Should the Cash Receipt System (CRS) be Implemented to Optimize Taxes in the Indonesian MSME Sector?

Rakib Adesurya 1*, Yulianti Abbas 2, 1,2 Accounting Magister Program, Universitas Indonesia, Jakarta, Indonesia

ARTICLE INFO

ISSN: 2774-4256

ABSTRACT

Research Aims: This study aims to analyze the viability of applying a Cash Receipt System (CRS) concept in supervising tax revenue from the MSMEs sector to add the consideration for implementing CRS in Indonesia using the OECD (2015) framework.

Design/methodology/approach: This study uses a descriptive qualitative approach in the form of a case study conducted at the Directorate General of Taxes (DGT). The study was carried out by analyzing literature analysis, analyzing taxation data on the MSMEs sector, and analyzing interview results. The data collection method consists of secondary data through literature analysis and primary data through interviews with respondents from the DGT, Regional Revenue Agency, taxpayers in the MSMEs sector, consultants, and related associations.

Research Findings: Research shows that CRS policy does not fulfill some OECD (2015) principles, especially Neutrality, Efficiency, and Equity. This research emphasizes the importance of tax education and financial literacy in the MSME sector for Indonesia's sustainability of tax revenues.

Theoretical Contribution/Originality: Suggested by the OECD (2017), the study contributes to the body of knowledge regarding the application of the fiscal device to counteract tax evasion in Indonesia.

Keywords: Fiscal Device, Cash Receipt, Tax Evasion, MSME

Introduction

In the Indonesia State Budget 2023 [1], taxes hold a significant position, contributing 82% of governmental revenues. However, OECD (2023) reveals a concerning trend. Indonesia's tax-to-GDP ratio in 2021 (10.9%) is significantly lower than the average for Asia Pacific nations (19.8%) and the average for African countries (16%), despite a slight increase from 2020 (10.1%) [2]. This decline is further highlighted by the fact that Indonesia's tax ratio has been decreasing between 2007 and 2021. The presence of a shadow economy in Indonesia is a key factor contributing to this low tax ratio, emphasizing the urgency of the issue [3], [4].

Shadow, underground, hidden, grey, informal, or black economy is defined by Feige (1990), which was subsequently explored by Nason et al. (2024), as an economic activity that is difficult to measure because it is usually neglected in economic data collecting and law enforcement [5], [6]. The informal economy issue is also a problem for employment. According to BPS (2024), 84.13 million people, or 59.17% of the
Indonesian workforce, are employed in the informal sector [7]. Only thirty percent of Indonesian workers are covered by BPJS, according to the National Social Security Council (DJSN) [8]. Construction workers comprise 22% of the 41.56 million registered workers, while wage earners comprise 60% of the workforce [9].

In Indonesia, the informal economy presents a significant challenge. Using statistics from 2009 to 2020, Lestari et al. (2022) reveal that the shadow economy has accounted for a staggering 25% of Indonesia's GDP annually [10]. This is further underscored by World Economics, which states that Indonesia's informal economy accounts for 22.7% of GDP PPP, or USD 1.092 billion [11]. According to Wirawan (2023), who takes a monetary approach, Indonesia's subterranean economy accounted for 18.2% of nominal GDP 2016-2021, highlighting the magnitude of the problem [12].

With 99% of business units, MSMEs play a significant role in Indonesia's economy, accounting for 60.5% of GDP and 96.9% of labor absorption [13]. Nonetheless, most MSMEs in Indonesia operate in the informal sector [14]. Besides, MSMEs' tax compliance still needs improvement. According to MUC Global, the MSME sector's tax contribution was only 0.43% of total income in 2018 [15]. However, in 2019, that percentage increased to 1.1% [16]. Therefore, MSMEs sectors are sometimes described as a hard-to-tax sector [17].

