

Taxable Entrepreneur in Legal Analysis: Implementation for MSMEs Entrepreneurs Based on Minister of Finance No. 164 of 2023

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Abstract

This study examines the confirmation of Taxable Entrepreneurs under the Regulation of the Minister of Finance Number 164 of 2023, with a particular focus on its implementation among Micro, Small, and Medium Enterprises. The objective of this research is to identify the legal provisions related to Taxable Entrepreneurs confirmation as stipulated in the regulation and to analyse whether its implementation aligns with the principles of good governance. This study employs a mixed-method approach, combining normative legal research to examine existing legislation and empirical legal research to evaluate its application in practice. The findings reveal that although the regulation aims to provide legal certainty and enhance tax compliance, its implementation still faces significant challenges. These are especially evident among MSMEs, many of whom have limited understanding of the new tax obligations. A lack of socialization and support from tax authorities has been identified as a major barrier to the effective enforcement of this regulation.

Keywords

MSMEs, Taxable Entrepreneur, Tax Law

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Introduction

Taxes play a crucial role in the functioning of a country, as they constitute one of the primary sources of state revenue.¹ Taxes are collected from the public, both individuals and business entities, and represent a civic obligation to the state. The taxes collected are allocated for national development, allowing citizens to benefit from the contributions they have made. When the public is aware of and complies with their tax obligations, state revenue from taxes increases, thereby significantly accelerating national development.² The outcomes of tax collection are ultimately returned to the public in the form of infrastructure and services that can be utilized and experienced directly by society.³

Tax regulations in Indonesia are supported by a legal framework, as stipulated in Article 23A of the 1945 Constitution of the Republic of Indonesia, which states: “Taxes and other compulsory levies for state purposes shall be regulated by law”.⁴ Article 23A of the 1945 Constitution of the Republic of Indonesia stipulates that the legal basis for tax collection imposed on the people or taxpayers must be established by law, thereby ensuring legal certainty. This implies that taxation constitutes a transfer of wealth from the people to the government without any directly identifiable reciprocal benefit.⁵

¹ Mohammad Ridwan et al., “Taxes and the Functions of State Development (a Case Study at the Cirebon One Primary Tax Service Office),” *Discourse: Journal of Multidisciplinary Studies* 1, no. 2 (2024): 81–88; Fatma Ulfatun Najicha, “Peranan Hukum Pajak Sebagai Sumber Keuangan Negara Pada Pembangunan Nasional Dalam Upaya Mewujudkan Kesejahteraan Rakyat,” *Ius Civile: Refleksi Penegakan Hukum Dan Keadilan* 6, no. 1 (2022): 169–81.

² Nanda Herlinanur et al., “Peran Kepatuhan Wajib Pajak Penghasilan Dalam Menjamin Keberlanjutan Penerimaan Pajak Nasional Negara,” *Jurnal Ilmiah Ekonomi Dan Manajemen* 3, no. 6 (2025): 83–91.

³ Andi Andi, “Tax And Society Responsibilities: Purpose A Tax Return Program To Combinate The Chain,” *International Journal Of Financial Economics* 1, no. 12 (2025): 763–73; Waheed O Ajiteru, Luqman O Adaranijo, and Lawal Ayofe Bakare, “Tax Revenue and Infrastructural Development in Osun State,” *International Journal of Innovative Finance and Economics Research* 6, no. 2 (2018): 50–61.

⁴ Cinantya Kumaratih and Budi Ispriyarso, “Pengaruh Kebijakan Perubahan Tarif PPH Final Terhadap Kepatuhan Wajib Pajak Pelaku UMKM,” *Jurnal Pembangunan Hukum Indonesia* 2, no. 2 (2020): 158–73.

⁵ Niru Anita Sinaga, “Pemungutan Pajak Dan Permasalahannya Di Indonesia,” *Jurnal Ilmiah Hukum Dirgantara* 7, no. 1 (2016); Niru Anita Sinaga, “Reformasi Pajak Dalam Rangka Meningkatkan Pendapatan Negara,” *Jurnal Ilmiah Hukum Dirgantara* 8, no. 1 (2017).

