

Indonesia And Singapore Fiscal Stimulus Comparison To Empower Smes And Its Implication On The Tax Ratio

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ABSTRACT

Small and medium-sized enterprises (SMEs) are crucial to the Indonesian economy. According to the Ministry of Cooperative and SMEs, these businesses comprise 61.07% of the GDP and employ 97% of the workforce. Although they play a significant economic role, they encounter certain obstacles. SMEs' tax contribution is relatively minor, and it is necessary to assess the potential tax revenue from Indonesian SMEs by comparing the country's tax policies with Singapore's. This evaluation can help formulate an appropriate tax policy to generate optimal tax revenue for the state. A low tax contribution results in a low tax ratio. The research aims to analyze the comparison of policy and fiscal stimulus of Indonesia and Singapore. To handle the COVID-19 pandemic, the government assisted SME businesses through tax financing or fiscal stimulus on tax. The Indonesian and Singapore governments used different approaches in their taxation to support SMEs. The research used descriptive-qualitative and descriptive methods, specifically the interactive model, to analyze the data. The literature study and interview results showed that (1) the average Indonesian taxpayer's compliance is lower than Singapore's due to its large population, but many don't pay tax; (2) Indonesia's implemented the exemption to Income Tax Article 22 on Import by SMEs and VAT tax return for the specific sector as its fiscal stimulus while Singapore issued loan incentives for SMEs as well and 30% subsidy for trading credit; (3) personal tax tariff in Singapore is lower resulted in relatively higher tax ratio than of Indonesia's. As suggestions, the Indonesian government must review its tax tariff for SMEs, continue its stimulus policy in 2022 to spur future SMEs growth, and further incentives for Non-Taxable Income and tax income for SMEs to reduce the gap.

Keywords: SMEs tax policy, tax ratio, COVID-19, Fiscal Stimulus

I. INTRODUCTION

1.1 Background

The total amount of taxes collected by a country and the total of these taxes compared to the amount of GDP (Gross Domestic Income) is the meaning of the tax ratio (Meidy, 2017). Usually this ratio is used by the government to pay attention to the level of compliance of state taxpayers in terms of taxpayers, and with this ratio it is expected that tax payments will be more optimal so as to increase state revenue from the tax sector. An increase in the tax ratio is usually carried out by the apparatus concerned by improving policies on tax administration, besides that the apparatus is also considering expanding other tax objects that have the potential to become tax objects so that they can also be collected optimally.

State taxes are closely related to MSMEs, therefore it is necessary to manage MSMEs properly and correctly so that tax revenue from the MSME sector can become the foundation for greater tax revenues. In fact, currently MSMEs in Indonesia are experiencing quite rapid growth and have also become one of the driving factors of the people's economy, which was originally formed from a small industry that developed into a large industry. In 2016, President Joko Widodo issued a statement that MSME as a form of business has high resilience so that it is expected to be able to support the country's economy, even though the country is experiencing a global crisis. MSMEs are small-scale businesses that are usually operated by individuals or business entities with a certain amount of net worth with

certain results, all of which are regulated in Law Number 20 of 2018. MSMEs play a major role in the development and development of Indonesia (Suci, 2017).

Besides Indonesia, which realizes the importance of the existence of MSMEs, our neighboring country, namely Singapore, also considers MSMEs as one of the business lines that can help the country's economy. Singapore's Minister of Trade and Industry, who is considered the commander of MSME development, formed an institution called SPRING. Where this institution is used by the Singapore government which carries out business development for MSMEs so that later these companies will develop and innovate more so as to generate competitive desires from existing MSMEs and make these MSMEs more advanced (Harahap et al, 2017). In terms of operations, this government-formed institution (SPRING) collaborates with various partners to help develop MSMEs, especially in terms of the costs required for MSMEs to develop, how to manage MSMEs for new MSMEs, technological developments so they can keep up with current trends, and of course market access that can be followed by MSMEs to carry out buying and selling transactions.

