

Education and Mentoring on the Utilization of Tax Incentives for MSMEs as a Business Recovery and Strengthening Strategy

Bayu Wardhana¹, Ismoyo Soemarlana², Cuk Taruna Hendrajaya³, Onny Rohana⁴

Institut Teknologi dan Bisnis Muhammadiyah Bali

* Corresponding author: entrepreneurship@bim.ac.id

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting the national economy, but still face various challenges, particularly in taxation. MSMEs' lack of understanding of tax policies and incentives has led to suboptimal utilization of these incentives, slowing down the recovery and strengthening of their businesses. This community service activity aims to improve MSMEs' understanding and ability to utilize tax incentives as a strategy for business recovery and strengthening. The activity's implementation methods include education through the delivery of material on tax policies and MSME tax incentives, interactive discussions, and technical assistance in tax calculation, payment, and reporting. The activity results indicate an increase in participants' understanding of the types and mechanisms for utilizing tax incentives, as well as increased compliance and readiness of MSMEs in fulfilling their tax obligations. Furthermore, the utilization of tax incentives is considered capable of helping business cost efficiency and supporting the sustainability of MSME businesses. This activity is expected to become a sustainable strategy in supporting economic recovery and strengthening the competitiveness of MSMEs through appropriate and applicable tax policies.

ARTICLEINFO

Article history:

Received: Month 1st, Year

Revised: Month 1st, Year

Accepted: Month 1st, Year

Published: Month 1st, Year

Keywords: Tax, MSMEs, Tax Education

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the national economy, contributing significantly to employment and economic growth. However, MSMEs still face various structural challenges, particularly in financial management and fulfilling tax obligations (Safitri et al. 2021). Low tax literacy, limited understanding of tax regulations, and limited access to fiscal policy information are key factors contributing to low levels of MSME tax compliance (Nugraha 2018). The government has issued various tax incentive policies for MSMEs to encourage economic recovery and strengthen business sustainability, including reducing the Final Income Tax (PPH) rate for MSMEs and simplifying tax administration through a digital system (Dwihandoko 2020). These incentives are designed to ease the tax burden on MSMEs, enabling them to allocate resources more optimally for business development (Liswatin 2022).

However, in reality, the utilization of these tax incentives has not been optimal. Many MSMEs are unaware of the types, mechanisms, and requirements for utilizing available tax incentives, resulting in the policy's ineffectiveness. This situation indicates a gap between the fiscal policies formulated by the government and the level of understanding and preparedness of the MSMEs targeted by these policies (Widastuti 2017). Without ongoing education and assistance, MSMEs tend to experience difficulties in implementing tax provisions appropriately, from financial recording and tax calculations to tax reporting and payments (Muljanto 2020). This not only impacts tax compliance but also the sustainability and competitiveness of MSME businesses. Therefore, community service activities through education programs and assistance in utilizing tax incentives for MSMEs are crucial. This program is expected to improve MSME tax literacy, encourage the appropriate utilization of tax incentives, and assist MSMEs in managing tax obligations more effectively. Thus, the utilization of tax incentives serves not only as a

compliance instrument but also as a strategy for the recovery and sustainable strengthening of MSME businesses.

2. METHODS

This community service activity is implemented using a participatory and applied approach, emphasizing increasing the knowledge and practical skills of MSMEs in utilizing tax incentives. The implementation method consists of several stages, as follows:

1. Identification and Needs Analysis Stage

The initial stage involved observation and brief interviews with MSMEs to identify their level of tax understanding, financial record-keeping patterns, and the challenges they face in fulfilling their tax obligations. The identification results were used as the basis for developing educational materials and mentoring strategies tailored to the characteristics and needs of the target MSMEs.

2. MSME Tax Education Stage

Education is provided through socialization and training activities which include the following materials:

- a. Introduction to MSME tax obligations,
- b. Types and provisions of tax incentives that MSMEs can take advantage of.
- c. Calculation mechanism for Final Income Tax (PPH) for MSMEs.
- d. As well as tax payment and reporting procedures through digital systems (e-billing and e-filing).

The delivery method is carried out interactively through lectures, discussions, and simple case studies so that the material is easy to understand and can be directly applied by participants.

3. Technical Assistance Stage

Mentoring is carried out directly and continuously to help MSME actors in:

- a. Prepare simple financial records as a basis for tax calculations,
- b. Calculate the amount of tax owed according to applicable provisions,
- c. Make proper use of tax incentives,
- d. As well as making tax payments and reporting independently.

This mentoring aims to ensure that MSMEs not only understand the concept but are also able to implement tax practices correctly.

4. Monitoring and Evaluation Stage

Monitoring and evaluation are conducted to assess the effectiveness of community service activities. Evaluation is conducted by comparing participants' levels of understanding before and after the activity, as well as their ability to utilize tax incentives and file tax returns. Evaluation results are used to inform improvements and provide recommendations for future community service activities.

5. Report Preparation and Publication Stage

The final stage includes the preparation of an activity report and a scientific article on community service as outputs. The publication is expected to serve as a reference for the development of future MSME tax education programs.