The government, possessing authority and the right to manage public funds, is responsible for ensuring that state revenues are sourced from tax collection. Tax is a mandatory form of payment imposed on all taxpayers, the proceeds of which are ultimately intended to be experienced and utilized by the people themselves.

To regulate taxation, a tax law is required with the purpose of governing the relationship between the public as taxpayers and the government as the tax collector. Tax collection in Indonesia faces numerous challenges, primarily due to weaknesses in tax regulations and the lack of sufficient public outreach to taxpayers.⁶ To address these issues, it is necessary to improve and clarify existing tax regulations, conduct public awareness campaigns to enhance taxpayer compliance, carry out evaluations, and ensure that tax collection is conducted fairly and in accordance with the law.⁷

The legal basis for taxation is governed by Law Number 16 of 2009 concerning the Enactment of Government Regulation in Lieu of Law Number 5 of 2008 on the Fourth Amendment to Law Number 6 of 1983 regarding General Provisions and Tax Procedures into Law. This regulation provides guidelines for both taxpayers and the government as the tax authority to ensure that actions are not exercised arbitrarily.

Based on this legal foundation, tax regulations serve not only as a juridical instrument governing the relationship between taxpayers and the state but also as a basis that affirms the importance of public contribution to national financing.

Tax plays a vital role and constitutes a key element as a source of state revenue, with tax collections representing a dominant portion of government funding. Therefore, every citizen

⁶ Chevri Korat and Agus Munandar, "Penerapan Core Tax Administration System (CTAS) Langkah Meningkatkan Kepatuhan Perpajakan Di Indonesia," *Jurnal Riset Akuntansi Politala* 8, no. 1 (2025): 16–29; Sinaga, "Pemungutan Pajak Dan Permasalahannya Di Indonesia."

⁷ Rahmat Heryat Furqon et al., *Strategi Optimalisasi Penilaian Pajak* (Cipta Media Nusantara, 2022); Fitria Arianty et al., *Perpajakan Dan Corporate Citizenship* (Nas Media Pustaka, 2024).

who meets the criteria as a taxpayer under prevailing tax regulations is obligated to fulfil their tax payment responsibilities.⁸

The responsibility for fulfilling tax payment obligations rests with the taxpayer themselves. This is in accordance with the self-assessment system adopted in Indonesia's taxation framework. Tax payment is not merely a state obligation but also a right of every citizen to participate in financing the state and supporting national development.⁹

In recent years, the Indonesian government has increasingly focused on developing economic sectors that can accelerate growth and create more equitable prosperity for the population. One sector that has received significant attention is the MSMEs (Micro, Small, and Medium Enterprises) sector, which is considered the backbone of the national economy. Through regulations issued by the government, it is expected that MSMEs will play a larger role in contributing to the economy and creating employment opportunities for millions of people across Indonesia.¹⁰

MSMEs are a crucial sector supporting the economy in Indonesia. This is because MSMEs are able to absorb a significant portion of the workforce and improve the welfare of their entrepreneurs. MSMEs play a strategic role in the national economic structure. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the Gross Domestic Product (GDP) and also provide employment for the majority of the workforce in Indonesia. With this significant contribution, the government

⁸ Dwi Sheca Adilla, Syifa Nur Fitriani, and Lulu Lailatul Jannah, "Peran Pajak Sebagai Sumber Pendapatan Negara Dalam Sistem Perekonomian Indonesia," *Jurnal Media Akademik (JMA)* 3, no. 11 (2025); Nabilah Khilmiyah and Imahda Khoiri Furqon, "Peran Pajak Sebagai Sumber Penerimaan Negara Dalam Pembangunan Ekonomi," *Jurnal Ilmiah Ekonomi Dan Pajak* 6, no. 1 (2026): 6–13; Edwin Surya Atmaja, Siti Fatimah, and Yusifa Pascayanti, "Dampak Dan Konsekuensi Perusahaan Atau Unit Mikro Kecil Menengah (UMKM) Setelah Dikukuhkan Sebagai Pengusaha Kena Pajak (PKP) Melalui Infinity General Consulting," *Jurnal Aplikasi Perpajakan* 4, no. 1 (2023): 12–21.

