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The Effect of MSME Final Income Tax Rate Changes and PSA Merdeka 78 Incentives on Tax Revenue: The Mediating Role of Taxpayer Compliance

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ABSTRACT

This study examines the effects of changes in the Final Income Tax rate for individual Micro, Small, and Medium Enterprises (MSMEs) and the PSA Merdeka 78 administrative penalty reduction incentive on tax revenue, with taxpayer compliance as a mediating variable at the South Makassar Primary Tax Office. A causal quantitative design was applied to 72 monthly time-series observations covering six years. The data were analyzed using descriptive statistics, classical assumption tests, path-analysis regressions, and the Sobel test in SPSS. Changes in the MSME final income tax rate positively affected taxpayer compliance ($\beta=0.264$; $p=0.019$) and tax revenue ($\beta=0.372$; $p<0.001$). PSA Merdeka 78 also positively affected taxpayer compliance ($\beta=0.291$; $p=0.010$) and tax revenue ($\beta=0.869$; $p<0.001$). Taxpayer compliance did not significantly affect tax revenue ($\beta=0.026$; $p=0.063$) and did not mediate either fiscal-policy relationship. The findings indicate that revenue improvements were driven mainly by the direct effects of rate adjustment and penalty relief rather than by changes in compliance.

INTRODUCTION

Tax revenue is the foundation of state financing and a key indicator of the government's fiscal capacity. When revenue realization falls short of targets, fiscal space narrows and dependence on debt financing increases. This challenge is further complicated in the MSME sector, as some businesses have limited cash flow, unorganized financial administration, and relatively low levels of business formalization. Therefore, tax policy design for MSMEs must maintain a balance between capacity to pay, business sustainability, compliance, and state revenue needs.

The government reduced the final income tax rate for MSMEs from 1% to 0.5% through Government Regulation No. 23 of 2018, which was later strengthened by Government Regulation No. 55 of 2022. The lower rate is expected to reduce cash burdens, improve perceptions of fairness, encourage business formalization, and broaden the tax base. However, the rate reduction does not automatically increase revenue. When revenue growth and the taxpayer base are not substantial, the rate reduction can depress revenue per taxpayer. Previous empirical findings have also been inconsistent: some studies found a positive effect on compliance and revenue, while others found a weak or insignificant effect.

At the regional level, the Directorate General of Taxes (DGT) Regional Offices in South, West, and Southeast Sulawesi launched the Merdeka 78 Tax Relief Program (PSA Merdeka 78) as a policy to relax administrative sanctions. This program provides a 78% reduction in sanctions for the Super category, 64% for the Special category, and 45% for the Standard category. Unlike preventive and long-term tariff reductions, the Merdeka 78 PSA is curative in nature, aiming to expedite the resolution of past arrears and administrative disputes. However, while temporary incentives may encourage payments during the program, they can potentially create expectations of repeated forgiveness if not accompanied by consistent law enforcement.

A research gap lies in the lack of studies that simultaneously examine the final income tax rate policy for MSMEs and the reduction of administrative sanctions in a single model that incorporates taxpayer compliance as a mediator. This study positions these two policies as fiscal instruments with different characteristics and examines whether their impact on revenue occurs directly or through increased compliance. The study aims to analyze the effect of changes in the final income tax rate for MSMEs and the Merdeka 78 PSA on tax compliance and revenue and to examine the mediating role of taxpayer compliance at the South Makassar Tax Office (KPP Pratama).

RESEARCH METHODS

The study employed a quantitative approach with a causal design. The object of the study was tax performance data from the South Makassar Pratama Tax Office (KPP Pratama). The population comprised all performance and financial reports from the office, while the sample was determined using purposive sampling based on the availability of up-to-date data following the implementation of changes to the MSME Final Income Tax rate and the implementation of PSA Merdeka 78.

The unit of analysis was monthly time series data over six years. A total of 72 observations were used for each variable, consisting of changes in personal final income tax revenue for MSMEs (X1), revenue realization through the Merdeka 78 PSA (X2), taxpayer compliance ratio (M), and tax revenue growth (Y). All variables were operationalized using growth ratios to ensure consistent comparisons between periods.

The analysis was conducted using SPSS through four stages. First, descriptive statistics were used to observe the characteristics of data distribution. Second, classical assumption tests included normality, heteroscedasticity, and multicollinearity. Third, ordinary least squares-based path analysis was used to test two equations: $M = \beta 1X1 + \beta 2X2 + e1$ and $Y = \beta 3X1 + \beta 4X2 + \beta 5M + e2$. Fourth, the Sobel test was used to assess the significance of the indirect influence of X1 and X2 on Y through M. The hypothesis decision used a 5% significance level.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive statistics of research variables

Variables	N	Minimum	Maximum	Average	Standard Deviation
Changes in MSME income tax rates (X1)	72	-20.00	23.00	0.3472	6.76186

Variables	N	Minimum	Maximum	Average	Standard Deviation
PSA Merdeka 78 (X2)	72	-44.00	66.00	1.6528	16.23954
Tax compliance (M)	72	-43.00	116.00	4,3611	25.43276
Tax revenue (Y)	72	-24.00	29.00	0.7222	8,58958

The largest variation was in tax compliance, followed by PSA Merdeka 78. The large standard deviation indicates that taxpayer response and program realization fluctuate significantly between months. This situation reinforces the need to use path analysis to separate the direct effects of policies from compliance mechanisms.

