Indonesia Outlook on Employment and Labor Market

(The Roles of Giving Tax Incentives for Small and Medium Enterprises Executants as Entrepreneurial Motivation: An Interpretative Study)

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Abstract—Micro, Small and Medium Enterprises in 2006 to 2010 had given contribution to economy in Indonesia. The contribution of Micro, Small and Medium Enterprises were able to absorb labor up to 97.22%. The prominent role of Micro, Small and Medium Enterprises encouraged Indonesia government to give facilities for empowering Small and Medium Enterprises. One of the facilities that were given by Indonesia government was tax incentive. This research aimed to find out the interpretation and implication of tax incentives as entrepreneurial motivation for bachelor accounting students. This research used Qualitative approach to interpretative research design through phenomenology. The informants of this research were 3 persons; they were bachelor accounting students who passed taxation I and II subject and had been having enterprise on a small scale and the other was an accounting lecturer. The data of this research, which had been taken, were result of documents and interview with faculty of economic and business environment at Airlangga University and analyzed by hermeneutics. The result of this research described that there were all informants who considered that tax incentives not as motivation to run enterprise that after finding out tax incentives which was given by Indonesian government.

Keywords—tax incentives, interpretation, motivation, micro small and medium enterprises, entrepreneurship

I. INTRODUCTION

Enforcement of Economic development based of UUD (constitutions) 1945 paragraph 33 regarding the social welfare. On that paragraph explained that enforcement of economic development used by Indonesia country and be helped by the private sector. The role of Indonesia as a state economic development practitioners contained in the 1945 constitution, Article 33 paragraph 1 encourages of embodiment the formation of cooperatives, Micro, small, and medium enterprises (UMKM).

Cooperatives, Micro, small, and medium enterprises (UMKM) are not releasing from the situation and condition of Indonesia economical which getting better. Micro, small, and medium enterprises within most countries economically, this has role significantly in moving Indonesia economical during lately 5 years.

Micro, small, and medium enterprises start from 2006 until 2010 always have Gross Domestic Bruto Product on Constant price which grow in average increased by 23.85 % meanwhile, the contributions of Micro, small, and medium enterprises for Gross Domestic Bruto Products on Constant price in nationally almost achieve 60%. That show a condition which have big potential encourage society economically, the existence of Micro, small, and medium enterprises can be used to Indonesian govern in increasing the competitiveness of Origin Indonesian product in Global market and domestic.

The contribution of Micro, small, and medium enterprises also are located inability to absorb employment. Positive impact launched from entrepreneurship is created the employment resources. Improving equalizes incomes and also increasing the living quality and social welfares by development of employment from Micro, small, and medium enterprises in Indonesia.

Micro, small, and medium enterprises start from 2006 until 2010 able to grab the employee which increase more with an average of increasing Gross Domestic Bruto Product is 13.07%, meanwhile, the contributions of Micro, small, and medium enterprises in absorbing employment nationally over than 95% or could be called very dominant, those can gave usefulness for Job seeker in Indonesia.

The importance role of Micro, small, and medium enterprises in the economical state cause of many advanced countries or developing country make entrepreneurial as they're based economies. In Indonesia, the cooperation of government increase passion Indonesian as Micro, small, and medium enterprise practitioners, and one of them is giving taxation intensive.

Based on that background above, the researcher wants to know the conscious to be an entrepreneur from College student majoring Accounting, Faculty of Economy and Business, Airlangga University for providing intensive tax for Micro, small, and medium enterprises in Indonesia, it was being chosen because they learn all aspects deeply regarding taxations in Indonesia which referred to Taxation I and Taxation II subject.

Thus, big possibility for accounting students Faculty of Economy and Business, Airlangga University have a lot of translations or interpretations in giving intensive taxation for SMEs Practitioners who would encourage the enterpreneurship passion for accounting students Faculty of Economy and Business, Airlangga University.
II. THEORETICAL BASICS

A. Entrepreneurial

(Bygrave 1996) said that an entrepreneur is someone who has the opportunity and creates an organization to pursue it. While the entrepreneurial process is a process that involves all the functions, activities, and actions associated with acquisition opportunities and the creation of organizations to pursue them.