⁹ Luvita Dwi Khairunisa and Eko Ribawati, "Pajak Dalam Perspektif Hak Dan Kewajiban: Tinjauan Literatur Dan Implikasinya," *Jurnal Media Akademik (JMA)* 4, no. 1 (2026).

¹⁰ Irfi Silvia Amanda et al., "Peran Pemerintah Dalam Pengembangan UMKM Nasional Dan Membangun Negeri Di Pasar Internasional," *Yustisia Tirtayasa: Jurnal Tugas Akhir* 2, no. 1 (2022): 13–19.

has made efforts to implement various policies supporting the development of MSMEs, one of which is a simplified and more affordable tax policy. Over the past five years, the contribution of MSMEs to GDP has increased from 57.84% to 60.34%, and the absorption of the workforce has risen from 96.99% to 97.22% during the same period.¹¹

Tax is a primary source of state revenue, and as an important economic subject, MSMEs also form part of the taxpayer base that must contribute in the form of taxes. However, the imposition of tax obligations on MSMEs must be accompanied by fair, proportional policies that do not hinder the growth of this sector.¹² In line with this, the government has introduced specific tax policies for MSMEs, such as the Minister of Finance Regulation of the Republic of Indonesia Number 164 of 2023, which imposes a final Income Tax rate of 0.5% for MSMEs taxpayers with gross revenue below IDR 4.8 billion per year, as well as for Taxable Entrepreneurs who meet certain turnover thresholds.¹³

This Government Regulation is expected to provide fairness to taxpayers with a certain level of gross revenue who are capable of maintaining bookkeeping, allowing them to choose to be subject to Income Tax based on the general rates under the Income Tax Law. It is hoped that this policy will enable MSMEs actors to actively participate, grow, and become more aware of their tax obligations.

Although the role of MSMEs is crucial in Indonesia's economy, the level of tax compliance in this sector remains relatively low. Many MSMEs operators do not fully understand their obligations as taxpayers or the procedures for obtaining Taxable Entrepreneur status. This issue arises from the lack of outreach regarding applicable tax regulations and the complexity of tax laws. Tax law outreach is vital for building a strong economy. The goal of this outreach

¹¹ Iim Nur Aminah, "Sistem Informasi, Keuangan, Auditing Dan Perpajakan," *Jurnal SIKAP* Vol 3, no. 2 (2019): 148.

¹² David Luntungan, "Perpajakan UMKM Di Era Undang-Undang Harmonisasi Perpajakan: MSME's Taxation in the Era of Tax Harmonization Law," *Neraca: Jurnal Pendidikan Ekonomi* 8, no. 1 (2022): 1–11.

¹³ Eka Puspita Handayani, Fadjar Harimurti, and Djoko Kristanto, "Pengaruh Pemahaman Peraturan Pajak, Sosialisasi Pajak, Dan Tingkat Kepercayaan Terhadap Kepatuhan Wajib Pajak UMKM (Survey Pada Pedagang Batik Di Pasar Klewer Surakarta)," *Jurnal Akuntansi Dan Sistem Teknologi Informasi* 16, no. 1 (2020): 22–32.

is to raise awareness of tax law among the public, clarify their rights and obligations, and identify and address existing challenges.¹⁴

Yogyakarta is a city known for tourism and as a student hub, which naturally attracts many visitors. The city is home to various types of MSMEs. Government policy support for the sustainability of MSMEs is crucial.¹⁵ The various tax regulations applicable to MSMEs entrepreneurs are expected to encourage regional economic growth while also improving compliance in tax reporting and payment.¹⁶

In this context, the existence of clear and applicable tax regulations is essential to creating a healthy business ecosystem for MSMEs entrepreneurs in Yogyakarta. Regulations that are supportive and effectively socialized are expected not only to strengthen the local economic foundation but also to foster awareness and compliance among business operators regarding their tax obligations.

This regulation aims to enhance tax compliance among MSMEs operators and provide legal certainty in the implementation of the VAT system. By confirming entrepreneurs as Taxable Entrepreneurs, they are required to issue tax invoices and report transactions subject to VAT, which ultimately contributes to increased transparency and better tax governance.

