliance. Karmila and Arafat (2024) noted that business owners, particularly in MSMEs, often have a basic grasp of taxation but lack specific knowledge regarding income tax reporting, which lowers compliance. Furthermore, factors such as tax sanctions play a role in shaping behavior, but as Zulkarnain and Septiyanti (2024) pointed out, true compliance requires fundamental understanding before enforcement can be effective.

4. MSME Taxpayers and Tax Obligations

MSME taxpayers are business actors whose activities fall within the relevant legal and tax framework for micro, small, and medium enterprises. The tax obligations examined in this study include taxpayer registration, recording business turnover, payment of income tax where applicable, and reporting the Annual Tax Return. For individual MSME taxpayers, the tax treatment of turnover under the applicable regulations is important because the amount of turnover affects the calculation of income tax. However, a taxpayer's understanding of tax obligations should not be assessed solely from whether tax is ultimately paid; it should also be assessed from whether the taxpayer understands why a payment is or is not required and whether reporting obligations remain applicable.

C. METHOD

The research was conducted at MSME business locations in Tuminting District, Manado, North Sulawesi. This research uses a descriptive qualitative approach. The approach was selected because the study seeks to obtain an in-depth description of how MSME taxpayers understand and fulfill their tax obligations in Tuminting District rather than to statistically generalize the behavior of all MSMEs.

The research involved five MSME taxpayers who had NPWP and were able to provide information relevant to the research focus. The five informants were selected according to the criteria established in the thesis: they were MSME actors operating in Tuminting District and had NPWP. The number of informants was not intended to statistically represent the 3,140 MSMEs in the district. Instead, the selection emphasized the depth and relevance of information obtained through interviews. The interview responses also showed recurring patterns across the main aspects examined.

Table 1. Profile of MSME Informants

Code	Bussiness	Busisiness Period	Estimated Annual Turnover
IF1P	Muslim Restaurant	2 Years	Rp 400 Million
IF2P	Ayam Geprek Setia	7 Years	Rp 500 Million
IF3P	Zahra Galery	8 Years	Rp 100 Million
IF4P	Fannie Bridal	10 Years	Rp 600 Million
IF5L	Sebe Burger	1 Years	Rp 300 Million

Source: Researcher's data collection

The primary data consisted of information obtained directly from informants through in-depth interviews. Secondary data were obtained from relevant documents, literature, and supporting sources. Data collection employed in-depth interviews, observation, and documentation. The interview guide covered NPWP ownership, reasons for registration, turnover recording, Annual Tax Return reporting, knowledge of MSME tax, tax payment, and access to tax socialization or information.

The data were analyzed using qualitative content analysis. The analysis process consisted of data collection, data reduction, data presentation, and conclusion drawing. Interview information was selected according to the research focus, organized into relevant themes, compared across informants, and interpreted by connecting empirical findings with tax provisions and attribution theory.

D. RESULT AND DISCUSSION

1. MSME Taxpayers' Understanding of NPWP

All five informants reported having an NPWP. However, their reasons were predominantly external. For instance, IF1P required it for a bank loan, IF2P made it based on her husband's advice, and IF5L acquired it from previous employment requirements. Only IF3P registered out of personal awareness as a business owner. This matches the findings of Arief and Sani (2025) and Akbar and Hardiansyah (2024), which state that having an NPWP does not guarantee complete tax understanding; registration often stems from administrative necessities rather than a true understanding of tax obligations.

These findings indicate that NPWP ownership cannot automatically be interpreted as evidence of comprehensive tax understanding. Four of the five informants associated NPWP ownership primarily with an external practical requirement. From the perspective of attribution theory, the dominant explanation for NPWP ownership in these cases is external rather than internal. The registration process therefore produced formal taxpayer status without necessarily being accompanied by an adequate understanding of the rights and obligations that follow from that status.

Table 2. Findings on NPWP Ownership and Understanding

Aspect	Main Finding	Interpretation
NPWP ownership	5/5 informants have NPWP	Registration has been fulfilled, but understanding differs.