The Ministry of Cooperatives recorded that as many as 64.2 million MSMEs throughout Indonesia contributed to GDP with a percentage of 61.07 percent or a total of IDR 8,573.89 trillion (Ministry of Finance of the Republic of Indonesia, 2021). However, of all the recorded SMEs, not all of them have an NPWP, even in the data obtained by researchers, only 2.3 million registered SMEs have an NPWP. Even more sadly, of the 2.3 million MSMEs that have TINs, not all of them make regular payments of their tax obligations (Nurhidayah, 2021). It is different with MSMEs in Singapore which at the same time are experiencing more rapid development where MSMEs in Singapore occupy the top position in terms of satisfaction with MSME development. you can see the potential that this country has in the economic sector. Based on data, 99% of companies are actually MSMEs. Of the 151,000 companies 99.4 are MSMEs and of the 1.7 million workers 61% are absorbed by MSMEs. However, the contribution in creating added value is only 47.5%. The very competitive conditions in Singapore turned out to be an obstacle in the development of MSMEs. There is a low tolerance for failure in society so that they are reluctant to take risks such as opening a new business. In addition, a successful economic environment is characterized by employment, high wages and anti-layoff jobs which result in no incentive for graduates and professionals to start their own businesses. To overcome the above obstacles, the Singapore government pays attention to the tax rates imposed on MSMEs, so that MSMEs become attractive with rates that are not higher than MSMEs in other ASEAN regions.

Regarding tax revenue, quoted from DDRCNews (2022), the Government of Singapore will soon realize an increase in the goods and services tax (GST) or VAT rate in the 2022 State Budget as the economy begins to recover from the pressure of the Covid-19 pandemic. Singapore Prime Minister Lee Hsien Loong said the government must have sufficient revenue to support sustainable development. Moreover, the government also needs to fund the expansion of the health care system and support schemes for the elderly population. The Singapore government plans to increase the VAT rate from 7% to 9%. This plan was conveyed by the Minister of Finance Heng Swee Keat since 2018. According to him, state revenues need to be strengthened considering that the need for state spending continues to increase. Heng believes that the most responsible way to get funding is through taxes. The state may not submit debts for recurring expenditure purposes because it is feared it will burden future generations. He projects that the increase in the VAT rate will provide an additional revenue contribution of up to 0.7% of GDP per year (news.ddtc.co.id, accessed 24 June 2022).

In accordance with the power of burden theory which states that the tax burden should be the same for everyone, meaning that taxes must be paid according to the burden of each person. To measure carrying capacity, 2 (two) approaches can be used, namely: (1) Objective element, by looking at the amount of income or wealth owned by a person. (2) The subjective element, taking into account the magnitude of the material needs that must be met.

Both the governments of Indonesia and Singapore have regulated tax policies for Micro, Small and Medium Enterprises (MSMEs) and Corporate MSMEs in the Law on Harmonization of Tax Regulations. With a comparison of the fiscal stimulus between the two countries in empowering MSMEs and putting forward allegations why Indonesia's tax ratio tends to be lower, it attracted the attention of the authors to conduct a study (thesis) with the title: **Comparison of Fiscal Stimulus Between Indonesia and Singapore in Empowering MSMEs and Its Implication to the Tax Ratio.**

In this study several problems were found, including (1) The existence of the Covid-19 Pandemic caused taxpayers in both Indonesia and Singapore to experience difficulty paying off their tax debts due to stagnant and slow economic movements. The role of MSMEs is important as one of the foundations of sources of tax revenue for the Indonesian and Singaporean governments. (2) The trend of MSME growth between Indonesia and Singapore in 2019 both experienced a significant increase, (3) Differences in fiscal policy stimulus in the tax sector between the governments of Indonesia and Singapore. (4) Indonesia's tax ratio is suspected to be lower than Singapore's tax ratio due to different forms of fiscal policy adopted by the government. (5) There are quite a number of MSME taxpayers who do not comply in fulfilling their tax obligations. (6) The value of the tax rate is considered still burdensome for MSMEs which are trying to develop their business to become a more stagnant and larger company. (7) The government's socialization of tax regulations, especially regarding tax rates for MSME actors, is unclear.

Based on the background of the problems that have been described, the formulation of the problem in this study is as follows: (1) How is the analysis of MSME taxpayer compliance in Indonesia compared to MSME compliance in Singapore? (2) What is the comparison

of the fiscal stimulus between Indonesia and Singapore in empowering MSMEs? (3) What are the impacts and benefits of the fiscal policy on the tax ratio in each country?

