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## Implementation of Tax Incentives for Micro, Small, And Medium Enterprises at Special Economic Zone in Indonesia

Article	Abstract
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## INTRODUCTION

In Indonesia there are several Special Economic Zones and one of them in West Nusa Tenggara Province, a Special Economic Zone (SEZ) was established based on Government Regulation Number 52 of 2014 concerning the Mandalika Special Economic Zone (*Kawasan Ekonomi Khusus or KEK Mandalika*). “Mandalika SEZ has an area of 1,035.67 ha which is located in the Pujut District, Central Lombok Regency, West Nusa Tenggara Province”.<sup>1</sup>

Mandalika Special Economic Zone offers marine tourism with stunning beaches and underwater attractions. The Mandalika Special Economic Zone also has a concept of environmentally conscious

tourism development, with the construction of tourist sites and attractions that are always oriented towards the preservation of the values and quality of the existing environment in the community. Central Lombok Regency is one of the Second-Level Regions in the Province of West Nusa Tenggara, with its capital in Praya, located in the Praya district. This regency has an area of 1,208.39 km<sup>2</sup> with a population of 860,209 people. It comprises 127 villages, 12 sub-districts, and 12 urban villages. Geographically, Central Lombok Regency is located at a position of 82° 7'–8° 30' South Latitude and 116° 10'–116° 30' East Longitude, stretching from the foot of Mount Rinjani in the north to the shores of Kuta Beach in the south, along with several small islands in the surrounding area.<sup>1</sup>

According to the SEZ requirements, business entities and business actors must have access to the following services and amenities in SEZs: “a. taxation, customs, and excise; b. goods traffic; c. employment; d. immigration; e. land; and f. licensing and non-licensing.”<sup>2</sup> Business fields that obtain facilities and convenience in SEZs include: “a. business fields that are the main activities of SEZs; and b. business fields that are other activities outside the main activities of SEZs,”<sup>3</sup> consisting of: a. micro, small, medium, and cooperative businesses; b. businesses that partner with micro, small, medium, and cooperative businesses; c. businesses in the infrastructure sector; d. businesses in the investment sector; or e. businesses required by special licensing.”<sup>4</sup>

There are five categories of facilities and amenities provided for business entities and business actors in Mandalika SEZ. This paper focuses on tax facilities and amenities provided for business entities and business actors who are other activities outside the main activities of the SEZ, namely Micro, Small, and Medium Enterprises. In Indonesia, micro, small, and medium-sized businesses play a critical role and have grown to be the backbone of the country's economy. Micro, small, and medium-sized businesses (MSMEs) not only support the country's economy but also offer hope for job growth and fulfillment in Indonesia. This has been proven historically, when the economic crisis hit Indonesia at the end of 1998, micro, small, and medium-sized businesses played a crucial role in supporting the majority of the country's economy, demonstrating the resilience of these businesses<sup>2</sup>.

Furthermore, due to the widespread of Covid-19 in early 2020, MSMEs were severely affected caused by national, and regional policies limiting people's rights of conducting their activity outside their residency area. Through Minister of Health Regulation Number 9 of 2020 concerning Guidelines for Large-Scale Social Restrictions in the Context of Accelerating the Handling of Corona Virus Disease 2019 (COVID-19), the government put in place a Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar or PSBB*) policy to stop the spread of COVID-19 in Indonesia. Hadiwardoyo asserts that the introduction of PSBB has had an effect on the economy's decline, particularly for the private sector and the community whose main source of income is daily casual; not a few business players have shut down operations.<sup>3</sup> Furthermore, according to Pakpahan, “COVID-19 has affected many sectors including economic, social, and political for

<sup>1</sup> Yulias Erwin, “Environmental Law Enforcement in the Development of Tourism Sector in Kuta Mandalika Special Economic Region, Central Lombok,” *Jurnal IUS Kajian Hukum Dan Keadilan* 9, no. 2 (2021): 517–32, <https://doi.org/10.29303/ius.v9i2.929>.