One of the government's efforts to increase compliance is to simplify administration and intensify tax supervision in Indonesia. In the 2015-2019 Directorate General of Taxes' Strategic Plan, DGT proposed a tax supervision system as a Cash Receipt System (CRS) [18]. Attached to Director General Regulation No. PER-46/PI/2015 concerning the DGT Information and Communication Technology Blueprint, CRS was explained as an application that can detect taxpayer's transactions through cash register machines and electronic data capture (EDC) machines to optimize tax potential [19]. Academic Manuscript of the 2016 VAT Statutory Plan schemed that DGT would implement CRS for retail traders [20]. The CRS policy piloting plan, as previously reported by Kontan, has not yet been implemented [21]. There have not been any further developments in The Minister of Finance's Regulation Plan regarding CRS and incentives in the 2020-2024 DJP Strategic Plan [22].

This tool for recording and securing sales data to combat tax fraud has been recommended by the OECD (2017) as a solution to the global issue of tax evasion. Several terms are used for this device, for example, online cash receipt, electronic cash register, fiscal control unit, electronic fiscal device, fiscal memory device, sales data controller, or sales recording module. Several countries have benefited after implementing this policy. There was an income tax increase in Austria and Sweden. There was a VAT increase in Hungary and Rwanda [23]. There was an increase in transaction transparency of up to 96.5% in South Korea [24].

Several studies highlight the weaknesses of CRS. The first is the expensive procurement and device maintenance [25], [26]. Second, weak law enforcement makes
this policy ineffective [27], [28]. Third, there is the possibility of technical failures, such as connectivity problem, damaged devices, and a lack of training for device users [29]. Kenani et al. (2021) explain the failure of Electronic Fiscal Devices (EFD) in Malawi, which did not even affect tax revenues or compliance [30]. Smith and Walsh-Smith (2014) suggest limiting the widespread implementation of this tool in New Zealand only to companies with a history of tax evasion [31].

The CRS policy must consider MSMEs' competitiveness when supporting them [32]. According to data, traditional grocery stores account for 99% of all retail establishments in Indonesia [33]. According to Kompas, the Indonesian Retail Entrepreneurs Association revealed that 1,200 stores shuttered in 2020 and 1,300 closed in 2021 due to the pandemic [34]. The retail performance had yet to recover entirely as of July 2023 [35].

Based on the pros and cons of related policy plans, the CRS system should be guided by appropriate principles. Neutrality, Efficiency, Certainty and Simplicity, Effectiveness and Fairness, Flexibility, and Equity are the six guiding concepts for creating economic and fiscal policies by the OECD (2015) [36]. OECD (2015) provides a more comprehensive framework than "The Four Maxims" from Adam Smith (1784) [37] in assessing existing or proposed policies and can answer future tax challenges.

The CRS policy plan needs further research to measure the benefits compared to the costs incurred. Previous research in other countries discussed similar policies, while previous studies in Indonesia discussed similar policies for regional taxes. As far as the author's research is concerned, the implementation of central tax collection in Indonesia using the CRS system is still limited. Therefore, this research intends to fill the research gap and provide appropriate policy recommendations for the DGT to optimize tax revenues and maintain the stability of the Indonesian economy.

Literature Review

Tax Compliance

Research experts believe 2 (two) approaches form taxpayers' voluntary compliance: deterrence and social-psychology/behavioral approaches [38]. The deterrence approach initiated by Allingham and Sandmo (1972) believes that taxpayers are economically rational people and will avoid taxes by reporting their taxes less than they should. Therefore, they only pay taxes because they fear tax audits and sanctions imposed [39]. Meanwhile, the behavioral approach offered by Bătrâncea et al. (2012) and the social-psychology approach by Fishbein and Ajzen (1975) believe the opposite, that taxpayers are humans who are motivated to comply with taxes based on various attitudes, norms, beliefs, perceptions, feelings, social characteristics, and cultural backgrounds. Therefore, many non-compliance factors influence taxpayers, such as perceptions of fairness, treatment of tax authorities, trust in the government, and ease of complying with tax regulations [40], [41].
Compliance by Design

OECD (2014) introduced the concept of Tax Compliance by Design. This strategy leverages technology to integrate tax compliance into an entity's normal business processes, especially for small and medium enterprises. This approach aims to make tax compliance a natural part of an entity's daily transactions, making it easier to fulfill tax obligations without disrupting business operations. This approach also aims to make intentional non-compliance become unintentional compliance. Tax Compliance by Design entails using digital record-keeping systems and automated tax calculation tools to establish an environment promoting the efficient and successful fulfillment of tax duties. It also requires coordination with numerous parties, including tax authorities and other business partners, to ensure the smooth implementation of these technological solutions [42].