1.2 Literatur Review

Bearing Power Theory

Mardiasmo (2021) provides an understanding of the theory of carrying capacity that what is meant by carrying capacity here is that the tax burden imposed on taxpayers must have the same weight. This can be interpreted like this if the government is going to impose a tax burden on registered taxpayers, the government should charge it according to the ability of each taxpayer not to be generalized. This means that taxpayers with large incomes will be charged a higher tax burden than taxpayers with smaller incomes.

Edward III's Policy Implementation Theory

The theory of implementation used in this study is viewed from a broad sense as the basis for legal administration for tax actors, where the actors or actors involved in tax matters must jointly carry out the policies that have been in effect to achieve the impact or objectives that have been determined. previously. This implementation can also be interpreted as a complex phenomenon to be understood by taxpayers where taxpayers understand the taxation process itself from input to output, from making tax payments to development impacts that may be felt (Winarno, 2012: 125).

Micro, Small and Medium Enterprises (MSMEs)

In MSMEs what is meant by business is a company with a micro or small or medium scale. Micro business can be interpreted as a type of business with individual ownership or a business entity owned by one person and fulfills the requirements criteria as a micro business which of course has been regulated in the law. What is meant by small business is a type of business in the productive economic sector that is able to stand alone and is carried out by an individual or business entity and the business entity is not a subsidiary or branch or subsidiary and is owned or controlled and becomes part of a Medium Enterprise or Small Business. directly or indirectly and of course this is regulated by applicable law.

Indonesian MSMEs vs Singapore MSMEs

MSMEs are subject to Final Income Tax with a tax rate of 0.5 percent and these companies must have a gross turnover of more than 4.8 billion in the period of one tax year with this not being applied to freelancers with income levels that are considered to be higher. For MSMEs with gross circulation below 4.8 billion, the Final PPh rate of 0.5% applies in one tax year, applies to MSME taxes that have a trading business in running their business, so that the imposition of tax rates becomes more fair and equitable to one another (Putra, 2019) . MSME actors can implement acceptance of changes in PPh in the HPP Law because there is a reduction in the personal income tax burden so that an effective savings of Rp. 1,000,000 (one million rupiah) a year. The HPP Law provides relief for individual taxpayers.

MSMEs in Singapore are developing through four areas, namely: (1) Business support services which include the development of a complete information network through enterprise one so that MSMEs become part of the national MSME network including sales. An important program is the action community for entrepreneurship to facilitate networking. (2) Develop key clusters consisting of technical and information technology, lifestyle and general manufacturing and services including education, health, logistics, and others. (3) Technology Enterprise Commercialization Scheme (TECS) which will provide funding, consulting for new knowledge-based businesses. (4) Helping businesses through MMK namely money, market, management and knowhow. In general, Singapore chooses to apply the interventionist model in developing its MSMEs. Intervention by the state implies dissatisfaction with the existing level or quality of entrepreneurial development. These include government policies against foreign investment in manufacturing, and the important role played by state enterprises.

Tax Ratio

In fact, this tax ratio is used by the government to make a comparison between the taxes received by the State and the gross domestic product (GDP) of a country. If we look at this definition, it will be seen what the benefits of the existence of a tax ratio are, namely to provide information about the amount of tax on national economic development. Tax burden or tax burden imposed on taxpayers must be based on justice. Justice meant here is divided into two kinds, namely horizontal and vertical. Viewed from a horizontal perspective, it means that taxpayers have the same position and will receive the same treatment, whereas if viewed from a vertical perspective, it means that taxpayers have different conditions, and this difference is especially seen from the income of the taxpayer so that taxpayers with different income conditions should different rates apply. This vertical concept is used by taxation as the imposition of progressive rates in terms of income tax.

II. RESEARCH METHODS

Judging from the type of data the research approach used in this study is a qualitative approach. As for what is meant by qualitative research, namely research that intends to understand the phenomenon of what is experienced by research subjects holistically, and by means of descriptions in the form of words and language, in a special natural context and by utilizing various scientific methods

(Moleong, 2014). The type of this research approach is descriptive. Descriptive research is research that seeks to describe current problem solving based on data. Furthermore Moleong (2014) suggests that descriptive research emphasizes data in the form of words, pictures, and not numbers due to the application of qualitative methods.