<sup>2</sup> (Anita, 2020)

<sup>3</sup> Wibowo Hadiwardoyo, “Kerugian Ekonomi Nasional Akibat Pandemi Covid-19,” *Baskara: Journal of Business and Entrepreneurship* 2, no. 2 (2020): 83–92.

almost all countries in the world, including Indonesia”.<sup>4</sup> Additionally, Amri states that “Micro, Small, and Medium Enterprises (MSMEs) also feel the impact of COVID-19, which affects their business continuity”. According to the head of the cooperative and MSME agency, “out of 38,674 MSME players in Central Lombok Regency, some large businesses are still surviving, while the small ones or their income is still below Rp. 1,000,000,- to Rp. 2,000,000,- a month are closed, while the rest choose to stop.”<sup>5</sup>

The local economy’s deterioration has an impact on citizens’ capacity to comply with their tax duties and pay taxes. While the government must ensure the stability of the local economy, it also requires a significant amount of money from the tax sector for development funding objectives. It would be quite careless for the government to force the public to continue paying taxes while the economy is crippled. The government announced a variety of fiscal measures in response to the Covid-19’s significant effects, one of which is the provision of tax incentives, which may be seen as services the government offers in terms of taxes.

According to Spitz as quoted by Erly Suandy, there are generally four types of tax incentives, namely: “1. Exclusion from taxation, 2. Reduction of tax base, 3. Reduction of tax rate, 4. Tax suspension,” Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs) is a type of small business that has a net worth of at most Rp. 200,000,000 excluding land and business buildings.<sup>6</sup>

According to the findings of his monitoring, the average MSMEs in the area has seen a decline in turnover, according to Ikhsan, head of the Central Lombok Cooperative and MSMEs Agency. Additionally, because they are not producing owing to a shortage of raw materials, their firms are nearly completely shut down. Even while some are still manufacturing, the amount is still constrained by marketing restrictions, such as “where to market because of lockdown (PSBB) if marketed online the ability is limited.” S. Hafizah Dwi, in contrast, “based on the results of his research concluded that the income of Micro, Small, and Medium-Sized Enterprises in the Kuta Mandalika Special Economic Zone decreased by 85%”.<sup>7</sup>

From the aforementioned problem’s background, the legal issues that need to be resolved are first, what is the character of tax incentives, and second, how are tax incentives for MSMEs being implemented in Central Lombok Regency’s Mandalika Special Economic Zone (SEZ)?

## RESEARCH METHODS

The type of legal research used in this research is normative-empirical legal research. Normative legal research is legal research that places law as a building system of norms. The norm system in question is about principles, norms, rules of laws and regulations, agreements and doctrines (teachings). This research was conducted on secondary data such as statutory regulations, scientific journals, legal books related to consumer protection law and water resources

<sup>4</sup> Aknolt Kristian Pakpahan, “Covid-19 Dan Implikasi Bagi Usaha Mikro, Kecil, Dan Menengah,” *Jurnal Ilmiah Hubungan Internasional*, 2020, 59–64.

<sup>5</sup> Hadiwardoyo, “Kerugian Ekonomi Nasional Akibat Pandemi Covid-19.”

<sup>6</sup> Erly Suandy, *Perencanaan Pajak* (Salemba Empat, Jakarta., 2006).

<sup>7</sup> SASMITA HAFIZAH DWI, “ANALISIS TENTANG DAMPAK COVID-19 TERHADAP PEREKONOMIAN UMKM DI KAWASAN EKONOMI KHUSUS KUTA MANDALIKA KABUPATEN LOMBOK TENGAH” (Universitas\_Muhammadiyah\_Mataram, 2021).

law.<sup>8</sup> Meanwhile, empirical legal research is research that has as its object the study of people's behavior. The community behavior studied is behavior that arises as a result of interacting with the existing norm system. Normative-empirical (applied) legal research is research that examines the implementation or implementation of positive legal provisions (legislation) and written documents in action (factual) on certain legal events that occur in society. The study aims to ascertain whether the results of the application of the law to legal incidents in concreto are in accordance or not in accordance with statutory regulations.<sup>9</sup>

The focus of legal studies deliberate The Law No. 20 of 2008 Concerning Micro, Small, and Medium-Sized Enterprises and Regulations that use in this reseach consist of minister of finance regulation No. 86 of 2020 concerning tax incentive for taxpayers affected by the corona virus disease pandemic in 2019 as amanded by Minister of Finance Regulation No. 9 of 2021.