(Lupioyadi 2004) argued the entrepreneur is a person who is creative and innovative and able to make it happen for increased well being of society and the environment. Creative when it has the ability to create something new or something that has not been held there. Innovative when he was able making something different from the existing ones.

The role of an entrepreneur has two roles, namely as an inventor and as a planner. As an inventor, entrepreneur discovers and creates new products, technologies and new ways, new ideas and new business organization. While the planners, entrepreneurs play a new business designing, planning a new corporate strategy, planning ideas and opportunities within the company.

(Lupioyadi 2004) explained that based on the outcome expectancy theory, there are different kinds of incentives as employee benefits expected by the individual who can lead a person to become an entrepreneur. Outcome expectancy can be defined as a person’s belief about the outcomes or rewards (incentives) that will be gained if he perform certain behaviors, in which the (incentive) to expect an individual to become an entrepreneur is different. Type these incentives include:

1. Primary incentives
   Primary incentive is reward associated with human physiological needs directly related to eating, drinking, physical contact, and others.

2. Social incentives
   Social incentives are rewarded by the acquisition of appreciation and acceptance of the social environment.

3. Incentives Activities
   Incentives activity explained that some activities or physical activities provide its own incentive value to someone.

4. Incentives Status
   Incentives status confirms that the position of the individual is often associated with status and power. The power of the individual in the social environment provides an opportunity to control the behavior of others, whether through symbols or real.

5. Incentive fulfillment of Internal Standards
   The incentive comes from the level of individual self-satisfaction derived from the job. Incentives aren’t coming from things outside of its self, but it comes from within oneself. The reaction in the form of self-satisfaction and pleasure is a form of reward.

B. Micro, Small and Medium Enterprises

The constitutions No. 20 of 2008 Section 1 describes the basic understanding of the Micro, Small and Medium Enterprises (MSMEs). Micro is a productive enterprise owned by individuals and / or private entities. Small is economically productive stand-alone, carried by an individual or business entity that is not a subsidiary or branch company is not owned, controlled, or a part, either directly or indirectly from the medium or large business. Medium Enterprises are economically productive stand-alone, which done by individual or business entity that is not a subsidiary or branch company owned, controlled, or a part, either directly or indirectly with Small or large business to the amount of net worth or annual sales.

C. Characteristics of Micro, Small and Medium Enterprises

Under Article 6 of Law No. 20 of 2008 describes some characteristics of the Micro, Small and Medium Enterprises as follows:

a. Micro
   Micro-enterprise is a business that has a net worth of at most IDR50.000.000 (fifty million Rupiahs), not including land and buildings, or having an annual sales turnover of IDR 300,000,000 (three hundred million rupiahs).

b. Small business
   Small businesses are businesses that have a net worth of more than IDR50.000.000 (fifty million Rupiahs) to the most widely IDR500.000.000 (five hundred million rupiahs) excluding land and buildings, or have an annual sales turnover of more of IDR300.000.000 (three hundred million rupiahs) through most IDR2.500.000.000 (two billion five hundred million rupiahs).

c. Medium Enterprises
   Medium enterprises are businesses that have a net worth of more than IDR500.000.000 (five hundred million rupiahs) to the most widely IDR 10.000.000.000 (ten billion Rupiahs) not including land and buildings, or have sales results yearly over IDR 2.500.000.000 (two billion five hundred million rupiahs) to the most widely IDR50.000.000.000 (fifty billion rupiahs).

D. Tax

Understanding the tax based on Law Number 28 Year 2007 on General Provisions and Tax Procedures are:

“The contribution shall be payable to the state or the individual or entity that is enforceable under the law, to not get rewarded directly and used for the purposes of the state for the maximum prosperity of the people”.