III. RESULTS AND DISCUSSION

3.1. General Description of the Research Object

Table 1. Below provides an overview of the comparison of tax sector revenue in ASEAN countries where tax revenue for Indonesia lags behind neighboring countries such as Malaysia and Singapore, where these two countries for tax revenues reach above 13 percent. Even in Table 1. Tax sector revenue for Laos is above the State of Indonesia with a revenue ratio of 12 percent, while Indonesia's tax revenue is only superior to Myanmar's tax revenue with a ratio of 3.7 percent.

Table 1. Comparison of ASEAN Country Tax Revenues

Country	2019	2020	2021
Vietnam	18.00	17.09	18.07
Thailand	18.09	18.01	17.06
Filipina	17.00	17.00	17.05
Kamboja	15.06	15.08	16.09
Singapura	13.01	13.01	14.01
Malaysia	14.08	14.02	13.06
Laos	13.01	12.04	12.03
Indonesia	12.01	12.00	11.05
Myanmar	07.08	07.05	07.08

Sources: OECD, 2022

It is assumed that the value of the tax rate is large, the State revenue from the taxation side will also be higher and it is said to be able to increase the size of the tax ratio, but this tax ratio will certainly be different for each country even though it is in the same region, namely ASEAN. In contrast to PTKP, if the PTKP is high, it means that the income tax that will be received by each country will be smaller. For a comparison of VAT rates between ASEAN countries, it can be seen in Table 2.

Table 2. Comparison of VAT Rates between ASEAN countries

Negara ASEAN	Tarif Pajak Badan
Singapura	17%
Bumei Darussalam	18.5%
Thailand	20%
Vietnam	20%
Kamboja	20%
Malaysia	24%
Laos	24%
Indonesia	25%

Sources: OECD, 2022

Filipina	30%
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Sumber: OECD, 2022

Based on the table above, Singapore is the country that sets the lowest tax rates compared to other ASEAN countries. In fact, this traffic is said to be lower due to tax incentives issued by the Singapore government. In Indonesia, the corporate tax rate can be reduced to 20 percent if the company wants to change its company status to a go public company or a public company, if it does not change its status, the tax rate imposed is 25 percent. In addition, in Indonesia the corporate income tax rate will change to 22 percent starting in 2022. Table 3 shows the various types of fiscal policies that have been issued by the Indonesian government.

Tabel 3. Stimulus Provided by the Government of Indonesia

Stimulus Sector	Type
STIMULUS PACKAGE I (February 2020)	
State Spending	<ol style="list-style-type: none"> 1. 1. Accelerating the disbursement of Capital Expenditure, in the form of accelerating the appointment of state treasury officials (KPA, PPK, and Treasurer), accelerating tender implementation, accelerating revision and disbursement of strategic budgets, anticipating cash management and fiscal buffers, and anticipating third party capacity limitations . 2. 2. Accelerating the disbursement of social assistance spending in the form of accelerating the disbursement of National Health Insurance Contribution Recipients (PBI JKN) where spending for February, March and April is disbursed in February. 3. 3. Transfers to Regions and Village Funds, in which the Central Government encourages and accelerates the implementation of village fund activities, for productive activities that absorb a large number of workers in the village.
Protection of vulnerable community groups and sectors affected by Covid-19	<ol style="list-style-type: none"> 1. 1. Protection of the purchasing power of the bottom 40% of people, as the most vulnerable group affected by the economic shock due to Covid-19, through two programs: Expansion of basic food cards, by increasing the benefits of basic food cards and expansion of housing interest subsidies by expanding the target of housing interest subsidies by additional housing volume of around 175 thousand housing units. 2. 2. Tourism sector incentives, as support for sectors directly affected by the spread of Covid-19. Incentives are given to travel agents who bring foreign tourists and incentives to tourism marketers. 3. 3. Pre-Employment Cards, as an effort to protect workers, in the form of digitizing training on request, complementing and enriching existing training programs.
STIMULUS PACKAGE II (13 March 2020)	
Fiscal Stimulus	<ol style="list-style-type: none"> 1. 1. Rp. 8.6 trillion in the form of Article 21 Income Tax (PPh Article 21) for workers in the manufacturing sector with an income of not more than Rp. 200 million a year fully borne by the Government; 2. 2. IDR 8.15 trillion for the exemption of PPh Article 22 on Import in 19 (nineteen) certain business sectors, Taxpayers of Ease of Import for Export Purposes (KITE), and Taxpayers for Ease of Import for Export