However, this policy also presents various challenges for MSMEs operators. Some MSMEs may face difficulties in managing tax administration, particularly in issuing tax invoices and regularly reporting VAT. Therefore, a deeper understanding of the implications of Taxable Entrepreneur confirmation for MSMEs is crucial to ensure that this policy is implemented effectively without hindering the growth of small and medium enterprises.

¹⁴ Reni Indriani, Riri Tri Mayasari, and Betra Sarianti, "Sosialisasi Hukum Pajak Sebagai Upaya Meningkatkan Kesadaran Pajak Bagi Pelaku Umkm Dan Masyarakat Kelurahan Pematang Gubernur," *Jurnal Pengabdian Masyarakat Ekonomi Dan Bisnis Digital* 1, no. 2 (2024): 100–106.

¹⁵ Ani Wijayanti, *Strategi Pengembangan Pariwisata Edukasi Di Kota Yogyakarta* (Deepublish, 2020).

¹⁶ Loso Judijanto, "Kepatuhan Pajak Dan Tata Kelola Perpajakan Bagi Umkm Di Indonesia: Kajian Pustaka Terhadap Regulasi, Implementasi, Dan Tantangan," *JEBIMAN: Jurnal Ekonomi, Bisnis, Manajemen Dan Akuntansi* 3, no. 6 (2025): 447–54.

Method

The research approach used is qualitative, aiming to find answers to a phenomenon or question through the systematic application of scientific procedures. The type of research used is a combined approach, namely empirical and normative legal research. Empirical legal research is a method that uses empirical facts, obtained through interviews or actual behaviours observed directly, while normative legal research is conducted by examining bibliographic materials or secondary data as the basis for the study. This research is carried out by reviewing regulations and literature related to the research topic. The approach taken is through the application of legal scientific logic, focusing on the normative aspects by examining all relevant regulations pertaining to the study. This research discusses the implementation of MSMEs entrepreneurs based on Minister of Finance Regulation No. 164 of 2023. The study was conducted at the Yogyakarta, Primary Tax Service Office, the Yogyakarta Department of Industry, Cooperatives, and Small and Medium Enterprises, and two MSMEs entrepreneurs in Yogyakarta. Data collection was carried out through literature review and interviews with respondents, including staff from the Yogyakarta Primary Tax Service Office and the Yogyakarta Department of Industry, Cooperatives, and Small and Medium Enterprises. Data processing was done using qualitative methods.

Result and Discussion

In the Indonesian tax system, the status of a Taxable Entrepreneur plays a significant role for business actors, including MSMEs. Confirmation as a Taxable Entrepreneurs determines the tax obligations that must be fulfilled, particularly in the collection and reporting of Value Added Tax (VAT) and Final Income Tax.¹⁷ With the issuance of the Minister of Finance Regulation of the Republic of Indonesia Number 164 of 2023, new provisions have been introduced that regulate the mechanism for Taxable Entrepreneurs confirmation, including for MSMEs actors.

¹⁷ Wulan Damayanti et al., "Pajak Pertambahan Nilai Terhadap Notaris Yang Termasuk Pengusaha Kena Pajak," *Yustisi* 11, no. 3 (2024): 21–29.

In the context of Yogyakarta City, MSMEs make a significant contribution to the regional economy; therefore, regulations related to Taxable Entrepreneurs status may have a direct impact on the sustainability of their businesses. Accordingly, this subsection will address several key aspects: the definition of Taxable Entrepreneurs confirmation, a general overview of MSMEs in Yogyakarta City, the implementation of Minister of Finance Regulation No. 164 of 2023 in the confirmation process, and the impact of this regulation on MSME operators. This analysis is expected to provide insights into the effectiveness of the policy in enhancing tax compliance and its influence on the sustainability of MSMEs in Yogyakarta City.