Hard-to-Tax

Based on Thuronyi (2004), recently researched by Mas-Montserrat et al. (2023), the term 'hard-to-tax' refers to groups of taxpayers who are difficult to tax using standard tax calculation methods. This group usually consists of low-income small farmers and small businesses that need more adequate accounting records and often sell goods retail with cash payments. Moreover, withholding/collecting their taxes is impractical due to the nature of their business transactions. Therefore, tax imposition in this group usually uses the presumptive method, namely an indirect approach to determining tax liabilities [43], [44]. This method is used in the final income tax on micro, small, and medium enterprises (MSMEs) in Indonesia at a 0.5% gross turnover tax rate per Government Regulation Number 23 of 2018, amended by Government Regulation Number 55 of 2022 [45]. The challenges and solutions related to taxing this group are a significant part of our discussion on tax compliance approaches and related technologies.

Tax Principles

OECD (2015) states that several considerations guide the development of tax systems [36]. The first is Neutrality, meaning that the tax system must be neutral. It aims to ensure that tax considerations do not influence business decisions. Hentschel (2021) explains that in a policy context, taxes should not encourage taxpayers to adjust resource use, which can cause inefficiency and reduced welfare [46]. The second is Efficiency, meaning that the compliance costs for taxpayers and the administrative costs for the government must be as minimal as possible. The third is Certainty and simplicity, meaning that tax rules must be clear and easy to understand. The fourth is Effectiveness & Fairness, meaning that the tax system must impose taxes in the right amount and at the right time while avoiding double taxation and unintended absence of taxation. The fifth is Flexibility, meaning that the tax system should be adaptive to technological changes and business developments. The last is Equity, which shows
that taxpayers in the same situation must bear the same tax burden and, in better circumstances, a more significant share in proportion to their income [36].

Previous Studies in Indonesia

Numerous studies on devices similar to CRS in Indonesia are concerned with local taxation. A case study from Kamal (2016) examines a system identical to CRS, namely a cash management system [47]. Aris et al. (2021) explain the tax monitoring system through the Terminal Monitor Device (TMD) and Cash Register in Surakarta [48]. Yusuf (2020) explains hotel tax monitoring using tapping box devices by the District Regional Revenue Agency Mojokerto [49]. Larasati & Buga (2020) explained the implementation of tapping boxes in Malang [50]. Ratnawati et al. (2023) researched the effect of tapping boxes on increasing Semarang city tax revenues [51]. Candra et al. (2019) researched a tool to control income leakage, namely a tapping box, in Batam [52]. Generally, this monitoring system involves an application installed on the entrepreneur's device or server, which records and stores all business transaction data. The collected data is periodically uploaded by entrepreneurs or sent in real time to servers belonging to regional tax authorities. Implementation of this system provides benefits to the government in the form of increased compliance in paying regional taxes and levies.

Previous Studies in Other Nations

Several studies abroad were conducted on the theme of sales recording devices. Casey and Castro (2015) tell the early history of the use of this device. This device contains fiscal memory storing tax information, distinct from ordinary cash registers. In 1983, the Italian tax authorities implemented Electronic Fiscal Devices (EFD), followed by the Greek tax agency in 1988. After that, the use of EFDs spread regionally from the Mediterranean region to neighboring countries in the former Eastern Bloc, crossing over to Latin America and then back to the East African region. EFD technology continues to improve, and the production of EFD devices is becoming more affordable, with costs dropping from thousands to hundreds of dollars [26].

Ainsworth (2008) explains several countries' procurement schemes for fiscal monitoring equipment. Germany imposes a burden on taxpayers to provide smart cards. Greece provides easy regulations for taxpayers with an installment mechanism and permits high depreciation charges on equipment. Quebec, Canada, subsidizes all Sales Recording Modules (SRM) in the restaurant sector [25]. Ainsworth and Hengartner (2009) added that in the United States, implementing similar devices is not mandatory [53].

