

ABSTRACT

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TAX COMPLIANCE CHALLENGES: A SURVEY STUDY AMONG MSME SECTORS IN MEDAN

(xiii + 68 pages; 10 figures; 22 tables; 6 appendices)

This research assessed the tax compliance issues among MSMEs culinary sector in Medan as this sector has the potential to be one of the largest contributors of national income. The objective of this research is to identify possible causes of tax compliance by establishing the relationships between tax compliance and the possible determinants (tax knowledge, tax rate, and tax sanction) among MSMEs culinary sector. A survey study was conducted and the sample of the research is 64 MSMEs culinary sector that are located in Medan Petisah district. Purposive and simple random sampling methods were adopted in eliciting information and questionnaires were issued out in collection of data from the respondents. Multiple regression analysis was used to establish the relationships and effects of the three predictive variables and tax compliance both partially and simultaneously, using SPSS. The research revealed that there is a strong and positive relationship between tax compliance and the three predictive determinants. The research also concluded that high knowledge on taxation, fixed and final certain applied tax rate and heavy tax sanction are the major leading factors in tax compliance among MSMEs culinary sector in Medan Petisah district. In this research, the three predictive determinants simultaneously affect the tax compliance, however tax sanction has no significant effect on tax compliance partially. Tax rate has the most dominant influence among the determinants in this research.

Keywords: Tax compliance, The determinants (tax knowledge, tax rate, and tax sanction), Micro, Small and Medium Enterprises (MSME)

References: 65