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Tax Education for MSMEs: Solutions for Compliance and Business Optimization

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ABSTRACT

This community service project aims to enhance tax literacy and compliance among Micro, Small, and Medium Enterprises (MSMEs) in Mataram, West Nusa Tenggara, through practical education on Income Tax Return (SPT) filing. Implemented in two stages – a public tax consultation booth and a targeted interactive workshop – the program applied simulation-based learning using Forms F-1770 and F-1771, adjusted to participants' business contexts. Evaluation using pre-test and post-test instruments revealed an average 30.6% increase in technical understanding, demonstrating the effectiveness of practice-based, participatory methods. The project also identified digital adaptation and regulatory complexity as key challenges, reinforcing the need for contextual and ongoing tax education efforts. The short-term gains in comprehension and reporting confidence indicate strong potential for long-term improvements in tax compliance and administrative sustainability among MSMEs. This initiative supports Indonesia's broader fiscal transformation efforts, especially in light of the declining national tax ratio index.

A. INTRODUCTION

Background of the Problem

Micro, Small, and Medium Enterprises (MSMEs) have long been the main drivers of the Indonesian economy. Based on data from the Indonesian Chamber of Commerce and Industry (KADIN), the number of MSMEs in Indonesia reaches more than 66 million units, contributing to the national Gross Domestic Product (GDP) estimated to exceed 60% and absorb around 97% of the workforce. However, amidst the strategic role of MSMEs, state tax revenue still faces serious challenges. One indicator reflecting this is Indonesia's low tax ratio index, which, according to Ministry of Finance data, only reached 10.08% in 2024, down from 10.31% in 2023, despite tax revenue growing by 3.6% (Wildan, 2025). This decline shows that the performance of the tax collection system has not been optimized for the potential of the national economy, which is primarily supported by the informal sector, such as MSMEs.

This condition is followed by the low level of tax literacy among MSME actors, which causes a high level of error in reporting tax obligations (Afiah & P, 2021; Pane et al., 2024), especially when filling out the Income Tax Return (SPT PPh). The lack of understanding of the differences in forms (F-1770 for individual taxpayers, F-1771 for business entities), filling procedures, and the obligation to attach supporting documents contribute to the inaccuracy of the reported data. As a result, many potential tax revenues are not realized, affecting the country's overall fiscal performance.

The results of previous research confirm the urgency of increasing practice-based tax education and contextual approaches so that MSME actors can improve compliance as well as administrative business sustainability (Atifa Nur et al., 2023; Mardhatilla et al., 2023; Wardani et al., 2023; Yulianti, 2022). Thus, implementing educational activities to fill out applicable and adaptive income tax returns is one of the strategic solutions to support an inclusive and equitable national fiscal transformation.

Relevance of Tax Return Completion Education

The completion of income tax returns, both for individual and corporate taxpayers, is one of the important elements in Indonesia's tax administration system. Proper education on tax return filing provides a technical understanding of the differences between forms F-1770 (for individual taxpayers) and F-1771 (for corporate taxpayers). It improves the transparency and accuracy of MSME financial reporting. The implementation of e-filing and the use of tutorial modules can have a positive impact on reducing the number of errors and increasing compliance while supporting the government's efforts in simplifying tax administration. Thus, educational assistance activities for income tax returns are a strategic step to strengthen the foundation of MSME taxation (Setyowati & Furqon, 2025).

Activity Objectives and Targets

This educational activity aims to increase tax literacy among MSME players so they can understand and implement the procedures for correctly filling out Income Tax Returns. The main target of the activity is MSME players who have the potential to make a significant contribution to tax revenue in the West Nusa Tenggara region. With direct assistance through workshops, SPT filling simulations, and interactive question-and-answer sessions, it is hoped that MSMEs can reduce potential errors in recording tax transactions. Improving the ability to manage tax administration is also an effort to support government policies in encouraging more equitable tax compliance and provide examples of the application of simple and effective digital technology-based tax return filling.