3. RESULTS AND DISCUSSION

1. Improving Understanding of MSME Taxation

The results of the educational activities showed an increase in understanding of basic tax concepts among MSMEs, particularly regarding tax obligations and the types of tax incentives that can be utilized. Prior to the community service activities, most participants still had a limited understanding of MSME Income Tax (PPH) rates, tax incentive mechanisms, and tax reporting procedures. After participating in the educational sessions and interactive discussions, MSMEs began to understand the function of taxes not only as obligations, but also as policy instruments that can be utilized to support business sustainability. This increased understanding was evident in the participants' ability to re-explain the types of applicable tax incentives and their benefits for their businesses. These findings indicate that an educational approach accompanied by relevant case examples can significantly improve MSME tax literacy.

2. Implementation of Tax Incentive Utilization

During the mentoring phase, MSMEs began applying the acquired knowledge by utilizing tax incentives in accordance with applicable regulations. The mentoring results showed that most MSMEs were able to maintain simple financial records as a basis for tax calculations. Furthermore, participants were able to understand the calculation of MSME Final Income Tax and align it with available tax incentive policies. The direct technical mentoring had a positive impact on MSMEs' readiness to utilize tax incentives. MSMEs no longer experienced confusion in determining the amount of tax to be paid or in understanding tax administration procedures. This demonstrates the crucial role of mentoring in bridging the gap between tax regulations and practice in the field.

3. Improving Tax Compliance and Administration Capability

The results of the activity also showed an increase in MSME tax compliance, as indicated by participants' increased ability to independently report and pay taxes. MSMEs are becoming accustomed to using digital tax systems, such as e-billing and e-filing, making the tax administration process easier and more efficient. This increase in compliance aligns with findings that easy access and adequate understanding of digital tax systems can encourage voluntary compliance among MSME taxpayers. With mentoring, the psychological and technical barriers previously faced by MSMEs can be minimized.

4. Impact on Business Recovery and Strengthening

Utilizing tax incentives has a positive impact on the business conditions of MSMEs. By reducing the tax burden, MSMEs can allocate business funds to other, more productive needs, such as raw material procurement, product quality improvement, and marketing development. This demonstrates that tax incentives can function as a business recovery strategy and as a stimulus to strengthen MSME capacity. These results reinforce the view that fiscal policy, accompanied by appropriate education and mentoring, can provide tangible benefits for MSMEs. Without mentoring, tax incentive policies have the potential to be underutilized.

Discussion

Overall, the results of the community service program indicate that education and mentoring in the utilization of tax incentives can improve tax literacy, tax compliance, and the administrative capacity of MSMEs. This finding aligns with various community service studies that state that increased understanding and ongoing mentoring are key to the successful implementation of tax policies for MSMEs. This community service program also demonstrates the strategic role of universities in supporting government policy implementation through knowledge transfer and practical mentoring. Thus, education and mentoring in the utilization of tax incentives not only contribute to increased tax compliance but also serve as a strategy for the sustainable recovery and strengthening of MSME businesses.

5. CONCLUSIONS

Community service activities through education and assistance in utilizing tax incentives for MSMEs have had a positive impact on increasing tax literacy and compliance among business actors. The education provided has been able to improve MSMEs' understanding of tax incentive policies, calculation procedures, and tax reporting and payment mechanisms in accordance with applicable regulations. Continuous technical assistance has been proven to help MSMEs implement tax knowledge practically, particularly in simple financial recording and the use of digital tax systems. This encourages increased independence of MSMEs in fulfilling tax obligations while optimally utilizing tax incentives.

Utilizing tax incentives also contributes to the recovery and strengthening of MSMEs by reducing their tax burden, allowing them to allocate more resources to business development. Therefore, education and mentoring on the use of tax incentives not only play a role in improving tax compliance but also serve as an effective strategy in supporting the sustainability and competitiveness of MSMEs. This community service activity demonstrates the important role of universities in supporting government policies through knowledge transfer and practical mentoring. Therefore, similar programs need to be implemented sustainably and expanded to benefit more MSMEs.

REFERENCES

- dwihandoko, Toto Heru. 2020. "The Effectiveness of Land and Building Tax Revenue on Increasing Local Original Income of Lamongan Regency (Case Study at Lamongan Regency Government Office for the Period 2014 - 2018)." *Journal of Business and Management* 3(1):55–71. Doi: 10.1017/Cbo9781107415324.004.
- Liswatin, Liswatin. 2022. "Innovation in Regional Tax and Retribution Management in Increasing Regional Original Income in Konawe Regency." *Sibatik Journal: Scientific Journal in Social, Economic, Cultural, Technology, and Education* 1(3). Doi: 10.54443/Sibatik.V1i3.15.
- Muljanto, Muhammad Agus. 2020. "Recording and Bookkeeping Via MSME Accounting Application in Sidoarjo." *Pangabdhi Scientific Journal* 6(1):40–43. Doi: 10.21107/Pangabdhi.V6i1.6926.
- Nugraha, Hendra Akbar. 2018. "Registration of Waqf Land Originating from Land Tax Title Designated as a Place of Worship." *Jurnal Jurist-Diction* 1(1):144–63.
- Safitri, Hardita Rahma, Nelfi Afri Yanty, Siska Adelia, Tasya Kusumaningtyas, and Mohammad Sofyan. 2021. "Implementation of Income Tax Article 21 Policy During the Covid-19 Pandemic in DKI Jakarta Province." *Journal of Public Administration and Business* 1(4). Doi: 10.5281/Zenodo.4696012.
- Widyastuti, Pristiana. 2017. "Recording of Financial Reports Based on Financial Accounting Standards for Entities Without Public Accountability (Sak Etap) in Micro, Small, and Medium Enterprises (MSMEs) in the Service Sector." *National and International Online Journal* 1(1):50–63.