The reseach method used descriptive quantitative research to examine certain populations or samples, data collection uses research instrument, data analysis is quatitative/statistical in nature therefore the conclusion of the research results can be generalized to the population where the sample was taken.<sup>10</sup>

## ANALYSIS AND DISCUSSION

### Criteria of Micro, Small and Medium Enterprises (MSMEs)

The literature on entrepreneurship has come to recognize the importance of micro, small, and medium-sized businesses (MSMEs) in promoting international economic growth. Through processes of creativity, fostering technological advancement, organizational innovation and changes, employment creation, income generation, competitiveness of the economy and other aspects of social development in general, and industrial expansion in particular, the sector is seen as an important contributor to the shift to a market economy<sup>11</sup>. MSMEs play an essential role in the economy of Indonesia, especially in rural areas<sup>12</sup>. The micro, small, and medium company or MSME is an independent firm with specific working and financial boundaries established by the states or group of states with particular logics, cultures, interests, and a business spirit. MSMEs are firms that maintain incomes, assets, and several workers below a certain threshold established by law in each country or group of countries.

Each country has its own definition of what constitutes an MSME. This type of firm is often considered to be the heartbeat of both developing and developed economies<sup>13</sup>. MSMEs are essential for achieving the objectives of sustainable development. MSMEs are viewed as the backbone of

<sup>8</sup> Abdul Kadir Jaelani et al., "Artificial Intelligence Policy in Promoting Indonesian Tourism," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 7, no. 1 (2024): 109–37, <https://doi.org/10.24090/volksgeist.v7i1.10623>.

<sup>9</sup> Mukti Fajar dan Yulianto Achmad, *Dualisme Penelitian Hukum Normatif & Empiris*, Pustaka Pelajar, Yogyakarta, 2010, P. 34

<sup>10</sup> Dyah Mustika Prasetyaningsih et al., "Effectiveness of Environmental Law Implementation: Compliance and Enforcement," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi*, December 2022, 215–25, <https://doi.org/10.24090/volksgeist.v5i2.6826>.

<sup>11</sup> (Ahmad, 2012)

<sup>12</sup> Levina Augusta Geraldine Pieter and Marcellinus Mandira Budi Utomo, "Performance and Development Challenges of Micro–Small Bamboo Enterprises in Gunungkidul, Indonesia," *Advances in Bamboo Science* 4, no. 2 (2023): 1–9, <https://doi.org/10.1016/j.bamboo.2023.100037>.

<sup>13</sup> (Pedraza, 2021)

the economy and are vital tools in the fight against poverty by advancing sustainable development objectives. By lowering the unemployment rate and generating tax money to support economic development, MSMEs assist governments. MSMEs must be able to sustain themselves at all times in order to continue contributing to economic growth. Despite their significant contribution to global economic growth, MSMEs suffered greatly from the coronavirus pandemic <sup>14</sup>. According to a Government Regulation, which specifies that all firms with gross income up to IDR 4.8 billion per year must pay tax at 1% (calculated from gross income) and is final; the Directorate General of Taxes identifies MSMEs based on company turnover. The purpose of this definition is to enable MSMEs to become taxpayers. In most countries, MSMEs are the largest provider of employment, especially new jobs. They also contribute extensively in technological innovation and development of new products <sup>15</sup>.

The variety of business people in Indonesia makes business competition potentially unfair, especially for business with relatively small capital and facilities. This emphasizes that business practices in the form of business competition must obtain certainty guarantees as well as legal arrangements so that business competition practices can be fair and facilitate various parties in the business world<sup>16</sup>.

According to Government Regulation MSMEs are categorized based on the criteria of business capital or sales revenue:

1. Micro Enterprises
  - a. Micro enterprises have a business capital of up to a maximum of Rp. 1,000,000,000.00 (one billion rupiah) excluding land and building of the place of business; or
  - b. Microenterprises have annual sales revenue of up to a maximum of Rp. 2,000,000,000.00 (two billion rupiah).
2. Small Business
  - a. Small businesses must have a minimum of Rp 1,000,000,000 (one billion rupiah) and a maximum of Rp 5,000,000,000 (five billion rupiah) in business capital, excluding the land and buildings of the place of business; or
  - b. Micro enterprises must have annual sales revenue of at least Rp 2,000,000,000 (two billion rupiah) and a maximum of Rp 15,000,000,000 (fifteen billion rupiah).
3. Medium-size businesses
  - a. Medium-sized enterprises have a business capital of up to a maximum of Rp. 5,000,000,000.00 (five billion rupiah), up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah), excluding land and buildings of the place of business; or
  - b. Medium-sized enterprises have annual sales revenue of more than Rp. 15,000,000,000.00 (fifteen billion rupiahs), up to a maximum of Rp. 50.000.000.000,00 (fifty billion rupiahs)

<sup>14</sup> Kanbiro Orkaido Deyganto, "The Effect of Tax Incentives Practices on the Sustainability of Micro, Small and Medium Enterprises in Ethiopia during the Outbreak of Corona Virus Pandemic," *Journal of Innovation and Entrepreneurship* 11, no. 1 (2022): 1–22, <https://doi.org/10.1186/s13731-022-00194-8>.