OECD (2019) conducted a case study of implementing an Online Cash Register (OCR) in 4 countries: Hungary, South Korea, Russia, and Slovakia. This study explains the implementation history and system architecture of the devices used [24]. Lovics et al. (2019) explained the positive impact of implementing Online Cash Registers (OCR) in Hungary. In 2014, Hungary required taxpayers in the retail, accommodation, and
food services sectors to install OCR to reduce the underground economy. The implementation significantly affects the reported turnover of affected companies [54].

Jeon and Park (2011) explain South Korea's efforts to reduce the underground economy and increase transparency and tax compliance. The government provides incentives in the form of income deductions on credit cards and cash receipt systems. Buyers who use credit or debit cards or cash receipts to make purchases or business transactions get certain tax deductions from the amount of their purchases [55].

Lee and Swenson (2019) provide a cost-benefit analysis of the CRS policy in South Korea [56]. The following is a calculation of the benefits and costs of this policy:

<table>
<thead>
<tr>
<th>Components and Operational Cost</th>
<th>Description</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Tax Revenue Gain</td>
<td>Annual average increase in income taxes revenue, Extra tax revenue from CRS</td>
<td>280 million</td>
</tr>
<tr>
<td></td>
<td>Total Est. Revenue</td>
<td></td>
</tr>
<tr>
<td>Implementation and Operational Cost</td>
<td>Equipment Purchase, Program Development, Lottery Prizes, Promotion, Call Center Labor, Tax Credits for CRS Operator</td>
<td>42.2 million</td>
</tr>
<tr>
<td>Benefit of Policy</td>
<td></td>
<td>237.8 million</td>
</tr>
</tbody>
</table>

Source: Lee and Swenson (2019) [56]

Electronic Cash Register (ECR) is one of the Slovak government's measures to prevent tax avoidance and tax evasion [57], [58]. Jakubowska (2019) also explains the implementation of Fiscal Devices in Poland, concluding that the policy is effective for the grey economy. This research also describes a case study in Croatia that started in January 2013, when the government's fiscal system connected all taxpayers online. As a result, economic income increased by more than 40% and was considered successful in dealing with the shadow economy in Croatia [59]. Apart from the research
described, the OECD (2017, 2019) has also explained the benefits of sales recording devices for other countries abroad [23], [24].

Method

This qualitative research uses the case study method. Descriptive qualitative analysis is an approach to obtain data more clearly and intensely because containing meaning and is substantial, so it has an impact on the essence of the research conducted [60]. The data triangulation was employed to guarantee data reliability and validity by integrating data from several sources, including key informant interviews and document analysis. The data collection method consists of secondary data for literature analysis, MSME taxation data, CRS policy paper, and primary data for analysis of interview results. A literature study analysis was carried out to understand how CRS is being used in countries that have had this policy for years. Documentary data analysis consists of data on MSME taxpayers (personal and corporate) and information regarding CRS policy paper from DGT.

The case study site was at the Directorate General of Taxes, Ministry of Finance. This case study method is intended to gain an in-depth understanding regarding the analysis implementing CRS policy concept in the MSMEs sector based on OECD (2015) from the perspective of policymakers (government), policy observers (consultants and associations), and policy implementers (MSMEs and vendors). The following research instrument was interviews conducted with 19 participants: 7 people from the central government at the Directorate General of Taxes (Code: DGT), 2 from the DKI Jakarta government (Code: DKI), 1 consultant (Code: CONS), 2 people from the association (Code: ASC), 1 person from a third-party vendor (Code: VDR), and 6 MSME entrepreneurs (Code: SME). Semi-structured techniques were used in the interview to gain a deeper understanding of the participants' views, experiences, and perspectives. The thematic analysis, a method for identifying patterns or themes based on the qualitative data obtained, is used to answer research questions by compiling a transcript of the interview results, re-reading the transcript results, and then coding the interviewee's answers to map them into the discussed themes [61]. The conceptual framework for the research carried out is presented in Figure 1:
Result and Discussion