Based on the above definition that the tax characteristics can be summarized as follows:

a. Taxes levied under the laws
b. Contributions payable by an individual or entity
c. Tax payments can not enjoy tax benefits directly

Tax has two functions, namely, as budgeter and regulated. Tax serves as budgetary means taxes as a source of funds for the government to finance its expenditures or expenses contribute to Budget State / Region (budget / budget). Meanwhile, the tax serves as regulated means taxes as a means of organizing and carrying out government policy in the field of social and economic (Mardiasmo 2009).

Tax collection is also a mainstay for the Government of Indonesia apart from other sectors that can be obtained. Therefore, the Government of Indonesia, through the Directorate General of Taxation, continued changes in tax laws in Indonesia, resulting in potential tax revenue can be achieved. The main mission of the Directorate General of Taxation is a fiscal mission, which is to collect tax revenue by Law - Tax Law is able to support the independence of government funding and carried out effectively and efficiently in the country (Taxation 2012)

III. RESEARCH METHODES

A. Research Approach

The research approach will be conducted by researchers through qualitative paradigm approach. Qualitative or qualitative research approach is an approach that emphasizes research on the understanding of the problems of social life based on the reality of a holistic or natural setting, complex, and detailed (Indriantoro dan Bambang 1999). Selection of qualitative research because researchers steadiness gives details of more complex phenomena that are difficult revealed by quantitative methods

B. Research Design

The study design will be used in this research is to design interpretive qualitative focus on mindset, ethics, and human behavior is considered as an act that involves intention, awareness, and the reason that depends on the meaning and interpretation of human beings to understand and look at social phenomena (Bungin, Burhan 2007).

The interpretive research paradigm used by phenomenology researchers. According to (Schutz 1967) phenomenology is the study of knowledge that comes from the awareness or the an event we perceive an object or an event through conscious experience of the object or event.

A phenomenon is the appearance of an object, event or condition in a person's perception, so it is subjective. Therefore, informants about tax incentives to entrepreneurship events experienced by the informants themselves to produce a meaning

C. Research Informant

The research was conducted in four informants who are studying in Bachelor Accounting Student in Airlangga University who have learnt about taxation also already have a business with a small scale. The identity of informant used to use initials to facilitate the introduction of informants.

<table>
<thead>
<tr>
<th>Informant Name</th>
<th>Initial</th>
<th>Job</th>
<th>Have Cooperation</th>
<th>Assets (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lora Dwi Anggraini</td>
<td>LD</td>
<td>Student</td>
<td>Yes</td>
<td>8.000.000</td>
</tr>
<tr>
<td>Fitria Pranandari</td>
<td>FP</td>
<td>Student</td>
<td>Yes</td>
<td>10.000.000</td>
</tr>
<tr>
<td>Rizky Chandra Kusuma</td>
<td>RC</td>
<td>Student</td>
<td>Yes</td>
<td>10.500.000</td>
</tr>
</tbody>
</table>

D. Unit of Analysis

The unit of analysis in this study is the interpretation of the Bachelor Degree Majoring Accounting student FEB Airlangga University on tax incentives from the central government to the perpetrators of Small and Medium Enterprises with an idea of the interest in the Bachelor Accounting Students of Faculty of Economics and Business, Airlangga University by utilizing the knowledge base in the field of taxation for achieving economic excellence in entrepreneurship.

E. Data Collection Techniques

a. Surveys of literature

The form of the gathering and studying the data so obtained either from books, journals and statutory rules adapted to the theories that support and track data online to discourse about tax incentives for small and medium enterprises are being considered by the new Government of Indonesia.

b. Field data collection

Field data collection was held through interviews at the Faculty of Economics and Business Airlangga University in depth in order to obtain information related to the research objectives. In the interview process, the researcher used interview answer sheet to facilitate the data collection process.

F. Data Analysis Techniques

Data obtained from interviews were analyzed with phenomenological analysis technique proposed by Creswell.

