



THE ROLE OF TAX LITERACY IN IMPROVING THE COMPLIANCE OF MSMEs IN BAUBAU CITY: A REVIEW OF DGT'S SOCIALIZATION STRATEGY AFTER THE IMPLEMENTATION OF PP 55/2022

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<p>Info Article</p> <p>Received : 03 Maret 2025</p> <p>Revised : 10 April 2025</p> <p>Accepted : 06 Mei 2025</p> <p>Publication : 30 Mei 2025</p>	<p>Abstract: <i>Low tax literacy among MSMEs in Baubau City has an impact on low compliance in fulfilling tax obligations, especially after the enactment of Government Regulation Number 55 of 2022. This research aims to improve the understanding of MSME taxation through socialization and education in the form of collaborative-based community service. The methods used include initial surveys, seminars, tax literacy classes, reporting simulations (e-filing and e-form), FGDs, and technical assistance. The results of the activities showed a significant increase in participants' understanding and skills in reporting taxes independently. The community-based educational approach proved effective in shaping voluntary compliance behavior, in accordance with the theory of tax literacy and taxpayer compliance behavior. These findings suggest that collaboration between universities and tax authorities is a potential and sustainable strategy to increase tax awareness and compliance in the MSME sector, while strengthening the role of educational institutions in fiscal literacy-based local economic empowerment.</i></p>
<p>Keywords: Tax Literacy, Compliance Of MSMEs, DGT'S socialization, Implementation of PP 55/2022.</p> <p>Kata Kunci: Literasi Pajak, Kepatuhan UMKM, Sosialisasi DJP, Implementasi PP 55/2022</p>	<p>Abstrak: Rendahnya literasi pajak di kalangan pelaku UMKM di Kota Baubau berdampak pada rendahnya kepatuhan dalam memenuhi kewajiban perpajakan, terutama setelah diberlakukannya Peraturan Pemerintah Nomor 55 Tahun 2022. Penelitian ini bertujuan meningkatkan pemahaman perpajakan UMKM melalui sosialisasi dan edukasi dalam bentuk pengabdian kepada masyarakat berbasis kolaboratif. Metode yang digunakan meliputi survei awal, seminar, kelas literasi pajak, simulasi pelaporan (e-filing dan e-form), FGD, serta pendampingan teknis. Hasil kegiatan menunjukkan peningkatan signifikan dalam pemahaman dan keterampilan peserta dalam melaporkan pajak secara mandiri. Pendekatan edukatif berbasis komunitas terbukti efektif membentuk perilaku kepatuhan sukarela, sesuai dengan teori literasi pajak dan perilaku kepatuhan wajib pajak. Temuan ini menunjukkan bahwa kolaborasi antara perguruan tinggi dan otoritas pajak merupakan strategi yang potensial dan berkelanjutan untuk meningkatkan kesadaran dan kepatuhan pajak di sektor UMKM, sekaligus memperkuat peran institusi pendidikan dalam pemberdayaan ekonomi lokal berbasis literasi fiskal.</p>
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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy. Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute 60.3% to the national Gross Domestic Product (GDP) and absorb more than 97% of the workforce nationally (Ministry of Finance RI DGT, 2023). However, in the midst of this vital role, MSMEs often face various challenges, especially in the aspect of compliance with tax obligations. The low level of tax understanding and awareness is one of the main causes of the low level of tax compliance among MSME players (Suarniti & Putra, 2022).

The Indonesian government through the Directorate General of Taxes (DGT) continues to reform the tax system to create a system that is fairer, more efficient, and easier for taxpayers to understand. One of these strategic steps is realized through the issuance of Government Regulation of the Republic of Indonesia Number 55 of 2022 concerning Adjustment of Income Tax (PPh) Regulations on Income from Business Received or Obtained by Taxpayers with Certain Gross Circulation. This policy directly targets MSMEs with the aim of encouraging tax compliance through a simpler and more affordable tariff scheme (Central Government of Indonesia, 2022). However, the success of the policy is highly dependent on the level of taxpayers' understanding of the substance of the regulation.