Tax Contribution from MSME sectors

Based on Book II of the Financial Notes of the State Budget Plan 2024, the total number of Taxpayers in 2023 is 69.1 million [62]. Table 1. shows the number of registered Taxpayers in the MSME sector (based on turnover criteria) in 2023 will only be 265,847 people (0.38%). The 2023 DGT Performance Report (LAKIN) shows the realization of DJP revenues in 2023, IDR 1,718 trillion based on the 2023 APBN or IDR 1,818.2 trillion based on Presidential Decree 75/2023 [63]. Thus, income taxes from the MSME sector presented in Table 1. with a total of IDR 12,781.80 billion only contributed around 0.7%, decreasing from 1.1% in 2019. DGT needs a compliance strategy to increase tax revenues from the MSME sector.

Table 1. Income Tax from MSMEs 2023

<table>
<thead>
<tr>
<th>Type of Taxpayer</th>
<th>Number of Tax ID (NPWP)</th>
<th>Tax Revenue (in billions IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Taxpayers with turnover up to IDR 500 million</td>
<td>42,995</td>
<td>354,79</td>
</tr>
<tr>
<td>Individual Taxpayers with turnover above 500 million to below IDR 4,8 billion</td>
<td>111,832</td>
<td>1,756,66</td>
</tr>
<tr>
<td>Corporate Taxpayers with turnover under IDR 4,8 billion</td>
<td>110,820</td>
<td>10,670,35</td>
</tr>
<tr>
<td>Total</td>
<td>265,847</td>
<td>12,781,80</td>
</tr>
</tbody>
</table>

Source: DGT (2024)

Neutrality Principle
One of the basic principles of tax policy is that taxes must be neutral and equal in various forms of business activity [36]. Meanwhile, based on participants from MSMEs, all of them believe that taxes in Indonesia still lack neutrality, depending on the consumer segment and the nature of the business model. Participant SME6 said that he could not increase the price of his bread when the cost of eggs increased because he was worried that his customers would move to a competitor's bakery, so he chose to reduce his profits to ensure business continuity.

Based on questions regarding the impact of policy, several optimistic sources provided several prerequisites so that taxes do not significantly impact the behavior of economic actors. First, taxes were previously paid correctly. Second, there would be no additional expense for taxpayer compliance. Third, the legislation would apply to all industries or environments. These various prerequisites will be challenging to implement because, in practice, only certain sectors can effectively obtain significant results [54]. It is undoubtedly different from Hentschel (2021), who requires that the new tax rules not only affect specific business sectors [46]. Moreover, Directorate of Business Process Transformation (Dit TPB) requires that the Online Cash Register (OCR)/CRS policy does not interfere with the way consumers shop and pay [64].

Meanwhile, two other sources stated that CRS cannot reduce non-neutral tax conditions. Instead, it will worsen the current condition. A regional government participant further mentioned that research needs to be done on how the sales data tracking regulation affects taxpayers' business decisions. What is clear is that this policy makes it easier for regional tax officers to analyze the tax potential. Therefore, DGT should provide incentives to taxpayers who wish to apply the CRS policy early on to lessen the impact of non-neutrality.

**Efficiency Principle**

The following basic principle of tax policy is that the tax compliance burden for taxpayers and the administrative burden for the government must be as minimal as possible [36]. Dit TPB recommends that the implementation of OCR/CRS policy must provide value added in the form of tax administration efficiency for both DGT and Taxpayers [64]. Participants from the private sector optimistically stated that there is significant tax potential in the MSME sector that can be explored through CRS. Furthermore, they said there is something bigger than tax collection, namely data transparency and guidance to MSMEs. Research from Yusuf (2022), OECD (2019), and Kamal (2016) underscores that the implementation of this policy can effectively reduce corrupt practices in the business [49], [24], [47].

Tapping boxes help increase local tax revenues [51], [48], [52]. Regarding tax potential, Participant ASC1 stated that in the fisheries sector, the practice of transshipment (ship to ship) that occurs makes a tax contribution of no more than 5% of tax revenues. In contrast, the Food and Agriculture Organization states that Indonesia is ranked second with the most significant marine catch in the world, behind
China [65]. From the government side, Participant DGT1 believes that the potential tax will be able to cover the costs of tax levies because there are offers from foreign private parties willing to cover all investments related to CRS with certain profit sharing. It means that the investment return will be greater than the investment capital. Lee and Swenson (2019) explain that the CRS policy implemented in South Korea does incur enormous investment costs but increases greater returns [56].

