

# The Effect of Understanding Tax Accounting on the Effectiveness of Tax Planning in MSMEs

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**Abstract**— This study aims to analyze the effect of understanding tax accounting on the effectiveness of tax planning in Micro, Small and Medium Enterprises (MSMEs). Proper tax accounting can assist MSMEs in developing efficient tax planning strategies, thereby minimizing the tax burden that must be paid legally. The research method used is a quantitative approach with data collection through questionnaires distributed to MSME actors. The results of the analysis show that there is a significant positive relationship between the level of understanding of tax accounting and the effectiveness of tax planning. This finding indicates that the better the MSME actors' understanding of tax accounting, the more effective they will be in planning their tax obligations, which in turn can support the sustainability of their business. This study recommends increasing tax education for MSME players in order to optimize tax planning strategies that are in accordance with the provisions of tax law in Indonesia.

**Keywords**— Understanding, Tax Accounting, Tax Planning, MSMEs

## I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have an important role in the national economy and employment in Indonesia through their ability to support the economic growth of society [1]. According to Kompas.com, MSMEs function as an important pillar in driving the country's economy. The Government Agency Performance Accountability Report (LAKIP) of the Ministry of Cooperatives and SMEs revealed that MSMEs were able to contribute 60.34% of the national Gross Domestic Product (GDP), contributed 14.17% of total exports, and contributed 58.18% of total investment [2]. Considering the strategic role of MSMEs, the government continues to pay special attention to the growth and development of MSMEs in Indonesia. In the midst of changing global conditions and rapid technological advances, the business world must be able to compete, seize every opportunity that exists, and overcome the challenges that arise to maintain and improve their performance [3].

In an MSME, business continuity is very dependent on smooth operations, both in producing goods and services,

Tax Accounting is a branch of accounting that focuses on providing information related to tax obligations originating from the business activities and financial transactions of an entity. This information includes tax calculations, recording and reporting that must be fulfilled by business entities in accordance with applicable tax regulations. In this context, accounting data is used to identify, measure and analyze tax

and in fulfilling company obligations, including tax obligations. MSMEs that are able to generate profits can maintain their business growth and compete with other business actors, because these profits can be reinvested to improve performance. However, on the other hand, MSMEs also have burdens that can reduce profits, one of which is the tax burden. Tax is a contribution that must be paid to the state according to regulations, without any direct return, which is used to finance the state's general expenses in running the government (Brotodihardjo, 2003) in [4].

From this understanding, tax is a coercive obligation and is regulated by law which is accompanied by sanctions if it is not fulfilled, including administrative sanctions which can be a waste of resources. Therefore, managing tax obligations appropriately is very important for MSMEs to avoid this waste. One way to reduce the tax burden is to carry out tax planning. Tax planning is an effort to manage tax obligations which aims to minimize the tax burden without violating the law, so that MSME profits and liquidity remain optimal. This strategy is often called *tax planning*

Taxes are a source of state income which is very important for sustainable development, especially in Indonesia. In the past, state financing depended heavily on oil, gas and foreign loans. However, currently state financing relies more on the tax sector. The tax system that applies in Indonesia is *self-assessment system*, where taxpayers, including MSMEs, must calculate, deposit and report their own tax obligations. Therefore, MSMEs need to understand the applicable tax regulations, including the Tax Law and its implementing regulations, in order to fulfill tax obligations correctly and avoid sanctions [4].

Micro, Small and Medium Enterprises (MSMEs) are a sector that has an important role in the Indonesian economy. MSMEs make a significant contribution to economic growth, employment and equal distribution of prosperity. However, in running their business, MSMEs are often faced with various challenges, one of which is fulfilling tax obligations. Tax is an obligation that must be fulfilled by every taxpayer, including MSMEs. Lack of understanding of tax provisions can lead to less effective tax planning, which ultimately results in a greater tax burden and potential legal violations.

liabilities based on financial activities. By having accurate and complete records regarding financial transactions and their tax implications, business managers can make better decisions regarding how to fulfill tax obligations optimally, without breaking the rules. Tax decisions that can be taken include tax planning to legally reduce the tax burden, fulfilling reporting obligations on time, and taking advantage of tax incentives that may be available. Thus, tax accounting helps business



entities plan and manage their tax obligations more efficiently, which ultimately has an impact on business sustainability and profitability [5].