In this context, tax literacy becomes a crucial component. Tax literacy includes an understanding of tax rights and obligations, the benefits of taxes for development, and the ability to carry out tax obligations correctly (Tomy & Rozi, 2025). A good level of tax literacy is believed to be able to encourage tax-compliant behavior, especially among MSME players who generally do not have sufficient knowledge related to taxation. Therefore, tax socialization and education conducted by the DGT play an important role in improving MSMEs' understanding and compliance with tax regulations, especially after the implementation of PP 55/2022. A person's level of tax literacy affects the extent to which they comply with their tax obligations (Saharani & Sari, 2023; Sari, 2019). Apart from tax literacy, other factors such as tax sanctions and tax incentives also play a role in increasing MSME taxpayer compliance (Herawati, 2021; Mardhatilla et al., 2023).

However, the reality on the ground shows that MSME tax compliance is still at a low level. Although various socialization efforts have been carried out by the DGT, many MSME players still experience difficulties in understanding their tax obligations. In

Baubau City, for example, most MSMEs are still informal and do not fully understand the tax provisions, especially those related to PP 55/2022. This raises questions regarding the effectiveness of the socialization strategy that has been carried out by the DGT and the extent to which tax literacy can improve MSME compliance in fulfilling their tax obligations.

The main problem in this service activity lies in the low level of tax compliance of MSME actors in Baubau City despite various socialization strategies by the DGT. The low level of tax literacy is allegedly one of the main factors that hinder the understanding of applicable tax regulations. Moreover, after the implementation of PP 55/2022 which brings a number of changes in the calculation and reporting of MSME taxes, a deeper understanding is needed from business actors. Therefore, it is important to evaluate the extent to which DGT's socialization strategy has contributed to improving tax literacy and compliance among MSME players, especially in Baubau City.

This activity aims to determine the role of tax literacy in improving the tax compliance of MSMEs in Baubau City. In addition, this service activity also aims to review the effectiveness of the socialization strategy carried out by the DGT after the implementation of PP 55/2022, and identify the relationship between socialization, tax literacy, and tax compliance. Through this activity, it is hoped that a more comprehensive understanding of the factors that influence MSME tax compliance can be obtained, as well as providing targeted policy recommendations in order to improve tax education at the local level. The existence of a tax literacy improvement program makes a positive contribution in improving the literacy of MSME taxpayers (Indah Umiyati, Naila Rahmah, 2024). Through tax literacy activities, business actors understand the amount of tax that must be spent, tax calculations, reporting procedures and registration as taxpayers subject to the final pph 21 (Ramdani et al., 2022)

Previous studies have highlighted MSME tax compliance in general, but there are still few that examine in depth the role of tax literacy as an intermediary variable linking socialization strategies with tax compliance (Satria et al., 2025). In addition, most studies focus on large urban areas such as Jakarta, Surabaya, or Bandung, while areas outside Java such as Baubau City are still minimally explored. On the other hand, PP 55/2022 is a new regulation that has not been widely studied empirically, especially from the perspective of MSME actors in the regions. This shows that there is a research gap that needs to be filled so that policy making can be based on real local data and conditions.

Thus, this service activity offers a new contribution (novelty) in taxation studies, especially by combining three important elements: DGT socialization strategy, tax literacy level, and MSME tax compliance in the regional context. This activity is not only important from an academic perspective in enriching the existing literature, but also has high practical value in assisting the formulation of a more contextual and effective tax education strategy, both at the central and regional levels. Therefore, the findings of this activity are expected to provide valuable input for the DGT, local governments, and MSME players in an effort to create an inclusive, fair, and sustainable tax system.

METHOD

1. Approach and Implementation Methods

This community service activity is carried out using a participatory approach and an educational-transformational method, which emphasizes the active involvement of target partners (MSMEs) in the entire activity process, starting from problem identification, education implementation, to evaluation of the impact of activities. The methods used include:

- a. Socialization and Education: Delivery of tax literacy materials and socialization of PP 55/2022 through seminars, workshops, and digital media.
- b. Focus Group Discussion (FGD): Limited group discussions to explore MSMEs' understanding and perception of tax regulations.
- c. Technical Assistance: Hands-on practice of filling and reporting taxes online using e-form and e-billing.