Reason for NPWP	4/5 mainly administrative/external; 1/5 personal awareness	External motives dominate the registration process.
Understanding after registration	Limited understanding of subsequent obligations	NPWP ownership does not guarantee tax literacy.

Source: Researcher's data analysis

2. Turnover Recording and Annual Tax Return Reporting

Turnover recording practices were inconsistent among the informants. Some recorded sales simply in a notebook or smartphone, while others relied purely on memory. Pusposari and Nasihin (2024) emphasize the critical role of business administration in supporting MSME tax compliance. The lack of consistent recording makes it difficult for taxpayers to accurately determine their gross turnover and their subsequent tax position.

Regarding reporting, four out of five informants had never filed an Annual Tax Return (SPT Tahunan). Many informants falsely equated not having to pay taxes with not having to report them. This conceptual gap aligns with Abel (2026) and Triayomi, Hidayat, and Siregar (2026), who highlighted that taxpayers often fail to report their taxes due to poor comprehension of procedures and an assumption that small businesses are exempt from reporting duties entirely.

Annual Tax Return reporting showed an even clearer gap between taxpayer status and understanding. Four of the five informants had never reported an Annual Tax Return. IF3P had reported twice, but stopped because the reporting procedure was not understood and because the informant believed that a small business did not need to report every year. Other informants similarly associated reporting with whether there was tax to be paid or whether the business was large enough.

This finding is critical because the absence of income tax payment and the obligation to report an Annual Tax Return are not necessarily the same issue. The thesis findings show that informants tended to interpret the absence of tax payment as meaning that there was also no reporting obligation. This represents a conceptual gap: taxpayers may be in a position where a certain portion of turnover receives tax treatment under the applicable rules, but they still need to understand their reporting obligations as taxpayers.

Table 3. Findings on Turnover Recording and Annual Tax Return Reporting

Tax Obligation Aspect	Informants	Finding
Regular turnover recording	3/5 relatively record 2/5 rely on memory or irregular records	Recording practices remain inconsistent.
Annual Tax Return	4/5 never reported 1/5 reported twice	Reporting is not performed consistently.
Understanding of reporting	Generally limited	Tax payment and tax reporting are often perceived as the same obligation.

Source: Researcher's data analysis, 2026

3. Understanding of MSME Tax Payment

All five informants stated that they had never paid MSME income tax. When asked, they generally could not explain the applicable MSME tax rate or the turnover thresholds. Non-payment was driven by an assumption that their business was "too small" to be taxed, rather than an accurate understanding of the newly implemented tax exemptions for micro-businesses. This finding is consistent with Abubakar, Widodo, Sartika, and Dewi (2026), who concluded that many MSME actors still view taxation as complex and lack an understanding of their specific tax liabilities.

The distinction between tax liability and tax understanding is therefore central to interpreting this finding. The applicable MSME tax provisions include specific treatment for individual taxpayers whose annual turnover does not exceed Rp4.8 billion, including the treatment of the first Rp500 million of annual gross turnover. Consequently, the absence of payment may occur under certain circumstances without implying that the taxpayer fully understands the regulation. In this study, the informants' explanations show that non-payment was generally based on assumptions rather than a clear understanding of the applicable rules.

The finding is consistent with Budiarsa (2024) and Arief and Sani (2025), which emphasize that limited understanding of tax regulations can hinder MSME taxpayers in carrying out their obligations. The present study adds a practical dimension by showing that a taxpayer can possess NPWP and operate a business within the relevant turnover range while still being unable to explain the tax provisions that determine whether tax must be paid.