	<p>Purposes of Small and Medium Industries (KITE IKM);</p> <p>3. 3. IDR 4.2 trillion for the reduction of Article 25 Income Tax by up to 30% for 19 (nineteen) certain business sectors, KITE Taxpayers, and IKM KITE Taxpayers; And</p> <p>4. 4. IDR 1.97 trillion in the form of accelerated disbursement of Value Added Tax (VAT) refunds for 19 (nineteen) certain business sectors, KITE Taxpayers, and IKM KITE Taxpayers to maintain business liquidity.</p>
STIMULUS PACKAGE III AND PERPU NO. 1 YEAR 2020	Concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease (Covid-19) Pandemic and/or in the Context of Dealing with Threats that Endanger the National Economy and/or Financial System Stability. The Perppu contains a mix of policies in the field of state finance (fiscal policy) and financial system stability policies.

Source: <https://pen.kemenkeu.go.id/in/page/tantanganCovid>

Table 3. Shows several stimuli issued by the Indonesian government in dealing with the pandemic phenomenon that has occurred in Indonesia, and one of these stimuli mentions the existence of a fiscal stimulus contained in stimulus II which was issued on March 13 2020. Table 4. Shows the stimulus issued by Singapore government.

Tabel 4. Stimulus yang Diberikan Pemerintah Singapura

Stimulus Sector	Type
Household	Subsidies for household needs; incentives for unemployment (100–300 Singapore Dollars for ages 21 and over); subsidized child care
Entrepreneur and recent graduate	Business capital assistance; income subsidies for working at home; training for fresh graduates
Business	Incentive packages for businesses and workers (the government subsidizes 8 percent of wages for three months); loans for MSMEs; trade credit assistance (the government subsidizes 30 percent trade credit)
Sectoral	Increased budget for health; incentive assistance and training for the hotel, tourism and transportation sectors; additional bonuses for health workers
Taxes and loans	government tax freeze from 1 April 2020 to 31 March 2021; suspension of payment of Education loans and their interest from 1 April 2020 to 31 March 2021; suspension of corporate and individual income tax payments; commercial property tax deductions; omission of contract tax; elimination of taxes for foreign workers.

Source: Liu et. al. 2020, 288; Baldwin dan Mauro 2020, 27; Quah 2020, 109

IV. RESEARCH RESULT

4.1. Analysis of MSME Taxpayer Compliance in Indonesia vs MSME Compliance in Singapore

In Indonesia, the taxation strategy for MSMEs is carried out through the Business Development Service (BDS) Program. Through this program, the Indonesian government seeks to develop the MSME business through various activities. The aim of the program is to increase MSME taxation knowledge and find out about the business circulation of MSME actors. Tax education is also carried out to increase tax awareness, engagement with taxation issues, and increase tax compliance for the taxpayer segment.

In Singapore, the government has implemented a Service Design Project program to improve MSME compliance. This program aims to understand taxation needs, identify existing problems, and formulate solutions to the problems encountered. In designing this program, the government of Singapore conducted interviews with a number of MSME sector actors to identify the needs and problems faced. (news.ddtc.co.id accessed 22/06/2022). Through the above explanation, several basic reasons can be given which are the main cause of lower state revenue for MSMEs in Indonesia compared to MSME state revenues in Singapore, namely: (1) Policies regarding more attractive individual PPh payments, mainly by cutting rates from 10% to 7% as well as a decrease in tariffs for each layer. (2) Indonesian citizens who have a business in Singapore using nonresident status (doing business according to their expertise or education) are subject to a final rate of 15%. (3) Dividends for shareholders are not subject to tax. (4) Differences in Corporate Income Tax rates where the Corporate Income Tax for small and medium-sized MSMEs in Singapore is only 5.5% and 10%, while Corporate Income Tax for MSMEs in Indonesia is based on Article 17 of the Income Tax Law of 10%, 15% and 30%. The existence of four different policies in the field of taxation has led to differences in tax sector revenue from MSMEs for Indonesia and Singapore. The tax policy chosen by the Singapore government is considered to make it easier and lighter for taxpayers so that it further increases the desire of taxpayers to fulfill all forms of their tax obligations voluntarily. The desire of voluntary taxpayers who want to pay off this tax debt means increasing taxpayer compliance and has an impact on overall tax sector revenue.