In terms of costs, all government participants stated that implementing this policy would be very expensive and require considerable effort. The biggest challenge starts with the regulatory drafting process, which is very complex because it involves many parties, both from the government and the private sector and various business processes in the MSME sector. In addition, Indonesia's territory is vast and separated by islands, making providing supporting infrastructure very challenging. Then, when implementing it, there is a Human Resources problem where people's financial literacy still needs to improve, and special outreach regarding this matter is required. After this policy was implemented, the DGT experienced challenges in carrying out supervision, which, in its implementation, had to be careful to maintain the economy. Participant DKI from the regional government stated that the implementation of the data recording policy in DKI Jakarta had been carried out for a long time, even before Governor Regulation No. 98 of 2019 [66]. Since 2011, the DKI Jakarta government has carried out outreach and assistance regarding the tools that will be installed to monitor taxpayer transactions. In fact, at the beginning of its implementation, the DKI Jakarta government had to collaborate with the authorities to prevent chaos in the society. This matter is in accordance with research from Casey & Castro (2015), which states that introducing this policy required enormous efforts [26]. Larasati and Buga (2020) state that initial implementation in Malang had to collaborate with the Corruption Eradication Commission and Law Enforcement Officials [50]. It was concluded by Participant DGT4 that apart from the effort being too large with limited resources, there is a trend of financial digitalization in society and another more promising potential in the marketplace, so DGT shifted and did not continue the policy plan.

Certainty & Simplicity Principle

One of the basic principles of tax collection is that tax rules must be clear and easy to understand [36]. Participants had different views on questions related to the current tax conditions. Some stated that the regulations were clear and straightforward, especially with new rules regarding the MSME turnover threshold of 500 million, which is not subject to tax. This opinion arises from government, consultants, associations, and entrepreneurs whose turnover is significant. However, some participants disagreed with this. Most entrepreneurs with small turnovers stated they were still confused about implementing the current tax regulations. Participant CONS confirmed that most MSMEs still have difficulty recording turnover, let alone doing bookkeeping. Participant ASC1 added that many Indonesians still have less than a Senior High School (SMA) education, influencing their understanding of regulations.
He stated that no matter how simple the rules are, if the human resources are still not good, then the rules will always be seen as complicated. So, in such conditions in society, simple rules are preferred.

Based on Government Regulation Number 23 of 2018, amended by Government Regulation Number 55 of 2022 regarding Adjustments to Regulations in the Income Tax Sector, there is an article that states the deadline for imposition of final tax for MSMEs [45]. When asked for opinions regarding this matter, all participants from non-government circles noted that the tax regulations had become less clear and no longer simple. Participant ASC2 stated that DGT hopes that after a certain period, the business scale of entrepreneurs will have grown in turnover past the MSME threshold. However, DGT also needs to recognize that the concept of time limits needs to be corrected in the field. Many entrepreneurs still have yet to develop after seven years, although there are also businesses that are deliberately made to appear as if they are not growing. Participant CONS added that even if given this time limit, MSMEs will only develop if DGT makes effective education and mentoring efforts.

Lyimo and Makilully (2022) stated that Electronic Fiscal Devices in Tanzania can increase the timeliness of fulfilling tax obligations [29]. Most participants considered that CRS could improve the Certainty and Simplicity principles, provided it does not create additional tax administration obligations. This opinion is aligned with Dit TPB’s study [64]. Slovakia implements this additional obligation by requiring entrepreneurs to make interim and summary closing reports [57]. As a result, many administrative violations relate to taxpayers who do not prepare these reports [58].