Profile of MSMEs

According to Mulachela, (MSMEs) are forms of business activities operated by individuals, households, or small business entities. The classification of MSMEs is based on several key aspects, namely annual turnover, the value of business assets or capital, and the number of employees engaged.¹⁸

According to Law Number 20 of 2008 concerning MSMEs, a micro enterprise is defined as a productive business owned by an individual or an individual business entity, with a maximum annual turnover of IDR 300 million and business assets not exceeding IDR 50 million, excluding land and buildings. Furthermore, a small enterprise is a stand-alone productive economic business that is not affiliated with medium or large enterprises. The criteria for small enterprises include net assets ranging from IDR 50 million to IDR 500 million, with an annual turnover between IDR 300 million and IDR 2.5 billion. Meanwhile, a medium enterprise is an independent business that is not a part of either a small or large enterprise, with net assets ranging from IDR 500 million to IDR 10 billion (excluding land

¹⁸ Umi Haryani and Susianti Susianti, "Pengaruh Kenaikan Tarif Pajak Pertambahan Nilai Pasca Undang Undang Harmonisasi Perpajakan Terhadap Kepatuhan Pajak UMKM Di Indonesia," *E-Jurnal Perspektif Ekonomi Dan Pembangunan Daerah* 13, no. 2 (2024): 1–10.

and buildings used for business premises) and an annual turnover of more than IDR 2.5 billion up to IDR 50 billion.¹⁹

According to the author's perspective, MSMEs in Yogyakarta City hold a strategic role in the regional economy. The majority of MSMEs in this city operate in the culinary, handicraft, and tourism sectors, with a focus on local products such as batik, silver jewellery, and traditional Yogyakarta cuisine.

Based on empirical data sources, despite their significant potential, MSMEs in Yogyakarta face several challenges, including limited access to capital, a lack of digitalization, and increasingly intense market competition.

The majority of MSMEs in Yogyakarta are micro-enterprises managed independently or based on family structures. Limited business capital and traditional management approaches are their primary characteristics. However, these challenges present opportunities for growth through innovation.²⁰

In line with the growth of the creative industry, which significantly contributes to the economy and employment absorption in Yogyakarta, taxation has become a crucial element in supporting a sustainable business ecosystem. One of the key indicators in the taxation system is the number of registered Taxable Entrepreneurs in the City of Yogyakarta. The following data will present information on the number of Taxable Entrepreneurs as an overview of taxpayer compliance levels and the development of business sectors that have fulfilled tax obligations in Yogyakarta.

¹⁹ Asmaira Munthe, M Yarham, and Ridwana Siregar, "Peranan Usaha Mikro Kecil Menengah Terhadap Perekonomian Indonesia," *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi* 2, no. 3 (2023): 593–614; Herispon Herispon and Hendrayani Hendrayani, "Kontribusi Dan Eksistensi Usaha Mikro Kecil Dan Menengah Di Indonesia," *Jurnal Daya Saing* 7, no. 1 (2021): 44–56; Bambang Hengky Rainanto, "Analisis Permasalahan Yang Dihadapi Oleh Pelaku Usaha Mikro Agar Berkembang Menjadi Usaha Kecil (Scalling Up) Pada Umkm Di 14 Kecamatan Di Kabupaten Bogor," *Jurnal Ilmiah Manajemen Kesatuan* 7, no. 1 (2019): 201–10.

²⁰ Abdul Fatah and Insyirah Nabilah, "Peran Usaha Mikro Dalam Meningkatkan Kesejahteraan Sosial Dan Ekonomi Masyarakat Yogyakarta," *Jurnal Manejemen, Akuntansi Dan Pendidikan*, 2025, 106–14.

Table 1. Data on the Number of VAT-Registered Businesses in Yogyakarta City.

Year	The Number of VAT-Registered Businesses
2021	2.151
2022	2.284
2023	2.381

Source: Based on empirical data sources.

Based on the Table 1, the number of registered Taxable Entrepreneurs in Yogyakarta indicates signs of recovery and stabilization following the impact of the COVID-19 pandemic, as observed during the period from 2021 to 2023. This reflects a gradual resumption of economic activity in the MSMEs sector, in line with the government's economic recovery policies.