Step-by-step analysis of the data on the phenomenological approach (Creswell, 2007):

a. Researchers begin organizing all of the data or comprehensive picture of the phenomenon of the experience that has been gathered.

b. Read the data as a whole and make marginal notes about the data are considered important.

c. Find and classify the meaning of a statement by doing horizontally that each statement is treated initially have the same value. The next statement is not relevant to the topic of the question and statements that are repetitive removed leaving only the horizons (meaning textural and forming or forming elements of the phenomenon that is not experiencing lapses).

d. The statement is then aggregated into units of meaning and written description of how the experience occurred.
e. Furthermore, researchers developed the overall description of the phenomena so discover the essence of the phenomenon. Then develop a textual description (of the phenomena occurring at the informant) and structural description (which describes how the phenomenon occurs).

f. And then Researchers provide a narrative explanation of the essence of the phenomenon under study and gain the experience of informants about the phenomenon.

g. Creating an experience report any informant, after that make writing a composite of those images.

IV. THE RESEARCH RESULT

Tax Incentives for Small Medium Enterprise in Indonesia

Tax incentives given to Small and Medium Enterprises is a central tax, which means that the central government can establish special tax treatment for perpetrators of Small and Medium Enterprises. The tax incentives are given income tax and value added tax (VAT) which is levied by the Central Government. These tax incentives are expected to elicit growth businesses in Indonesia.

Income Tax Incentives for SMEs

a) For Micro, Small, and Medium-shaped individual, personal exemption (taxable income) as a deduction in calculating the amount of income tax payable is increased by the following:

<table>
<thead>
<tr>
<th>Personal Exemptions</th>
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<tbody>
<tr>
<td>Descriptions</td>
</tr>
<tr>
<td></td>
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<tr>
<td>for an individual Taxpayer</td>
</tr>
<tr>
<td>for married taxpayers with no amenability (K -)</td>
</tr>
<tr>
<td>for married taxpayer with one amenability (K/1)</td>
</tr>
<tr>
<td>for married taxpayer with two amenability (K/2)</td>
</tr>
<tr>
<td>for married taxpayer with three amenability (K/3)</td>
</tr>
</tbody>
</table>

b) For Micro, Small, and Medium form of the individual, the personal income tax rate lowered with the following changes:

<table>
<thead>
<tr>
<th>Table 3</th>
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<tbody>
<tr>
<td>Personal Income Tax Rate</td>
</tr>
<tr>
<td>Consolidation of Law of Republic Indonesia Number 17 of 2000 (IDR)</td>
</tr>
<tr>
<td>25,000,000 or less</td>
</tr>
<tr>
<td>Over 25,000,000 to 50,000,000</td>
</tr>
<tr>
<td>Over 50,000,000 to 100,000,000</td>
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<tr>
<td>Over 100,000,000 to 200,000,000</td>
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<tr>
<td>Over 200,000,000</td>
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</tbody>
</table>

Source: Data processed, 2012

c) Treasure of grants received by cooperatives or private persons who run micro and small enterprises (Article 4 paragraph (3) subparagraph a.2 Jo Income Tax Act. Regulation of Finance Minister Number: 245/PMK.03/2008) is not an object of Income Tax. An individual who runs micro and small enterprises are individuals who run micro and small businesses that own and run productive businesses that meet the following criteria:

- It has a net worth of more than IDR 500 million, excluding land and buildings, or
- Have an annual sales revenue of IDR 2 billion.

d) Dividends or share of profits derived from the equity investment in cooperative enterprises established and domiciled in Indonesia with the terms of dividends from retained earnings and reserves (Article 4, paragraph 3 letter f Law Number 36 of 2008 on Income Tax) Income tax is not an object. Thus, if Cooperatives and Micro, Small and Medium business entity to invest in other business entities in Indonesia and received dividends from these enterprises, then any dividends received are not subject to income tax.

e) Small and Medium Enterprises in the form of legal entities, including cooperatives that invests capital in certain industries and in certain areas of the facility is given in the form of income tax:
• Reduction of net income of 30% of the total capital investment, charged for 6 years respectively at 5% / year
• Accelerated depreciation and amortization;

f) Imposition of income tax on dividends paid to the subject of Foreign Tax of 10% or a lower rate under the Double Taxation Treaty applies.

g) Compensation losses longer than 5 (five) years but not more than 10 years (Government Regulation Number 1 of 2007 Jo. Regulation No.62 of 2008).

h) For Micro, Small, and Medium business entity, income tax rates to a single rate loss of 25% and if it meets the requirements (gross income does not exceed one year IDR50.000.000.000) got a facility such as the reduction of tariffs by 50% from 25% or to 12.5% levied on the taxable income from the gross turnover of up to IDR4.800.000.000. - (Article 31 E, Act No 36 of 2008).