Table 5. Rating Indicators of Singapore, Indonesia and OECD Tax Payments

Indikator	Singapura	Indonesia	OECD
Pembayaran (Angka per Tahun)	5	26	10.3
Waktu (Jam per Tahun)	64	191	158.8
Total Pajak dan Tingkat Kontribusi (% Keuntungan)	21.0	30.1	39.9
Indeks Pengisian (0-100)	72	68.8	86.7

Source : World Bank Group, 2020

Based on Table 5. above, we can see indicators of tax payments for Singapore and Indonesia as well as the OECD. In each payment indicator, time, total tax and contribution rate as well as the Filling Index, it can be seen that Singapore occupies a higher position than Indonesia and the average countries that are members of the OECD. On the payment indicator, Singapore only has 5 types of taxes that must be paid and reported each year, while Indonesia reaches 26. As with the low number of payments, the time needed for payment and reporting of Singapore taxes only takes 64 hours per year, very far compared to Indonesia, which takes 191 hours to complete corporate tax obligations in one year. On the Total Tax and Contribution Rate (profit percentage) indicators, Singapore is only 21.0, meaning that only 21.0% of company profits are taxed, while Indonesia reaches 30.1. The total tax and contribution rate paid by companies with a smaller percentage in Singapore makes it a special attraction for investors or entrepreneurs because it can issue taxes that are smaller than Indonesia which has a difference of 9.1%. Meanwhile, Singapore's Filling Index indicator reached a value of 72, slightly superior to Indonesia's which reached a value of 68.8.

4.2. Comparison of Fiscal Stimulus between Indonesia and Singapore in MSME Empowerment

The Government of Indonesia prepared a stimulus by imposing a system of imposing a final Income Tax rate. With this stimulus, tax subjects will be able to fulfill their tax obligations in accordance with the regulations that have been stipulated. Indonesian regulations are dynamic in nature, in the sense that they can adapt to the actual state of the country so that citizens' activities run smoothly. Thus, the government then launched a Government Regulation where this regulation was under the Law. PP No. 23/2018 which contains PPh on income from businesses or businesses obtained by tax subjects who have certain gross turnover or turnover which came into effect on July 1 2018. This PP is a revision of PP No. 46/2013 where the final PPh rate was originally 1% to 0.5%. The purpose of formulating this government regulation is as a learning period for tax subjects who have certain gross turnover (all rewards or income before deducting sales deductions, cash and/or similar deductions) to be able to carry out bookkeeping before being subject to PPh with the government administration so as to make it easier to fulfill their tax obligations (Hermawan & Ramadhan, 2020). So it can be concluded, from PP policy no. 46/2018, namely the reduction of the Final Income Tax rate in Article 4 paragraph (2) from 1% to 0.5%, is expected to encourage an increase in taxpayer awareness. The main problem factor in taxation in Indonesia is tax reporting which has an impact

on Indonesia's tax ratio and awareness of taxpayers in fulfilling their obligations. Singapore is known as the richest country in Southeast Asia with a parliamentary form of government. One of the tax policies implemented by this country next year is to increase the goods and services tax rate as well as group and income tax for the rich. This increase in tax rates is the result of sluggish economic performance caused by the pandemic. In 2022, Singapore sets a rate of 17% for Corporate Income Tax and a rate of 7% for VAT.

Table 6. Comparison of Indonesian and Singapore Incentives

Indonesia	Singapura
Reduction of Final Income Tax rate in Article 4 paragraph (2) from 1% to 0.5%	Rate of 7% for VAT
The Corporate Income Tax rate changes to 22% starting in the 2022 Tax Year.	In 2022, Singapore sets a rate of 17% for corporate income tax
MSMEs with an annual turnover of IDR 500 million – IDR 5 billion will be subject to an income tax of 30%. MSMEs with turnover above IDR 5 billion per year will be subject to income tax of 35%. MSMEs with turnover below IDR 500 million per year will be subject to a tax rate of 0%	Income over \$500 to \$1 million is taxed at 23 percent, while income over \$1 million is taxed at 24 percent. The two tax rates are higher than the current rate of 22 percent

Based on the matters previously described, it can be concluded that the actions taken by the Indonesian government in the field of taxation to increase the existence of its MSMEs are as follows: (1) The issuance of PMK-23/PMK.03/202 regulates four types of tax incentives, namely Article 21 Income Tax incentives, Exemption of Article 22 Import Income Tax, Reduction of Article 25 Income Tax Installments, and relaxation of VAT refund limits. (2) It is also hoped that the reduction in corporate income tax rates can encourage voluntary compliance which has a significant influence on tax revenues. (3) Stimulus for People's Business Credit (KUR) and relaxation of installment payments and credit interest through Ultra Micro and MSME interest subsidies.