**Effectiveness & Fairness Principle**

The following basic principle of tax collection is that the tax system must impose taxes in the right amount and at the right time while avoiding double taxation and unintended non-taxation [36]. Dit TPB suggests that the OCR/CRS policy can increase tax compliance and revenue [64]. Some participants considered that the current MSME tax policy was in accordance with the principles of Effectiveness and Fairness, while others thought otherwise because DGT could not carry out optimal supervision. Due to this, almost all participants felt that implementing CRS would support tax collection in the right amount and at the right time. Participants VDR and ASC2 stated that CRS limits the chance for businesses that are not transparent so that they will comply with regulations. They are in accordance with studies from Jakubowska (2019) and Weru et al. (2013) [59], [28].

Issues related to the principles of Effectiveness and Fairness are the underground, shadow, or grey economy. Participant ASC1 stated that Indonesia’s low tax ratio is caused by the grey economy, making it challenging to implement regulatory intervention. This opinion aligns with Kartiko (2020) and Safuan et al. (2022) [3], [4]. One type of shadow economy is the unreported economy, usually called tax evasion. Tax evasion practices still occur among entrepreneurs. Several
entrepreneurs told stories about others they knew the entrepreneur who never fulfilled out their tax obligations. It happens because the majority of transactions do not go through the banking system, so they escape tax supervision.

Based on government participants, it is difficult for government institutions to capture data from this type of economy. This is because there is still much cash used in Indonesia. The regular sale of retail items with cash payment is one of the traits of a group of taxpayers who are difficult to tax using traditional methods (hard-to-tax), according to Thuronyi (2004), which was later the subject of research by Mas-Monserrat et al. (2023) [43], [44]. Participant DGT4, whose opinion was confirmed by Asmarani (2021), stated that the MSME sector is included in the term hard-to-tax [17].

Most participants believe that CRS can tackle tax evasion, but this policy will be more effective if combined with other policies that support a compliant ecosystem. Several policies include applying incentives and disincentives in the fiscal and non-fiscal domains. Fiscal incentives, such as special tax rates and/or tax credits, are used so sellers and buyers voluntarily use CRS tools. Non-fiscal incentive measures include, for example, ease of public services access from other government agencies or offers of low-interest bank loans. Fiscal disincentive includes stricter tax supervision or the possibility of tax audits if there are data anomalies. Non-fiscal disincentives include reducing large denominations of currency. These opinions follow the OECD (2017), which states that tax evasion can be tackled by data recording technology combined with other policies [23].

**Flexibility Principle**

One of the basic principles of tax collection is that the tax system should be flexible and dynamic, adapting to technological changes and business developments [36]. Dit TPB even suggests that the OCR/CRS policy uses a split payment method by utilizing the tax payment system to automatically divide the tax portion of each transaction [64]. All participants stated that taxes must and are essential to keep up with current developments. All participants from the entrepreneurial side expressed their desire that the tax system provided should make it easier to fulfill their tax obligations. They want a tax system that is comprehensive but flexible when it is implemented for taxpayers in the future.

A participant thinks the government is still following old patterns in technology development. He considers DGT to focus on the monitoring function and delegate the technology management function to a competent third party. According to Participant ASC1, CRS plays a vital role in this aspect of flexibility by providing a database related to taxation and encouraging digitalization in the MSME sector. This opinion is in accordance with Hentschel (2021) statement that the tax system must adapt to various new business practices and encourage digitalization [46].

**Equity Principle**
The last basic principle of tax collection shows horizontal equity, where taxpayers in the same circumstances must bear the same tax burden, and vertical equity, which, in better circumstances, must bear a more significant share according to their income proportion [36]. Dit TPB suggests that the OCR/CRS policy should ensure the equal playing field between businesses [64]. Various participants gave similar answers to questions regarding the current state of MSME tax justice. Participant DGT2 said that in practice in the field, many taxpayers felt that the equity aspect needed to be more evenly distributed due to unequal tax imposition. Participant DGT1 stated that wealthy people who transact in cash to avoid the system are unfair to poor people. Participant ASC1 stated that what can guarantee equity is the taxpayer's level of awareness, which, even without tools if the level of awareness is high, will remain compliant. Participant CONS stated that the MSME sector, with its final income tax rate, does not meet the equity aspect because it is contrary to the principle of justice, where all business actors pay tax at the same rate, even though they have different nature of business margins and business operational efficiency.