Value Added Tax Incentives for SMEs

a) Employers who gross income of no more than IDR 600,000,000 (six hundred million rupiah) is not obliged to report his business to be confirmed as a Taxable Person and is not obliged to withhold, deposit and report VAT or Value Added Tax and Sales Tax on Luxury Goods payable on the supply of Taxable Goods and / or Services Taxable does (PMK No. 68/PMK.03/2010 Restrictions on Small Firm Value Added Tax)

b) Cooperatives and Micro, Small and Medium Enterprises Import and conducting business in the country in the form of delivery of goods produced fodder, poultry and fish or raw materials for the manufacture of animal feed, poultry and fish, seeds and seedlings of goods or agricultural, horticultural, forestry, animal husbandry, breeding or fisheries and livestock goods, VAT exempt. Thus, if Cooperatives and Micro, Small and Medium purchasing these types of items, will not be subject to Value Added Tax (PP. 12 Years 2001 Jo. PP. 31 Years 2007).

c) Cooperatives and Micro, Small and Medium Enterprises conduct business (do the delivery of merchandise or services) in Batam, Bintan and Karimun to be free from the imposition of value added tax including any import of goods from outside the region, are also exempt from Value Added Tax , Income Tax Article 22 on import and excise (PP No. 2 of 2009);

d) Cooperatives and Micro, Small and Medium Enterprises have become Taxable handed conduct bulk cooking oil palm cooking oil packaging and simple with Brand “MINYAKKITA”, Value Added Tax will be borne by the Government (PMK No. 25/PMK.011/2010 Tax Value Added Government Borne on Delivery Packaging Simple Cooking Oil in the Interior for the Year 2010).

The motivation of entrepreneurs for bachelor accounting students Airlangga University

Encouragement Indonesia Government as seen from the Memorandum of Understanding between the Ministry of Cooperatives and SMEs with the Minister of National Education and Culture to university graduates who became a creator of employment or self-employment a new challenge for the students, including the Bachelor Degree majoring Accounting Students, Faculty of Economy and Business Airlangga University

To understand this, the study sought to gather information from several informants who have a background as a Bachelor Degree in Accounting student at the same force of motivation or understanding of the factors to be entrepreneurs. From informants who are researchers interviewed, they (the informant) explain the motivation for entrepreneurship as follows:

A. According to informants LD:

“Honestly, I decided to self-employment because I am not bound to a solid work schedule and force it to always be silent in the same place makes me uncomfortable, if I do not set.”

B. According to informants RC :

“Can expressing and accordance with passion and creativity of each that I feel. Also, it does not stick to one (1) course work and discipline “.

The two informants agreed that the decision to become entrepreneurs because they want freedom motivated by the work. The third statement informant indirectly describes the activity as basic motivation incentives for entrepreneurship. Activity or physical activity of entrepreneurship can provide a separate incentive value and satisfaction to one's own.

Having freedom in entrepreneurship is a creative thinking and to provide an innovation of the products of Micro, Small and Medium Enterprises in Indonesia. With the product innovation and creative effort, incomes can be increased because it has good competitiveness. This is similar to the statement FP informants stated that entrepreneurship motivation relates to the desire to have a better income. Here's an exception from FP as informants:

“For me personally, entrepreneurs are able to fill the my needs, independently and are not dependent on external sources. In addition, because the business that I focused on educational services and the business that I run in the same direction which had I was taking.”

Informants FP realized that the need for life as a student is getting bigger and he felt not enough if only rely on one source of income, especially from parents. Thus, the two informants become entrepreneurial effort to understand the motivation for their primary incentive, namely the push to meet the physiological needs as a student.