In contrast to the actions taken by the Indonesian government, the following are some of the things the Singapore government has done in the field of taxation to increase the existence of its MSMEs: (1) Cut the personal income tax rate from 26% to 22% and even lower it to 20% in three years . (2) The Government of Singapore adopts a one-tier corporate tax system in which dividends are not subject to PPh. (3) The Government of Singapore cut the corporate income tax rate from 24.5% to 22% so that later small and medium companies will enjoy an effective rate of only around 5.5% and 10%.

4.3. Impacts and Benefits of Fiscal Policy on Tax Ratio in Indonesia and Singapore

When compared to Indonesia, Singapore is a country that offers many incentives, the Singapore government has two types of incentives, namely the Regional Headquarters Award and the International Headquarters Award. This incentive is given to encourage multinational companies in Singapore. Then, in 2020 Singapore will also provide General Tax Incentives to support companies for the impact of Covid-19. This encourages investors to invest their assets or shares in Singapore, besides that the imposition of income tax using a one-tier tax system also supports investors' decisions. Tax revenues from year to year always increase but this is not offset by a low tax ratio. The tax ratio is a measure of the comparison between the amount of tax revenue and the Gross Domestic Product (GDP) of a country. This ratio aims to assess the level of compliance with tax payments by the public in a country.

In issuing a policy, the government certainly has good and useful goals and expectations for the future. The Covid-19 pandemic that has hit the whole world has greatly affected all aspects of life, not only having an impact on health, but the country's economy has also been affected by this phenomenon. In 2020, the Indonesian government issued the Omnibus Law and there were several tax system relaxations, one of which was the imposition of income tax on dividends. This certainly has a positive impact on investment in Indonesia because it can provide incentives so that funds from dividends both received from within the country and received from abroad invested by investors remain in Indonesia in accordance with the provisions of the law. These conditions can support and encourage investment into the country because the tariff is not too high so that it can affect investors' decisions if they want to invest. With tax exemptions and exemptions on dividend income and an effective tax rate that is not too high, it can have a positive impact on dividend flows into the country which has an impact on the tax ratio. This tax exemption on dividends is a form of incentive that is classified as a reduced rate taxed or increasing the tax ratio.

The positive side of the existence of tax incentives such as tax exemption on dividends is that it can stimulate investors to invest in Indonesia so that domestic and foreign funds remain in Indonesia. With so many investors investing in Indonesia, there will be more and more company establishments or social economic improvements that can help reduce domestic problems such as unemployment so as to improve the nation's welfare and increase state revenues, which means that the ratio between tax revenues and GDP is higher for state revenues.

According to Rohali and Sutomo (2022) Tax incentives occupy the eleventh position and based on a survey of investors in developing countries, tax incentives are not a major factor in making investment decisions. However, the tax system as a whole is more influential than the incentive facilities provided to investors. However, even though they have influence, many factors complement each other such as a conducive investment climate, ease of granting permits, clear policies, Ease of Doing Business (EODB), and the like. It cannot be said that tax is the sole factor in influencing investors to make decisions. Nonetheless, the tax will affect the first decision to invest abroad. As the corporate income tax rate in the investor's country is much higher, the company will be more likely to invest abroad where the tax rate is lower. The decision of investors to invest becomes important when the progress of a country is seen from the point of view of its tax ratio.

Based on data from the World Bank that researchers obtained from worldbank.org (2019), Singapore ranks second out of 190 countries in terms of ease of doing business. Singapore is an international standard city to work and live in. This globally connected, multicultural and cosmopolitan country offers a conducive environment for creative and knowledge-based industries. The combination of strong banking secrecy rules, numerous tax incentives and Singapore's renowned international reputation for business excellence has encouraged many high net worth individuals and companies to invest and do business in Singapore. Based on a report from the World Economic Forum's in 2019, Singapore is designated as the most competitive country in the world economy. The main constituents of Singapore's economic strength are the quality of infrastructure, efficiency of port and airport services and sea transportation connectivity.