In order to evaluate the sustainability of MSMEs post-pandemic, the local government, through the relevant departments, will conduct a re-registration of MSMEs actors for the period from 2021 to 2025. Based on empirical data sources, this re-registration aims to assess the level of MSMEs existence and identify whether there has been an increase or decrease in the number of businesses since the COVID-19 pandemic. Compared to the situation in 2021, when the pandemic was still ongoing, MSMEs in Yogyakarta have now shown significant recovery, and even experienced better growth than in the previous period.

In the author's view, the general overview of MSMEs in Yogyakarta has shown progress year by year. Yogyakarta's MSMEs have become an attraction for outsiders due to the diversity of MSMEs in the city. This has had a positive impact on Yogyakarta and the government, as it creates job opportunities and increases regional income.

In an effort to strengthen the integration of MSMEs into the national taxation system, the government has established more detailed mechanisms and tax obligations through the Minister of Finance Regulation Number 164 of 2023 concerning the Procedures for the Imposition of Income Tax on Income from Business Activities Received or Earned by Taxpayers with Certain Gross Turnover and the Obligation to Report Business Activities for Designation as Taxable Entrepreneurs.

Ministerial Regulation 164/2023 explicitly stipulates that taxpayers with annual gross turnover exceeding IDR 4.8 billion are required to submit an application for designation as a Taxable Entrepreneur. However, the regulation also provides an opportunity for MSMEs actors with gross turnover below that threshold to voluntarily apply for such designation. This provision is outlined in Article 21, Paragraph (1), which states that small business actors may choose to report their business activities in order to be designated as Taxable Entrepreneurs, even though they are not mandated to do so based on their turnover.

This provision offers flexibility to MSMEs actors in determining their participation in the Value Added Tax system. From a policy perspective, this voluntary mechanism aims to enhance voluntary compliance and broaden the tax base, while still taking into account the limited administrative capacity of MSMEs. MSMEs actors who opt to be designated as Taxable Entrepreneurs may gain benefits such as increased business credibility, access to formal business partnerships, and greater trust from consumers and financial institutions.

The Role of the Minister of Finance Regulation in Practice

In Government Regulation No. 7 of 2021 on the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs), MSMEs in Indonesia are categorized into three groups: micro, small, and medium. Meanwhile, according to Minister of Finance No. 19/Minister of Finance.03/2013, MSMEs are categorized into two groups: Taxable Entrepreneurs and Non-Taxable Entrepreneurs. The definition of refers to companies with an annual turnover of more than 4.8 billion IDR. On the other hand, refers to companies with an annual turnover of less than 4.8 billion IDR.

Based on empirical data sources, the implementation of Minister of Finance No. 164/2023 carried out by Tax Service Office Region is conducted through socialization with business owners to enhance their understanding of the obligations and benefits of Taxable Entrepreneurs registration. The mechanism for Taxable Entrepreneurs registration allows entrepreneurs to submit a registration application to the KPP Pratama. However, there are challenges, such as a lack of understanding, with many small business owners in Yogyakarta not fully grasping the concept of and their tax obligations.

Based on empirical data sources, socialization has been carried out through a mechanism that requires taxpayers to visit the tax office in person, based on an official invitation from the tax authority. Additionally, face-to-face socialization sessions are held by tax officers to provide a more comprehensive understanding of the applicable tax regulations. This socialization aims to ensure that taxpayers, particularly MSMEs actors, receive accurate information regarding their tax rights and obligations, in order to improve compliance levels and reduce the potential for errors in tax reporting.

The benefits of the implementation of Minister of Finance Number 164/2023 for entrepreneurs include facilitating those who meet the requirements to become Taxable Entrepreneurs, and assisting entrepreneurs in managing their tax obligations in an orderly manner. For the government, it increases tax compliance in the MSMEs and medium-sized business sectors, and expands the tax base, leading to an increase in state revenue.

Based on empirical data sources, the implementation of Minister of Finance Number 164 was socialized by Tax Service Office Region on February 6, 2024, at the Tax Service Office Region office. A total of 76 participants attended this socialization event. The socialization covered the procedures for withholding Final Income Tax under Article 4, paragraph (2) for taxpayers with certain gross turnover.