There are three informants aware that they perceive and interpret that to be a very entrepreneurial potential as a job. Motivation freedom in work, earn more and have a depiction
of them into self-employment does not provide a loss. They, their informants, have been motivated regarding Outcome expectancy theory.

Tax Incentives and Implications for Bachelor Accounting student Airlangga University

Indonesian Government enhances the growth and competitiveness of businesses small and medium enterprises with a variety of facilities. One of the facilities provided are facilities in the field of taxation. As a student of Accounting Program S-1, has been studied in seven informants Taxation II Lecture on tax incentives for Small and Medium Business communities. Therefore, the four informants can take advantage of tax incentives for businesses that have been undertaken.

As has been mentioned before that the Government of Indonesia has set some tax facilities for Income Tax (Tax) and Value Added Tax (VAT) stipulated in the Act - Act No. 36 of 2008 concerning Income Tax Act - Act No. 42 of 2009 on Tax Value Added and Implementing Regulations prescribed by the Minister of Finance and the Directorate General of Taxes on the second law. Facilities in taxation can theoretically provide economic benefits if the law and implementing regulations are properly implemented.

The existence of the economic benefits associated with the provision of tax incentives for small and medium businesses can be learned from the perspective of the informants as bachelor degree students who have taken Accounting Courses Taxation II may be the fulfillment of tax obligations strategy for the business. It also supported the statement piece Informant LD, FP and RC:

- Informants LD:
  "Tax Incentives for SMEs by Me is a very positive thing. But still has shortcomings, especially in terms of socialization."

- Informants FP:
  "If it provides economic benefits, the answer is yes. But I think the economic benefits are not maximized. Especially since only limited efforts in certain areas."

- Informants RC:
  "The policy 50% multiply 25% of net income provides enough opportunity for SMEs in order to have been incorporated businesses, because my efforts have incorporated businesses. The problem is actually on the management and dissemination of the tax itself which I think is still not optimal."

From FP and RC informant statements above, apparently with the tax incentives do not impact or implications that lead to their interest to entrepreneurs despite the knowledge that they understand the tax incentives can provide economic benefits. This is possible, because the tax incentive is considered a "bonus" which is caused by a decision to become perpetrators of Small and Medium Enterprises. However, LD suggest socialization from government is needed to gain a success of implementing the tax incentives.

Based on the explanation of the three informants who are researchers interviewed, they interpret the provision of tax incentives for SMEs is not their biggest motivation to become an entrepreneur interested at this time, but the motivation they decided to be more to the explanation entrepreneur motivation expressed by Badura. Tax incentives have little tiny benefits that can make them to become entrepreneurs although they have learned about taxation.

To harness the tax incentives for SMEs, the tax payer must be offset by a system of learning and training of both the policy makers in this case the tax authorities. Training system can provide an education about the true fulfillment of tax obligations and appropriate with tax rules and regulations.

V. CONCLUSION

Based on the explanation of the three informants who are researchers interviewed, they understand the motivation of entrepreneurship almost been hit on the substance of entrepreneurship motivation. Motivation informant obtained from interviews more emphasis on incentives and incentives primary activity. This indicates that, they already have the motivation to become an entrepreneur.

The implications of tax incentives for small and medium businesses, that some informants did not perceive that tax incentives as a motivation to maintain being an entrepreneur. RC informant asserted tax incentives is not the motivation for the business, but the tax management is more important. LD informant explained that tax incentives are for short term business. Meanwhile, informant FP criticizes the limits of the tax incentives area.

A. Suggestions

Subsequent research suggested that done to students who have had the income scale quite small and medium enterprises in other universities that can help the Ministry of Education and Culture and the Ministry of Cooperatives and SMEs and the Directorate General of Taxation in policy making and business incentives are appropriate to carry out the functions and duties more leverage anymore.

B. Research Limitation

The main limitations of this study are the research done by design interpretation of the tax incentives and implications, so the study was not to generalize all bachelor accounting students, Airlangga University, and also Professor of Accounting, but limited to informants interviewed.

REFERENCES