<sup>15</sup> (Lee and Wong, 2015)

<sup>16</sup> Asmah et al., "Pancasila's Economic Existence in Business Development: The Efforts To Realize Justice in Business Law," *Jurnal IUS Kajian Hukum Dan Keadilan* 11, no. 2 (2023): 265–80, <https://doi.org/10.29303/ius.v11i2.1224>.



Tambunan summarizes the characteristics of MSMEs from various aspects as follows, (see Table 1):<sup>17</sup>

**Table1. The Characteristics of MSMEs**

No	Aspect	Ultra-Micro Enterprises	Small Business	Medium-sized Enterprises
1	Formality	Operating in an informal office: unregistered business: no/no tax payment.	Some operate in the formal sector: some are not registered: and few pay taxes.	All in the formal sector: registered and paying taxes.
2	Organizations and Management	Implemented by the owner: no internal division of labor (ILD), formal management and organizational structure (MOF), and formal accounting system (ACS).	Owner-run: no ILD, MOF, and ACS	Many employ professional managers and implement ILD, MOF, and ACS.
3	The nature of employment opportunities	Most of them use unpaid family members.	Some use paid labor	Uses salaried labor and has a formal recruitment system
4	Pattern/nature of the production process	Very low degree of mechanization/generally manual: very low level of technology.	Some use the latest engines.	Many have a high degree of mechanization/ have access to high technology.
5	Market orientation	Generally sell to local markets for low-income groups.	Many sell to the domestic and export markets and deal with the middle and upper-middle classes.	It sells to the domestic market and exports and caters to the upper middle class.
6	Economic and social profile of the business owner.	Low education and from a poor household: the main motivation for survival.	Many are well-educated and from non-poor neighborhoods: many are business-motivated/profit-seeking	Most are well educated and from prosperous neighborhoods; main motivation: profit
7	Sources of money and raw materials	Mostly using local raw materials and our own money.	Some use imported raw materials and have access to formal credit.	Many use imported raw materials and have access to formal credit.

<sup>17</sup> Tulus Tahi Hamonangan Tambunan, *SMEs in Asian Developing Countries* (Springer, 2009).

No	Aspect	Ultra-Micro Enterprises	Small Business	Medium-sized Enterprises
8	External Relations	Most have access to government programs and no business relationships with business units.	Many have access to government programs and have business relationships with UB (including foreign investment).	Most have access to government programs and many have business relationships with UB (including FDI).
9	Businesswoman	The ratio of women to men as entrepreneurs is very high.	The ratio of women to men as entrepreneurs is quite high.	The ratio of women to men as entrepreneurs is very low.

### Overview of MSMEs in Mandalika SEZ

MSMEs play a significant role in Central Lombok, Indonesia. Like In most countries, MSMEs are the largest provider of employment, especially new jobs. They also contribute extensively in technological innovation and development of new products. Base on data from Ministry of Cooperatives and SMEs in 2021 MSMEs contribute to GDP 61,07% or Rp. 8.573,89 Trillion and they are able to absorb 97% of the total workforce and are able to collect up to 60.42% of the total investment Indonesia. In Central Lombok, MSMEs become Economic Backbone because they constitute a substantial portion of the local economy. They provide employment opportunities and contribute to the regional GDP. The data revealed that Central Lombok Regency is in second largest number in West Nusa Tenggara Province after East Lombok, with 129,402 MSMEs, consisting of 121,636 Micro, 7,445 Small and 321 Medium.<sup>18</sup> In addition MSMEs in Central Lombok have diverse sectors, including agriculture, retail, handicrafts, and services. Agriculture-based MSMEs might include small-scale farms or agroprocessing units, while retail could involve local shops or markets.