The Influence of Policy on Tax Compliance

Table 2. Results of the tax compliance model regression

Predictor	B	Std. Error	Beta	t	Sig.
Constant	3,262	2,782	—	1,172	0.245
Changes to MSME income tax rates	0.994	0.415	0.264	2,397	0.019
PSA Merdeka 78	0.456	0.173	0.291	2,643	0.010

Changes in the final income tax rate for MSMEs have a positive and significant impact on tax compliance. Lower rates reduce cash burdens and increase perceptions of fairness, giving taxpayers a stronger incentive to register their businesses, maintain bookkeeping records, submit tax returns, and pay their obligations promptly. These results support the view that tariff easing can strengthen voluntary compliance, but its effect depends on taxpayer understanding and the quality of administration.

PSA Merdeka 78 also had a positive and significant impact on tax compliance. The reduction in penalties lowered the cost of settling arrears and provided a less expensive administrative route than lengthy collection or dispute processes. However, this effect primarily reflects formal compliance during the program. Without post-program oversight, taxpayers may delay payments, anticipating similar relaxations in the future.

The Influence of Policy and Compliance on Tax Revenue

Table 3. Results of the tax revenue model regression

Predictor	B	Std. Error	Beta	t	Sig.
Constant	-0.240	0.108	—	-2,227	0.029

Predictor	B	Std. Error	Beta	t	Sig.
Changes to MSME income tax rates	0.473	0.017	0.372	28,620	<0.001
PSA Merdeka 78	0.460	0.007	0.869	66,262	<0.001
Tax compliance	0.009	0.005	0.026	1,891	0.063

Changes in the final income tax rate for MSMEs have a positive and significant impact on tax revenue. Economically, rate reductions increase business liquidity and can expand the formal taxpayer base. However, a positive coefficient should not be interpreted as meaning that rate reductions always increase revenue. The net impact is still determined by revenue growth, the number of active taxpayers, and the quality of oversight. If the tax base does not expand, lower rates can reduce revenue per unit of turnover.

The Merdeka 78 PSA has the strongest direct impact on tax revenue. This result is logical because the program directly converts tax arrears and receivables into cash inflows through penalty deductions. Its short-term effectiveness is high, but its fiscal sustainability is limited because the program relies on a stock of old arrears and its short implementation period. Therefore, the Merdeka 78 PSA is more appropriately positioned as an instrument to accelerate revenue collection, not a replacement for routine compliance systems.

Tax compliance has no significant effect on revenue. This finding suggests that improvements in administrative compliance indicators do not automatically result in higher material payments. Taxpayers may fulfill their reporting obligations, but their tax payable remains low due to limited turnover, tax incentives, loss compensation, or other economic factors. The difference between formal and material compliance is the primary explanation for this weak relationship.

Tax Compliance Mediation Test

Table 4. Summary of hypothesis testing

Connection	Coefficient/Statistics	Decision
Tariff changes → Compliance	β=0.264; p=0.019	Accepted
PSA Merdeka 78 → Compliance	β=0.291; p=0.010	Accepted
Tariff changes → Receipts	β=0.372; p<0.001	Accepted
PSA Merdeka 78 → Acceptance	β=0.869; p<0.001	Accepted
Compliance → Acceptance	β=0.026; p=0.063	Rejected
Tariff changes → Compliance → Acceptance	Sobel t≈0.019 < 1.666	Unmediated
PSA Merdeka 78 → Compliance → Acceptance	Not significant	Unmediated

The Sobel test shows that taxpayer compliance does not mediate the effect of tariff changes or the Merdeka 78 PSA on tax revenue. Statistically, the mediation failure is primarily due to the insignificant compliance-to-revenue pathway. This means that tariff policies and sanction reductions increase revenue through direct mechanisms: reducing the tax burden improves payment capacity, while sanction relaxation accelerates the repayment of arrears. Improved compliance indicators are not yet a sufficiently robust transmission mechanism.

These findings have important implications. First, policy evaluations should not rely solely on the number of registered taxpayers or the rate of tax return filing. Tax authorities need to differentiate between formal compliance, payment compliance, and tax base growth. Second, tax relaxation programs must be accompanied by clear deadlines, taxpayer segmentation, and post-program monitoring to prevent moral hazard. Third, low rates need to be accompanied by bookkeeping education, transaction data integration, and a graduation strategy toward normal rates to ensure sustainable tax base expansion.

CONCLUSION AND SUGGESTIONS

Changes in the personal final income tax rate for MSMEs had a positive and significant effect on tax compliance and revenue. The Merdeka 78 PSA also had a positive and significant effect on both variables and was the strongest direct predictor of revenue. Conversely, taxpayer compliance had no significant effect on revenue and did not mediate the effects of the rate change or the Merdeka 78 PSA.

These results confirm that the increase in revenue during the study period was largely determined by the direct impact of fiscal policy rather than changes in compliance behavior. The South Makassar Tax Office (KPP Pratama) should maintain proportional rates for MSMEs, but not make low rates a permanent policy without evaluating tax base growth. Sanction reduction programs can be implemented selectively to resolve receivables, provided they are not repeated too frequently and are consistently accompanied by law enforcement, supervision, and taxpayer education.

The study's limitations lie in the use of aggregate data from a single tax office, 72 months of observations, and the absence of macroeconomic control variables. Future research should utilize panel data across tax offices, differentiate between formal and material compliance, incorporate revenue growth and economic conditions, and employ bootstrap mediation or time-series models to more robustly estimate causal relationships.

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