B. METHODS

Design of Educational Activities

Educational activities were carried out in two stages; the first stage was to open a tax booth in the form of a free tax consultation located at Epicentrum Mall, which lasted for two days from March 15-16, 2025. The second stage is an interactive workshop, and the material is delivered face-to-face and adjusted to the characteristics of the participants, who are MSME players in the Mataram City Region, West Nusa Tenggara. This workshop is scheduled for 3-4 hours and will be held at Lombok Plaza Hotel on April 10, 2025, with supporting facilities to optimize communication between participants and resource persons. The activity design considers MSMEs' actual conditions and practical needs, referring to tax education models proven to increase participant participation and understanding significantly.

Material Delivery Method

The facilitator presents the material through an interactive presentation enriched with hands-on simulations of filling out the Individual Income Tax Return (F-1770) and Corporate Income Tax Return (F-1771) forms. This delivery method includes step-by-step demonstrations, relevant case studies, and question-and-answer sessions to address participants' doubts. Visual media such as slide presentations and video tutorials were used to simplify complex technical information. This approach is in line with the findings of the Directorate General of Taxes, which showed that the simultaneous use of digital media and direct interaction can effectively improve participants' understanding (Priyono, 2025).

Educational Materials and Content

The material presented includes an in-depth explanation of the structure and procedures for filling out the Income Tax Return form, emphasizing the differences between forms F-1770 (for individual taxpayers) and F-1771 (for corporate taxpayers). Each material session outlines practical steps, from preparing supporting documents, filling in inaccurate data, and checking compliance with the latest tax regulations. Real-life case examples from MSMEs are also presented to illustrate the materials' direct application in the field. Evaluation data from similar educational programs show that a case study and simulation-based approach can increase participants' understanding by 25-30% (Duhmuts, 2023; Matili, 2022).

Participation and Evaluation Methods

The activity was evaluated comprehensively using pre-test and post-test methods to measure the increase in participants' knowledge, along with satisfaction questionnaires and group discussions. In addition, direct observation during the training and a reflection session at the end of the activity were utilized to gather feedback regarding the effectiveness of the material delivery and the challenges faced. The results of these quantitative and qualitative evaluations were then analyzed to assess the success of the activities as well as to consider future program improvements. Recent studies have shown that this kind of participatory evaluation method can significantly improve MSMEs' tax compliance and understanding, with an average score increase of up to 30% and reporting compliance increasing by more than 40% (Utomo et al., 2023; Wardani et al., 2023).

C. RESULTS AND DISCUSSION

Participant Acceptance and Participation Rate

Implementing tax education activities in two stages received a positive response from MSME players in the Mataram City area. In the first phase, the free tax consultation booth opened for two days at Epicentrum Mall. It succeeded in attracting the wider community's interest, especially micro and small business owners who took advantage of this opportunity to consult directly about their tax obligations and constraints. The interaction between the participants and the tax assistants showed that an informal approach in a public space such as a shopping centre could build trust and reduce the distance between MSMEs and the tax authority. Many participants registered directly for the workshop stage after obtaining initial information from the tax booth.

In the second phase, the interactive workshop held at Lombok Plaza Hotel on April 10, 2025, was successfully attended by 100 MSME players from various business sectors in Mataram City. This high attendance rate reflects the participants' enthusiasm and awareness of the importance of a better understanding taxation. During the session, the active participation of the participants was seen through discussions, questions and answers, and their involvement in the simulation of filling out the Income Tax Return. Most participants said that the face-to-face training format tailored to their business context was beneficial in increasing their confidence to report taxes independently. This high participation emphasizes that a contextualized and interactive educational approach contributes significantly to practically improving MSME tax literacy.

Improved Understanding of Tax Return Preparation Materials

Evaluation through pre-test and post-test methods revealed a significant improvement in participants' understanding of the procedures for filling out the Individual Income Tax Return (F-1770) and Corporate Income Tax Return (F-1771) forms. The average test score increased by about 30% after the training, demonstrating the effectiveness of the practical approach and hands-on simulation applied during the activity. In addition, interactive question-and-answer sessions and real-life case studies allowed participants to explore the technical differences between the two forms and how to check document compliance. Positive feedback and testimonials from participants also reflected that the materials presented successfully reduced tax return filling errors, thus supporting the improvement of MSME tax compliance.