In general, Central Lombok Regency MSMEs are engaged in 5 (five) fields of production / industrial activities, namely Agro-Industry, Clothing and Miscellaneous Industry, Chemical and Building Industry, Handicraft Industry and Metal Industry Machinery, Transportation Equipment and Electronics (ILMATE), each MSME is required to have a Business Identification Number (NIB). NIB serves as identification for business actors while engaging in their daily operations as well as evidence of registration or licensing of business actors to engage in business activities. Meanwhile, the following MSMEs were found in the Pujut District area's Mandalika SEZ:

1. Agro industries amounted nine businesses, but only two of them have NIBs;
2. Clothing and other industries were six businesses and none of them have NIBs;
3. 7 handicraft industries in total, and have NIB;

<sup>18</sup> Reny Wardiningsih, "Analisis Pengembangan Usaha Mikro Kecil Dan Menengah Dalam Meningkatkan Kesejahteraan Masyarakat Di Kecamatan Pujut," *Yasin* 2, no. 3 (2022): 383–92, <https://doi.org/10.58578/yasin.v2i3.419>.

Furthermore, chemical, building, metal, machinery, equipment and electronics (ILMATE) MSMEs were not found the SEZ of Mandalika.

The legislation has made it clear that the processes and types of company licenses may be made simpler with a one-stop integrated service system. As a result; the Ministry of Investment/ Investment Coordinating Board (*Badan Koordinasi Penanaman Modal or BKPM*) has committed to use OSS (Online Single Submission) to streamline business licensing for MSMEs. The goal of OSS is to make the business procedures simpler and faster for business players, such as micro, small, and medium firms, to launch new ventures. It is not by going through a drawn-out, challenging bureaucratic procedure to get company permits.

## **MSMEs Tax and MSMEs Tax Incentives**

### **1. MSMEs Taxation**

MSMEs are subject to the MSME tax. The nature of the tax itself is binding and compelling, just like other taxes. The tax rate established for MSME enterprises will be adjusted to their company capacity, even though it is compelling and compulsory. The government sets the MSME tax rate at 0.5% of each income made by Micro, Small, and Medium Enterprises (MSMEs), following Law Number 20/2008 on Micro, Small, and Medium Enterprises.

The method to calculate MSME tax is as follows:

#### **Example 1**

Mrs. Rahma has a hijab shop with a sales turnover of Rp10,000,000, the nominal amount of tax that must be paid is:

The amount of tax to be paid is  $\text{Rp}10,000,000 \times 0.5\% = \text{Rp}50,000\text{:}$

If the turnover is calculated for April, the tax will be paid in May. Then the calculation is  $\text{Rp}10,000,000 \times 1\% = \text{Rp}100,000\text{:}$

#### **Example 2**

Mrs. Indah has an annual turnover from her shoe shop of Rp. 300,000,000:-, while she has a husband who is also a batik UMKM entrepreneur with a turnover of Rp. 400,000,000/ year. Then, the tax that must be paid is:

Turnover of Mrs. Indah + Husband:  $\text{IDR } 300,000 + \text{IDR } 400,000,000. = \text{IDR } 700,000,000\text{:}$

The total tax to be paid is  $\text{Rp } 700,000,000 \times 0.5\% = \text{Rp } 3,500,000\text{/year.}$

### **2. Tax incentives**

Tax incentives are a taxation facility given by the government to a particular taxpayer in the form of tariff reduction from the amount of tax incurred <sup>19</sup>. Tax incentives are referred to as facilities offered by the government in terms of taxes in Indonesian tax rules. Winardi uses the phrase “tax incentives” in conjunction with “incentive taxation,” which he defines as “taxation to stimulate. Taxes are used not just to raise money for the government but also to stimulate progress in some areas, according to Winardi (2011).

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<sup>19</sup> (Urumsah and Lasmono, 2022)



According to the *United Nations Conference on Trade and Development* (UNCTAD):<sup>13</sup>

“FDI incentives may be defined as any measurable advantages accorded to specific enterprises or categories of enterprises by (or at the direction of) a government, to encourage them to behave in a certain manner. They include measures specifically designed either to increase the rate of return of a particular FDI undertaking or to reduce (or redistribute) its costs or risks.”

Tax incentives can be considered a convenience offered to investors to stimulate their interest in making investments in a particular nation. From this description, it is also clear that tax incentives are an instrument the government may employ to affect investor behaviour when deciding how to conduct business.