2. Activity Location and Partners

This activity was carried out at the Baubau City Library Building, Southeast Sulawesi, with the main target being MSME actors who already have NPWP and are in the trade, service and culinary sectors. The main partners in this activity are:

- a. MSME players assisted by the Baubau City Cooperative and MSME Office
- b. Baubau Primary Tax Office (as resource person and technical data supporter).

3. Stages of Activities

The following are the systematic stages in this service activity:

- a. Preparation Stage
 - 1) Initial survey for mapping MSME tax literacy needs.
 - 2) tax education based on PP 55/2022.
 - 3) Coordination with KPP Pratama

- b. Implementation Stage
 - 1) Seminar and socialization of PP 55/2022 for MSMEs.
 - 2) Tax literacy classes (face-to-face and/or online).
 - 3) Simulation of tax reporting using e-filing and e-form.
 - 4) FGDs to explore the barriers and perceptions of MSME players towards
 - 5) regulation
- c. Evaluation and Monitoring Phase (1 week)
 - 1) Evaluation and measurement of activity effectiveness (pretest-posttest).
 - 2) In-depth interviews with several participants (sampling).
 - 3) Documentation of activity achievements

Strengthening tax literacy through adaptive and participatory socialization strategies is believed to have an impact on increasing tax compliance of MSME actors. Therefore, this community service model will focus on:

- a. Identification of MSME tax information needs;
- b. Implementation of tax education and socialization based on a participatory approach;
- c. Monitoring and evaluation of the impact of increased literacy on tax compliance behavior.

Thus, this service activity is not only an educational medium, but also a social intervention to bridge government policies with the reality on the ground through empowering MSME actors.

RESULTS AND DISCUSSION

The main problem identified in this service is the low level of tax compliance of MSMEs in Baubau City. This is caused by low tax literacy, especially related to regulatory changes after the implementation of PP 55 Year 2022. One strategic approach that can be taken is to strengthen tax literacy through educational and socialization activities that are directed, sustainable, and relevant to the needs of MSMEs. Tax literacy is not just technical knowledge about taxes, but also includes an understanding of rights and obligations, the benefits of taxes for development, and how tax regulations are implemented. The results in this service activity include:

1. Socialization and Education

Socialization activities are carried out in the form of open seminars involving the DGT (KPP Pratama Baubau), digital information dissemination through WhatsApp

UMKM groups, e-posters, and PP 55/2022 guideline booklets, direct dialogue between participants and resource persons.



Figure 1. Tax socialization for MSME’s by KPP Baubau

In the seminar, the material focused on explaining the contents of PP 55/2022 which regulates the mechanism for calculating, withholding, and reporting final income tax for MSMEs. In addition, an understanding of the policy changes compared to the previous regulation was also provided, as well as how this regulation aims to simplify the tax compliance process for small businesses. The socialization was communicative and participatory, allowing participants to ask questions, share experiences, and provide input on the prevailing tax policies.

In the educational activities, the focus was on delivering conceptual materials related to tax literacy, especially those related to the definition and urgency of tax literacy for MSMEs, the legal basis for MSME tax collection, including PP 55/2022 as the main regulation, taxpayer obligations and rights, and between the final rate and the general rate of MSME Income Tax.



Figure 2. Q&A with KPP Baubau

Education is provided through interactive face-to-face classes in a simple and contextualized manner so that it can be well understood by MSME actors from various educational backgrounds. This activity was combined with an interactive quiz and pretest-posttest to measure the improvement of participants' knowledge. The results showed an average increase in understanding of 30-35% after the education session, signaling the success of this approach in shaping participants' initial awareness and basic understanding.

MSMEs are a strategic sector that sustains the regional economy while having fiscal obligations that are specifically regulated in the regulation. Only a small proportion of MSMEs have knowledge and understanding of tax regulations (Miracel et al., 2022). This fact is the basis for the importance of improving tax literacy for MSMEs to increase their level of tax compliance (Agusti & Rahman, 2023; Arifin & Sriyono, 2022; Triono et al., 2022).