Table 1. Pre-test and post-test training evaluation results

No.	Question	Pre-test correct answer (%)	Post-test correct answer (%)	Increase (%)
1.	What form is used by non-employee individual taxpayers with business income?	56	74	32
2.	What is the primary purpose of reporting income tax returns for MSME players?	60	78	30
3.	What documents must be attached when submitting the MSME annual tax return?	58	76	31
4.	What are the benefits of using e-filing in tax return reporting?	59	76	29
5.	If MSME players do not report tax returns on time, then...	58	76	31
	Average Comprehension Improvement	58,2	76	30,6

Identification of Barriers and Challenges

Despite the high enthusiasm of the participants, this activity did not escape some obstacles that need to be evaluated for the next program. Among the challenges encountered were differences in the level of initial understanding among participants, so the time needed to explain some basic concepts varied considerably. Some MSME players also expressed constraints in operating digital technology, especially during the online SPT filling simulation, which resulted in delays in the question-and-answer process. In addition, the complexity of taxation materials and rapid changes in regulations also affected participants' adaptation speed, so individual and small-group mentoring needs to be optimized to overcome these differences.

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Short-term Impact Analysis and Long-term Potential

The results of the activity evaluation show a positive impact in the short term, where there is an increase in participants' understanding and confidence in filling out tax returns correctly so that the potential for administrative errors decreases significantly. In addition, the increase in pre-test and post-test evaluation scores and positive feedback indicate that the practice-based approach strengthens tax awareness among MSME actors. The short-term impact is expected to translate into a more stable increase in tax compliance. Looking into the long-term potential, this mentoring activity opens up opportunities for developing more sustainable educational programs, including utilizing more interactive digital platforms to reach more participants and support the overall fiscal transformation of MSMEs.

This in-depth evaluative approach through quantitative and qualitative measurements highlights the educational materials' effectiveness and reveals practical challenges in their implementation. Suppose you are interested in exploring innovative strategies in tax assistance or a comprehensive analysis of administrative constraints in the MSME sector. In that case, you can explore similar case studies implemented in various regions.

Figure 1. Tax Consultation Service at Tax Outlets

Figure 2: Implementation of Tax Workshop

D. CONCLUSION

Recapitulation of Activity Objectives and Results

The educational activity on filling out Income Tax Returns for MSME players achieved the main objective: improve tax literacy and technical skills in filling out the Individual Income Tax Return (F-1770) and Corporate Income Tax Return (F-1771) forms. It can be seen that the interactive approach with simulations, case studies, and participants showed a significant increase in understanding of the material, which is also evident from the increase in pre-test and post-test evaluation scores to reach an average increase of around 30%. This achievement confirms the effectiveness of mentoring activities in responding to various technical constraints and variations in participants' initial level of understanding, thus bringing MSME actors closer to being more compliant with their tax obligations.

Practical Implications

The practical implications of this activity are significant, where increased technical understanding accompanied by direct application in filling out tax returns can reduce the potential for administrative errors that were previously often encountered. With better tax literacy, it is expected that MSME players will be able to improve efficiency in tax reporting and support efforts to equalize national tax revenue. The practice-based education approach and interactive digital media are proven methods that can be scaled up to reach more businesses, thus creating a sustainable culture of compliance.

Recommendations and Follow-up Suggestions

Based on the results of the activity evaluation, it is recommended that tax education assistance for MSMEs be developed sustainably by compiling an integrated learning module that is adjusted to the dynamics of the latest tax regulations. Through platforms such as Coretax DGT, the government and tax officials must continue optimizing mentoring by utilizing digital technology and regular face-to-face counselling. This recommendation not only focuses on improving technical capabilities but also aims to build high tax morale among

MSMEs so that in the future, tax return reporting compliance can continue to increase and support the overall national development strategy.

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F. AUTHOR CONTRIBUTIONS

Yuli Astini is a designer of educational activities, starting from identifying the needs of MSME participants in Mataram City, and developing evaluation instruments through pre-tests and post-tests. She was also directly involved as a facilitator in the workshop sessions, guiding the simulation of filling out Income Tax Returns F-1770 and F-1771 and collecting field feedback from participants to ensure the effectiveness of the material delivery method.

Elvina Setiawati is responsible for the reporting and documentation aspects of the activities, including compiling the activity report narrative, conducting data analysis of the evaluation results, and designing visualizations of the training results in tables and graphs.

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