### **MSME Income Tax Incentive in PP 23**

The understanding of the taxpayer is a process where the taxpayer knows about taxation and applies it to pay taxes. The higher the understanding of tax regulations, the higher the obedience of the taxpayer<sup>20</sup>. Taxpayers must go through an administrative procedure in line with PMK Number 86 of 2020, PMK Number 110 of 2020, and PMK Number 9 of 2021 to get tax advantages. Taxpayers who meet the requirements of PP Number 23 of 2018 are offered government-funded tax incentives (DTP) based on this new PMK. If the taxpayer transacts with the withholder or collector on the subject of the withholding or collection, it is required to present a photocopy of the Certificate, which the withholder or collector will confirm. Due to receiving the incentive, taxpayers will not be subject to withholding or collection.

To get this incentive, taxpayers only need to report the realization report of final income tax DTP which includes all final income tax from income that falls under the criteria of PP Number 23 Year 2018 including income from transactions with tax withholders/collectors. This realization report is attached with an SSP or billing code printout made by the tax withholder/collector if there is a transaction with the tax withholder/collector. The SSP or billing code is affixed with the words “Final Income Tax borne by the government ex PMK Number 86/PMK.03/2020”. The final income tax realization report serves as the foundation for offering incentives. After the tax season has ended, the final income tax realization report must be submitted by the twentieth of the following month. If the taxpayer does not already have an SKB, the filing of this realization report may be taken into account as an application for one, and the SKB in question may be issued provided that the taxpayer satisfies the conditions and specifications in PP No. 23/2018.

Additionally, the taxpayer is presumed to have not taken advantage of this incentive and is required to deposit the final income tax if they fail to file a report on the realization of their DTP. Another point is that corrections to the DTP final income tax realization report can be made by taxpayers no later than the end of the month after the reporting deadline and that the government will be responsible for paying the final income tax indicated by the tax withholder’s or collector’s writing or stamp on the SSP or billing code.

Interview with the head of KPP Pratama Praya:

1. That a tax incentive scheme for MSMEs players exists nationally.
2. The policies regarding MSMEs tax incentives that form the basis for their implementation are:

<sup>20</sup> (Nurhayati and Witono, 2022)

- a. Government Regulation Number 23 Year 2018
- b. Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP Law)
3. According to Government Regulation Number 23 of 2018 (PPH Final PP 23), MSME participants earn a 0.5% final incentive rate that is paid for by the government.
4. Under this rule, MSME taxpayers are exempt from the requirement to make tax deposits, which means that parties dealing with MSMEs are likewise exempt from the requirement to withhold or collect taxes on payments made to MSME actors.
5. Submitting a realization report once a month instead of a certificate as required by the PP satisfies the conditions for receiving this incentive.
6. Few people still submit realization reports on MSME activity each month in the Central Lombok area.
7. Typically, MSMEs with NIB are the ones who file reports.
8. MSME players may be unaware of this information since KPP Pratama Praya hasn't done much to spread the word about this program.
9. However, the following URL provides online information on the distribution of tax incentives: <https://komwasjak.kemenkeu.go.id/in/post/pajak-penghasilan-hukum>.

As may be observed from the description above:

1. The legal factor itself (Legislation)

In Law No. 20 of 2008 regulating Micro, Small, and Medium Enterprises, there are many arrangements governing the MSMEs' eligibility requirements. in conjunction with PP No. 7 of 2021 on the Harmonization of Tax Regulations.

Tax incentives exist in many different forms, including Income Tax Article 21 incentives. Based on Government Regulation Number 23 Year 2018, Final Income Tax Incentives for Construction Services, Import Income Tax Incentive Article 22, Income Tax Instalment Incentives Article 25 and value-added tax (VAT) Incentives, and Particularly for Tax Incentives for MSMEs in Mandalika SEZ.

The tax incentives issued during the COVID-19 pandemic began with PMK Number 23 of 2020 and continue to undergo revisions or updates. Successively through PMK Number 44 of 2020, PMK Number 86 of 2020, PMK Number 110 of 2020, and the latest is PMK Number 9 of 2021. One of the incentives provided by the government in the regulation is the final income tax incentive borne by the government (DTP) for taxpayers under the criteria of PP Number 23 Year 2018.<sup>21</sup>

However, not every condition can be categorized as a force majeure condition because not every incident will fail to fulfill one's performance. Some events delay parties to fulfill their obligations. For example, if we provide shipping services, shipping will be delayed due to extreme weather conditions. This delay is not permanent, but it has to be delayed. The condition is not yet a force majeure condition, but this condition is generally called a Material Adverse Change.