The author's perspective on the research findings with Tax Service Office Region staff and the SMEs Department regarding the implementation of Minister of Finance 164/2023 in the Taxable Entrepreneurs certification process reveals that various challenges remain, particularly in the areas of socialization and understanding among MSMEs actors. Despite efforts by the tax authorities to conduct socialization, the facts on the ground show that many MSMEs operators have not fully grasped the provisions in Minister of Finance 164/2023. This lack of understanding results in low compliance rates and administrative errors in the Taxable Entrepreneurs certification process.

Next, there is a Table 2 obtained from Tax Service Office Region containing data on the number of Taxpayers in accordance with the applicable tax regulations. This Table 2 is part of the findings from the study on the implementation of tax policy and the level of taxpayer compliance in fulfilling their tax obligations.

Table 2. Data on the Number of Taxpayers with MAP Code 411128-420.

Tax Year	The Number of Taxpayers Paying with MAP Code 411128-420.	Reporting Year	Realization of Annual Tax Return Reporting by Taxpayers who pay using the PP23/PP46/PP55 scheme.
2021	5.680	2021	5.040
2022	5.614	2022	4.908
2023	3.564	2023	3.070

Source: Tax Service Office Region

The Realization Data of Annual Tax Return Reporting for Taxpayers using the PP23/PP46/PP55 scheme at Tax Service Office Region from 2021 to 2023.

The data in the table above was obtained from KPP Pratama. One of the key elements in this data is the MAP Code (Mapping Account Code), which is the code used by the Directorate General of Taxes (DGT) to identify the type of state revenue from tax payments.

The MAP Code plays a role in classifying tax payments based on the type of tax and its subject matter. This code is typically used in the Tax Account Code, which consists of six digits. The first three digits represent the MAP Code, while the last three digits represent the Deposit Type Code, indicating the type of tax payment made.

Based on empirical data sourced from the classification table above, obtained from Tax Service Office Region, it can be observed that the number of taxpayers with the MAP code 411128-420 has changed each year. There has been a decrease in the number of Taxpayer from year to year, with the highest number of Taxpayer recorded in 2021, totalling 5,680, and the lowest in 2023, with a total of 3,564. The realization of annual tax returns reported by Taxpayer who paid using the PP23/PP46/PP55 scheme has also decreased compared to the previous year, with the highest number recorded in 2021 at 5,040 and the lowest in 2023 at 3,070.

The author's analytical view on the changes in the number of Taxpayers with the MAP Code 411128-420, as shown in the table obtained from Tax Service Office Region, reflects the dynamics of taxpayer compliance and participation in fulfilling their tax obligations.

The data shows a decrease in the number of Taxpayers from year to year, with the peak occurring in 2021 at 5,680 Taxpayer, while the lowest number was recorded in 2023 with 3,564 Taxpayer. A similar trend is observed in the realization of annual tax return submissions by taxpayers who paid taxes using the PP 23/PP 46/PP 55 schemes, where the highest number was recorded in 2021 with 5,040 Taxpayer, while the lowest occurred in 2023 with 3,070 Taxpayer

This change could be caused by various factors, such as changes in tax policies, economic conditions, and the level of taxpayer compliance. The decline in the number of taxpayers submitting annual tax returns may serve as an indicator of the need to evaluate tax incentive policies for business operators using the PP 23/PP 46/PP 55 schemes, in order to continue encouraging tax compliance and the growth of the MSMEs sector.

In the context of taxation for MSMEs, taxpayers with an annual turnover below IDR 4.8 billion are subject to a final income tax rate of 0.5% in accordance with the provisions of Government Regulation No. 23 of 2018. Taxpayers who pay taxes with the MAP Code 411128-420 in this data are not specifically categorized based on the MSMEs taxpayer category, but rather based on the tax payment scheme used, namely PP 23/PP 46/PP 55. Therefore, taxpayers making payments under MAP Code 411128-420 are assumed to be MSMEs taxpayers, as this scheme is typically used by taxpayers with a turnover below IDR 4.8 billion.