4. Factors Affecting MSME Taxpayers' Understanding

Based on attribution theory (Heider, 1958), the study found both internal and external factors affecting understanding. Internally, taxpayers possessed limited tax knowledge and held personal perceptions that tax obligations are strictly for large enterprises. Externally, the driving factors included administrative requirements to get NPWPs and a severe lack of tax socialization. All informants confirmed they had never received direct tax socialization or assistance from authorities. Berliana and Supadmi (2025) emphasize that tax socialization significantly positively impacts MSME tax compliance. The absence of such education in Tuminting District leaves business owners relying on assumptions rather than facts.

External factors include administrative reasons for obtaining NPWP, influence from family or acquaintances, previous employment requirements, limited access to tax information, and the lack of direct tax socialization or assistance. All informants reported limited or no direct participation in tax socialization activities relevant to their MSME activities. Several informants stated that they would benefit from simple training on Annual Tax Return reporting and direct assistance delivered at the subdistrict or village level.

Viewed through attribution theory, these findings show that taxpayer behavior is produced by an interaction between internal and external explanations. The decision to obtain NPWP may originate from an external administrative requirement, while the decision not to seek further information may be associated with an internal perception that the business is too small to require tax compliance. The resulting condition is a mismatch between formal taxpayer registration and substantive understanding. This helps explain why NPWP ownership was present among all informants while Annual Tax Return reporting and tax knowledge remained limited.

Table 4. Factors Affecting MSME Taxpayers' Understanding

Factor	Evidence from interview	Attributtion
Tax Knowledge	Informants could not clearly explain MSME tax provisions	Internal
Perfection of business size	Tax obligations perceived as relevant mainly to large businesses	Internal
Administrative requirements	KUR, permits, previous employment, business documents	External
Family/social influence	Advice from spouse/friends and information from others	External
Tax socialization	Informants reported no direct socialization or assistance	External

Source: Researcher's data analysis.

The research demonstrates that the central problem is not simply whether MSME taxpayers possess NPWP or whether they make tax payments. The more fundamental issue is whether they understand the sequence of obligations attached to taxpayer status. The five informants had already passed the registration stage, but several had not connected that status with turnover recording, Annual Tax Return reporting, and the legal basis for determining tax payment. This indicates a substantive understanding gap rather than merely an administrative gap.

The findings also show that turnover size alone does not determine the level of understanding. Informants with turnover below Rp 500 million and informants with turnover around Rp 500 million or Rp 600 million both demonstrated limitations in understanding Annual Tax Return reporting. Therefore, the issue cannot be reduced to the size of the business. What matters is the taxpayer's ability to interpret the applicable rules and translate them into concrete administrative actions.

The study is in line with previous research showing that tax understanding is important in supporting MSME tax compliance. However, it also highlights that tax socialization should not be limited to communicating tax rates. The informants' responses indicate a need for practical assistance explaining the relationship between NPWP ownership, turnover recording, payment provisions, and Annual Tax Return reporting. In other words, improving compliance requires strengthening taxpayers' ability to understand why an obligation exists and how it should be fulfilled.

E. CONCLUSION

The study concludes that MSME taxpayers' understanding of tax obligations in Tuminting District remains inadequate. Although all five informants possess NPWP, four obtained it mainly because of external administrative needs, while only one obtained it from personal awareness. This demonstrates that formal registration does not necessarily reflect substantive understanding of taxpayer obligations. The fulfillment of tax obligations is also not optimal. Turnover recording is inconsistent among informants, and four of the five informants have never reported an Annual Tax Return. One informant had reported an Annual Tax Return twice but did not continue because of limited understanding of the reporting procedure. All informants had never paid MSME income tax, and their explanations showed that non-payment was generally not based on a clear understanding of the applicable provisions. The factors affecting taxpayer understanding consist of internal and external factors. Internal factors include limited tax knowledge and the perception that tax obligations apply mainly to businesses with large income. External factors include administrative requirements, influence from family or social environment, limited access to information, and lack of direct tax socialization and assistance. Therefore, efforts to improve MSME tax compliance in Tuminting District should emphasize practical and accessible tax education, particularly concerning turnover recording, Annual Tax Return reporting, and the distinction between tax payment and reporting obligations.

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