The first case of COVID-19 was first detected on March 2, 2020, when President Joko Widodo announced that 2 Indonesians had been infected at a café. Anticipatory steps have been taken along with this incident. Then, the Government issued a Government.

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<sup>21</sup> Uki Masduki M. Muchtar Riva'i Berlianingsih Kusumawati, Sulistyo Seti Utami, "Jurnal IUS Kajian Hukum Dan Keadilan," *Jurnal IUS Kajian Hukum Dan Keadilan* 9, no. 1 (2021): 96–111.

2. Law enforcement factors are the parties that form and apply the law.

Given that the Central Lombok Regency Cooperative and MSMEs Office and the Central Lombok Regency Trade and Industry Office have not been overly strict in monitoring the ownership of Business Identification Numbers for MSMEs. The Central Lombok Regency Primary Tax Service Office also does not have a special program to socialize tax incentive programs, the tax incentive program for MSME business actors is less well-liked in the marketplace.

3. Facility factors that support law enforcement

To reduce the likelihood of tax-payer fraud, oversight is also necessary while offering this incentive. The Head of KPP Pratama claims that Period Payment Monitoring (PPM), an application program connected to the central database, is used by the AR to supervise itself. The Account Representative (AR) will be in a position to keep track of whether the taxpayer reported the realization throughout the pertinent months. The relevant State Revenue Module (MPN) code will display if you have made a payment or if you report the realization of the final Income Tax DTP by the AR. The AR will confirm whether the taxpayer hasn't sent in a report or hasn't paid the tax by the reporting date. Whether the taxpayer intentionally avoids reporting the realization and depositing the tax or whether they are actually not in business. The AR will issue a Tax Collection Letter if the taxpayer purposefully fails to notify the realization but also fails to deposit the tax. The amount of STP is obviously in line with the principal tax and administrative penalties that are applicable depending on how many months of late payment have passed. It is thought that with this kind of oversight, taxpayers would be more obedient and wouldn't abuse the government's incentives.

4. Aspects of the community, notably the context in which the law is used or relevant.

The community component in this situation implies that many MSME business actors are still technologically ignorant (many cannot employ the existing technology), preventing appropriate use of the government-prepared online system. Business actors, on the other hand, are hesitant to apply for a Business Identification Number because they do not wish to register as taxpayers, and doing so would entail having their name and company included in the Tax Office's database. As a result, it may be claimed that MSME business actors that apply for NIBs do so to satisfy specific conditions, such as requirements for company improvement, or to acquire particular support, such as getting loans from banks.

5. Cultural influences, resulting from labour, and invention, are based on the human spirit in the relationship of life.

Taxes will undoubtedly lower a person's income in terms of microeconomics, which is why it appears that individuals are hesitant to pay taxes. This encourages MSME business players and a culture of tax evasion to persist. According to the findings of the research and observations made, the business community has a propensity to avoid paying taxes, as seen by the high proportion of MSMEs without NIB. For this reason, the government has consistently improved/perfected tax administration, increased the quality and quantity of human resources (HR) in the field of taxes, and enhanced these factors by encouraging the dedication and honesty of those HR to carry out their tasks and responsibilities.

## CONCLUSION

The overall essence of tax incentives is the taxation convenience offered by the government. It is a tool that the government can use to influence the behaviour of business owners, promote community participation to boost awareness of taxes and encourage businesses, particularly MSMEs businesses, to advance and maintain their operations. Tax incentives are also a stimulate for MSME businesses to raise their awareness of taxes. However, since a small number of MSMEs have complied with the conditions (such as possessing a Business Identification Number (NIB) to access tax advantages), the implementation of tax incentives for MSMEs in the Mandalika Special Economic Zone has not been fully used because the several aspects that are the legal factor itself, law enforcement, facility that support law enforcement, aspect of the community, and cultural influences. The need for a Business Identification Number (NIB) for MSME business actors and the promotion of tax incentives require cooperation from related parties like KPP Pratama Central Lombok Regency, the Office of Industry and Trade, the Office of Cooperatives and MSMEs of Central Lombok Regency, and the Mandalika KEK manager. To make it easier for MSME business actors to do business, it is vital to raise their understanding of the need to maintain their Business Identification Number (NIB).

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