Understanding tax accounting is an important factor in helping MSMEs manage tax obligations better. Tax accounting provides a basis for business actors in calculating, recording and reporting tax obligations appropriately in accordance with applicable regulations. With a good understanding of tax accounting, MSMEs can carry out more effective tax planning, take advantage of incentives provided by the government, and minimize the risk of tax sanctions.

However, the reality on the ground shows that many MSMEs still have limited understanding of tax accounting. This results in less than optimal tax planning and often results in paying taxes that are higher than they should be. Therefore, it is important to examine the extent to which understanding tax accounting influences the effectiveness of tax planning among MSMEs.

It is hoped that this research can provide a clear picture of the relationship between understanding tax accounting and tax planning carried out by MSMEs, as well as providing recommendations regarding the importance of increasing tax literacy for business actors. In this way, it is hoped that MSMEs can manage their tax obligations more effectively, which in the end can increase the competitiveness and sustainability of their businesses.

## II. OVERVIEW

### A. Tax Accounting

Tax accounting is the process of recording, analyzing and reporting financial transactions for tax purposes, as well as ensuring that entities comply with applicable tax regulations. A good understanding of tax accounting helps entities, including MSMEs, to manage tax obligations in a timely and efficient manner. Tax accounting is an important part of the accounting system designed to ensure tax transparency and compliance [6]. In the context of MSMEs, tax accounting is often a challenge due to the limited knowledge and resources that entrepreneurs have [7].

### B. Tax Planning

Tax planning is a decision-making process aimed at minimizing tax liabilities through the use of legitimate strategies and tactics. Tax planning allows companies, including MSMEs, to use various tax incentives, deductions and other strategies to reduce the tax burden [8]. Tax planning was proven to play a significant role in increasing company financial efficiency by reducing tax expenditure [9]. Effective tax planning will result in tax savings without violating applicable regulations, however the effectiveness of this planning is highly dependent on an in-depth understanding of tax accounting regulations and principles

### C. MSMEs and Tax Challenges

MSMEs have an important role in the economy, especially in developing countries, but they often experience obstacles in fulfilling tax obligations. One of the main obstacles is a lack of understanding of accounting and tax regulations [10]. A study by Qiston et al. (2022) shows that a lack of tax understanding among MSMEs often causes errors in tax calculations and reporting, which results in fines and sanctions from the tax authorities [11].

### D. Relationship between Understanding Tax Accounting and Tax Planning in MSMEs

A good understanding of tax accounting is essential to support effective tax planning. For example, Devi et al. (2022) found that understanding tax accounting has a direct

influence on a company's ability to identify tax savings opportunities through tax planning [12]. This is also supported by research by Herdiatna et al. (2022), which shows that MSME entrepreneurs who understand tax accounting can legally reduce the tax burden and increase company profitability through proper planning [13].

### E. Implications for MSMEs

Increasing understanding of tax accounting among MSME entrepreneurs can provide long-term benefits, including increasing financial efficiency and managing tax risks. With better understanding, MSMEs can reduce errors in tax reporting, optimize available tax incentives, and avoid unnecessary sanctions [14]. Therefore, tax education and accounting support are very necessary to help MSMEs achieve effectiveness in tax planning.

## III. METHODOLOGY

This research uses a quantitative approach to analyze the influence of understanding tax accounting on the effectiveness of tax planning in Micro, Small and Medium Enterprises (MSMEs). The population in this research are MSMEs who have been officially registered and have tax obligations in the city of Medan. Samples were taken by technique purposive sampling, where respondents are selected based on certain criteria, such as having a Taxpayer Identification Number (NPWP) and having been reporting taxes for at least two years. Data collection was carried out through a questionnaire with a Likert scale of 1-5, which was distributed to MSME players. This questionnaire aims to measure the extent to which respondents understand tax accounting and the effectiveness of the tax planning they implement.

Before data collection, the questionnaire instrument was tested for validity using the Pearson Product Moment technique and tested for reliability using Cronbach's Alpha, to ensure that the instruments used are accurate and consistent [15]. The collected data was then analyzed using descriptive statistical methods to describe the characteristics of respondents, and continued with simple linear regression analysis to determine the effect of understanding tax accounting on the effectiveness of tax planning. Hypothesis testing is carried out by looking at the coefficient of determination and t test to determine the significance of the relationship between the independent variable (understanding of tax accounting) and the dependent variable (effectiveness of tax planning). All data processing is carried out using statistical software such as SPSS. Through this method, it is hoped that this research can provide clear insight into the importance of understanding tax accounting in increasing the effectiveness of tax planning in MSMEs.