Based on empirical data sources, the classification used by Tax Service Office Region in the table distinguishes taxpayers based on their choice of tax scheme when registering for a Taxpayer Identification Number. Taxpayers can choose to be taxed under Government Regulation No. 23 of 2018 with a final tax rate of 0.5%, or opt for progressive rates in accordance with Article 17 of the Income Tax Law. In this data, taxpayers who choose the PP 23 scheme are generally MSMEs actors, as this scheme is only applicable to taxpayers with an annual turnover below IDR

4.8 billion. Therefore, it can be concluded that the data in the table represents MSMEs taxpayers using PP 23, and the declining trend in the number of taxpayers filing annual tax

returns could be an indicator of changes in compliance or economic dynamics within the MSMEs sector.

Every business owner whose annual gross turnover and/or gross receipts exceed IDR 4.8 billion is required to submit an application to be appointed as a Taxable Entrepreneur at the Tax Office where their business's Taxpayer Identification Number is registered. Additionally, business owners with annual gross turnover and/or gross receipts less than IDR 4.8 billion may also submit an application to be appointed as a Taxable Entrepreneurs.²¹ This is stated in Minister of Finance No. 164 of 2023, Article 21, Paragraph 1, which reads: "Small businesses, as regulated in the Ministerial Regulation regarding the threshold for small businesses, other than those required to be appointed as VAT taxable entrepreneurs, may choose to report their business in order to be designated as a Taxable Entrepreneur."

This regulation stipulates that small businesses with gross turnover below the threshold specified in the regulation may choose whether to be designated as a Taxable Entrepreneur or not. This provision reflects a dual approach to VAT registration: one that is mandatory for larger businesses and optional for MSMEs. The flexibility embedded in this policy is intended to support MSMEs in transitioning into the formal tax system, while respecting their limited administrative and financial capacities.

From a policy perspective, this regulation promotes inclusivity in the taxation framework without imposing excessive compliance burdens on smaller economic actors. By allowing voluntary registration, the government provides MSMEs with the opportunity to benefit from formal recognition, such as increased business credibility, eligibility for corporate contracts, access to credit, and participation in supply chains requiring VAT compliance. However, this also comes with significant obligations including VAT invoicing, monthly tax reporting, and systematic bookkeeping which may be challenging for many MSMEs, particularly those without dedicated financial personnel or digital systems.

²¹ Lis Indayani, "Memahami Proses Permohonan Pengukuhan Pengusaha Kena Pajak Wajib Pajak Badan," *Jurnal Riset Dan Aplikasi: Akuntansi Dan Manajemen* 3, no. 3 (2019): 171–79.

The effectiveness of this regulation, therefore, hinges on the level of awareness, understanding, and administrative preparedness among MSMEs. In practice, many small business owners may lack sufficient knowledge of the advantages and responsibilities of becoming a PKP, leading to low voluntary uptake. Additionally, technical or procedural barriers in the registration process may further discourage participation.

In light of these challenges, targeted outreach, education programs, and simplified administrative procedures are essential to enhance compliance and ensure that the voluntary registration mechanism fulfils its intended purpose. The regulation's alignment with the principles of good governance, including transparency, accountability, and proportionality, must be accompanied by institutional support to empower MSMEs in contributing effectively to the national tax system.

Conclusion

The designation as a Taxable Entrepreneur based on the Minister of Finance Regulation of the Republic of Indonesia Number 164 of 2023 for MSMEs actors in Yogyakarta City is a regulation that updates the designation process. Minister of Finance 164/2023 provides legal certainty regarding the procedures, requirements, and obligations for businesses in the process of being designated as Taxable Entrepreneurs. MSMEs that meet the established turnover thresholds are required to be designated as Taxable Entrepreneurs, with the aim of increasing tax compliance and expanding the base for Value Added Tax (VAT) collection. This regulation also addresses Final Income Tax for MSMEs actors with gross turnover below a specific threshold of 4.8 billion IDR. Although MINISTER OF FINANCE 164/2023 aims to simplify the Taxable Entrepreneurs designation process and clarify Final Income Tax for MSMEs actors, this study finds that challenges remain in implementation, particularly concerning MSMEs actors' understanding of the new provisions and their readiness to fulfil their tax obligations. Socialization and guidance from the Directorate General of Taxes are crucial factors in enhancing the effectiveness of this regulation.

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