CRS is considered to play less of a role in minimizing injustice because the type of tax supervised by CRS is mainly MSME turnover, which will be subject to final income tax (PIT/CIT final) or indirect tax (VAT). Participant DGT6 stated that the initial intention of this policy was to overcome the injustice of taxpayers with Taxable Entrepreneurial status being monitored more intensively than those who were not taxable entrepreneurs. It does not mean that the tax authorities are targeting lower middle segment businesses, but rather businesses with significant turnover hiding under MSME status. Participant DGT1 stated that apart from the tax monitoring function, CRS can identify parties entitled to facilities so that small taxpayers can benefit, for example, from targeted subsidies.

Most interviewees stated that in order to fulfill the equity principle, ideally, CRS policies must be applied to all sectors. However, this is almost impossible because the tax authority's resources cannot achieve it. In the research of Harfiasarie et al. (2023), the West Kutai restaurant sector feels unjust because this is the only sector where this policy is implemented [27]. Research from Jakubowska (2019) explains that not all business sectors implement Fiscal Devices in Poland. User subjects are organized based on business scale, turnover, and number of employees. Sectors that apply include catering, car repair, construction services, fuel industry, sales of construction materials, car parts sales, electronic trade, tobacco trade, and alcohol trade [59]. In Hungary, the business sectors that implement online cash registers are the retail accommodation and food sectors (AFS) [54].

Several participants provided input regarding sectors that are suitable for implementing CRS. Participant DGT2 suggested that the MSME sector has so far been challenging to collect the tax base. Participant DGT1 indicated that the implementation of CRS is carried out in stages. In the first stage, modern retail can implement CRS. After that, in the second stage, traditional retailers implement it. Then, in the third
stage, all retailers implement it, starting from Jakarta, then Greater Jakarta (Jabodetabek), then Java and Bali, and finally, outside Java and Bali. Participants from entrepreneurs also had the same view. If implemented in stages, they prefer that more modern businesses can implement it first. Participant SME1 stated that distributors should implement CRS before vehicle spare parts retailers implement it. Participant SME4 stated that culinary businesses located in malls can implement CRS first for the retail food and beverage sector.

Participants VDR and ASC2 explained that injustice can be eliminated by implementing an incentive system. For example, those who apply at the start will get attractive incentives. Thus, taxpayers seeking incentives will voluntarily apply for CRS at the beginning. This opinion aligns with research from Ainsworth and Hengartner [25], [53]. Therefore, before implementing CRS, the government needs to take a humanist approach to taxpayers, especially in the MSME sector.

Conclusion

According to the analysis's findings and discussions, CRS does not meet three of the six OECD (2015) tax-collecting principles: neutrality, efficiency, and equity. The research conclusions regarding the certainty & simplicity principles of the CRS policy are considered to be in line with Lyimo and Makilully (2022), Durisova et al. (2015), and Bánociová and Pavlíková (2014) [29], [57], [58]. Regarding the principles of effectiveness & fairness, the CRS policy is considered to be in line with Jakubowska (2019), OECD (2017), and Weru et al. (2013) [23], [28], [59].

Research from Hentschel (2021) aligns with the principle of flexibility but does not align with the neutrality principle of CRS policy. Regarding the inequity that will occur, the research results align with Harfiasarie et al. (2022) [27]. This is supported by a study of the African Development Bank (2010) which states that the principles of neutrality and equity are less of a priority in South Korea’s tax policy because it prioritizes its national development strategy [67]. Then, regarding the efficiency principle, it is also not following Lee and Swenson (2019) because to achieve maximum tax potential, DGT must sacrifice its short-term tax revenues [56]. As a result, CRS can be implemented for long-term rather than short-term benefits.

This research has several limitations. First, it only carries out a case study of the MSME sector in general. Second, most interviews are conducted via Zoom application, so interaction is minimal, and the interviewer cannot observe the participant's body language. Third, only a small number of MSME entrepreneurs were interviewed. The following research can be conducted nationally with more specific MSME sectors. Researchers also recommend examining the incentives needed by MSME players.

Acknowledgment
This research was supported by funding from the Indonesia Endowment Fund for Education Agency (LPDP). The author also thanked the parties who supported and contributed to this research.

References