The current corporate tax rate in Singapore is 17%. With effect from the 2020 Assessment Year, 75% and above for the first S\$10,000, and 50% through to the subsequent S\$190,000 of corporate chargeable income is exempt from corporate tax. In addition, there is also a special tax exemption for newly incorporated companies. Capital gains can be considered as income and are subject to income tax if they originate from trading or business activities carried out in Singapore. As of 2020, Singapore has more than eighty valid Double Tax Avoidance (P3B) Agreements, providing support to businesses in Singapore in resolving cross-border tax disputes as well as the opportunity to avoid double taxation. This certainly makes it easier for investors to carry out their tax obligations. This shows that Singapore has a superior system in attracting investors, one of which is the taxation system implemented by Singapore. Singapore has the lowest corporate tax rate when compared to Indonesia, Malaysia and the Philippines, which is 17%. Apart from that, Singapore has also implemented a single-tier system for income tax on dividends since 2003. Of course, this good taxation system can attract investors to invest in Singapore. With investors investing more in Singapore, this shows the level of tax ratio in Singapore which is of course higher than other countries.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on the research results, there are several conclusions that can be conveyed in this study. (1) MSME taxpayer compliance in Indonesia is lower than MSME compliance in Singapore as seen from the smaller state revenues from the tax sector, especially those coming from MSME taxpayers. The average percentage of tax revenue in Indonesia during the 2018-2022 period is 5.26 million, while the average percentage of tax revenue in Singapore during the 2018-2022 period is 107.59 million. This significant difference is due to the fact that the population in Indonesia is greater than the population in Singapore. Even though the population in Indonesia is larger, tax revenue in Singapore is much higher, this is what creates a high gap on the average tax revenue in Indonesia and Singapore. lower than MSME compliance in Singapore. (2) The Government of Indonesia and the Government of Singapore have different actions in terms of issuing fiscal stimulus policies in empowering their MSMEs. One of the policies of the two countries related to MSMEs is the stimulus package II (13 March 2020) issued by the Indonesian government and the business package issued by the Singapore government. The Indonesian government provides tax incentives by exempting PPh 22 Import for small and medium industries and VAT refunds for certain business sectors. Meanwhile, the Singapore government issued an incentive package by providing loans to MSMEs and providing a 30 percent subsidy for trade credit. (3) 3. The fiscal policies determined by Indonesia and Singapore have different levels of tax ratios and can be useful for attracting investors who want to invest in the countries concerned. Indonesia applies exemptions and exceptions to dividend income and effective tax rates which are not too high have an impact on Indonesia's tax ratio which increases and also attracts investors to invest in Indonesia. Meanwhile, for Singapore, the fiscal policy it chose is to set a corporate tax rate that is not too high so that there is a possibility that companies are exempt from imposing corporate tax, meaning that the government provides full support for business people doing business in that country so that the tax ratio in Singapore is much higher compared to Indonesia. Singapore's tax ratio is even higher than the tax ratio of other ASEAN countries.

Based on the results of the research and discussion of several findings that need to be considered in this study, the following suggestions can be given. (1) The Government of Indonesia is expected to pay attention to the imposition of MSME tax rates, both final and

progressive in nature and in implementing these rates, the government promotes outreach so that the public is aware of the current rates; (2) The Government of Indonesia, with the stimulus issued per 2022, is an example of the government's alignment with MSMEs so that it is hoped that MSME actors will be more aggressive in terms of paying tax obligations. It is hoped that this will enable MSMEs to upgrade classes which will have an effect on fiscal revenues, such as the Singapore government which provides SPRING portals for development and encourages its MSME sector to be more competitive. The Indonesian government is also expected to review the stimulus issued so that it is right on target, such as the Singapore Government which is able to create a special risk distribution where the government is willing to share risks with business actors, especially small businesses in terms of debt provided by banks; (3) The Indonesian government should pay more attention to the impact of the MSME threshold policy based on PTKP and MSME PPh incentives so as not to have too high a gap.

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