2. Focus Group Discussion (FGD)

FGDs were conducted to dig deeper into participants' perceptions and understanding of tax regulations, as well as obstacles faced in fulfilling tax obligations. The discussion was conducted in small groups facilitated by the moderator, so that participants were more free to express their views. The FGD results show that most participants consider the tax system is still difficult to understand, especially in terms of using the DGT Online application. Many participants said that they were afraid of making administrative mistakes, so they chose not to report their taxes at all. In addition, some participants admitted that information on regulatory changes did not reach them directly. This is the importance of a participatory and community-based communication strategy.



Figure 3. Focus Group Discussion

3. Technical Assistance

Technical assistance is carried out in the form of direct simulation of SPT reporting using the DJP Online e-Filing and e-Form applications, guidance on creating a DJP Online account, filling out forms, and printing electronic reporting evidence (BPE), and practice using e-Billing to pay taxes electronically.



Figure 4. Technical Assistance for SPT Reporting Simulation

Each participant was guided individually and in small groups by a team of lecturers and student volunteers who had received training from KPP Pratama. The results of this session showed that more than 80% of the participants were able to do tax reporting

independently, at least for simple monthly transactions. Their confidence and technical skills improved significantly, and there was an increased intention to report and pay taxes on time.



Figure 5. Photo with MSME Actors

This mentoring activity proves that technical constraints are the main barrier in digitizing taxation services, not merely resistance. This refers to the Technology Acceptance Model theory that emphasizes the importance of perceived “ease of use” and “tangible benefits” for someone to use new technology. This activity also supports the government's agenda in the digital transformation of taxation (DGT, 2023), where increasing taxpayer digital literacy is part of the national strategy to expand the tax base in a sustainable manner.

The results of this service activity show that an educational and participatory approach is able to significantly improve tax literacy and compliance of MSMEs. Through strengthening financial literacy and MSME empowerment programs, it is expected to increase tax compliance and tax contributions from the MSME sector (Rioni, 2021; Ulfa & Aribowo, 2021; Yuliatic & Fauzi, 2020). A high level of tax literacy is positively correlated with the level of tax compliance. Education that is based on local context and relevant to the needs of MSME actors is a determining factor in the success of DGT's socialization strategy.

Theoretically, the findings from this activity contribute to the development of tax literacy literature by adding empirical evidence from the local context, namely MSMEs in Baubau city. This activity also enriches the understanding of the effectiveness of community-based tax communication strategies and participatory education. Practically, this activity model can be replicated by DGT and other higher education institutions as a

form of strategic collaboration in encouraging education-based tax compliance. The implication of this activity is to encourage the formulation of tax policies that are more responsive to the educational needs of small businesses, as well as the potential integration of tax literacy curriculum in MSME training programs nationally.

Overall, the success of improving tax literacy is not only determined by the delivery of material, but also by the active involvement of participants through participatory methods such as FGDs and technical assistance. This service activity has a positive impact on improving the tax literacy and tax compliance capacity of MSME actors in Baubau City. The combination of theoretical education, participatory discussions, and hands-on practice proved effective as a strategy to increase the capacity of MSMEs in fulfilling their tax obligations.

CONCLUSION

The results of this service activity show that increasing tax literacy through an educational, participatory, and real practice-based approach can encourage better understanding and increase voluntary compliance of MSME actors with tax regulations, especially after the implementation of PP 55/2022. Through communicative socialization, local context-based education, and technical assistance on the use of e-filing and e-form, participants not only gained conceptual knowledge, but also practical skills relevant to their tax obligations.

This activity also confirms that a collaborative model between academics and local tax authorities can be an effective and sustainable strategy in addressing tax literacy challenges in the informal sector and MSMEs. Theoretically, this finding reinforces the idea that tax literacy is an important determinant in building voluntary tax compliance. Practically, this approach opens room for replication of similar programs in other regions by adjusting the local socio-economic context. Therefore, the integration of tax literacy education and strengthening the digital capacity of MSME taxpayers should be part of the national agenda in reforming an inclusive and equitable tax system.

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