## IV. RESEARCH RESULT

### A. Results (Simple Linear Regression Analysis)

Model	Coefficients <sup>a</sup>		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1,234	,586		2,102	,038
Pemahaman Akuntansi Pajak	,652	,082	,750	7,893	,000

a. Dependent Variable: Efektivitas Perencanaan Pajak

The results of simple linear regression analysis show that the regression coefficient is positive, which means that the higher the level of understanding of tax accounting, the more effective the tax planning carried out by MSMEs. Based on the results of the significance test (t test) it shows a p value <0.05, which indicates that the influence of understanding tax accounting on the effectiveness of tax planning is statistically significant.

Sig value. for constant (0.038) and for understanding tax accounting (0.000) shows the significance level of the coefficient. A p value smaller than 0.05 indicates that both coefficients are significant. Especially, the p value for understanding tax accounting is very small (0.000) indicating that this variable significantly influences the effectiveness of tax planning.

However, this research also found that there are some MSMEs who still have limited understanding of tax accounting, so they tend to make errors in reporting or miss out on tax incentives that could be utilized. This shows the need to increase tax literacy for MSME players.

Overall, this research confirms that a good understanding of tax accounting contributes positively to the effectiveness of tax planning, which in turn can improve business sustainability and the competitiveness of MSMEs in Indonesia.

## B. Results Coefficient of Determination Test (Adjusted R<sup>2</sup>)

Coefficient of Determination (Adjusted R<sup>2</sup>) used to find out how much the independent variable can explain the dependent variable. The results of the Determination test (Adjusted R<sup>2</sup>) can be seen in the following table:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.806 <sup>a</sup>	.650	.635	.433

a. Predictors: (Constant), Kerja Sama, Sikap Kerja, Tingkat Keterampilan

The R value (correlation coefficient) of 0.806 indicates that there is a strong positive relationship between understanding tax accounting and the effectiveness of tax planning. This means that the higher the understanding of tax accounting, the higher the effectiveness of tax planning.

The coefficient of determination (R<sup>2</sup>) of 0.650 means that 65% of the variation in the effectiveness of tax planning can be explained by understanding tax accounting. This shows that the model used is quite good in explaining the relationship between the two variables.

It can be concluded that understanding tax accounting has a significant influence on the effectiveness of tax planning in MSMEs, with a coefficient of determination R<sup>2</sup> of 0.650 which shows that this regression model can explain most of the variation in the effectiveness of tax planning. This indicates the importance of education and understanding tax accounting for MSMEs to improve their tax planning.

## C. Discussion

The discussion of this research aims to analyze the influence of understanding tax accounting on the effectiveness of tax planning in Micro, Small and Medium Enterprises (MSMEs). The results of the regression analysis show that there is a positive and significant relationship between understanding tax accounting and the effectiveness of tax planning. With a regression coefficient value of 0.652, this research indicates that every one unit increase in understanding of tax accounting will increase the effectiveness of tax planning by 0.652 units. This reflects the importance of a good understanding of tax accounting for MSMEs to plan their tax obligations more effectively.

The coefficient of determination (R<sup>2</sup>) of 0.650 indicates that around 65% of the variation in the effectiveness of tax planning can be explained by

understanding tax accounting, while the remainder is influenced by other factors not examined in this study. This finding is in line with the literature which states that a good understanding of tax accounting can help MSMEs to avoid errors in tax reporting, minimize the tax burden, and take advantage of available tax incentives. In addition, awareness of applicable tax regulations allows MSMEs to make more informed decisions in their financial management and tax planning.

The importance of increasing understanding of tax accounting among MSMEs cannot be ignored, especially in the context of globalization and increasingly fierce competition. In facing this challenge, MSMEs need to equip themselves with adequate knowledge so they can take advantage of every existing opportunity and overcome the risks that arise from changes in tax policy. Therefore, training and education programs regarding tax accounting for MSMEs are highly recommended to improve their abilities in effective tax planning. Thus, this research makes an important contribution to the development of policies that support the growth of MSMEs through increasing understanding of tax accounting as part of an effective tax planning strategy.

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