

## The Influence of Income Levels, Tax Rate Changes, and Tax Incentives on Income Tax Revenue from Entrepreneurial Individual Taxpayers and/or MSMEs: A Case Study at the Banda Aceh DJP Regional Office

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### Abstract

The type of research used by the researcher in conducting this research is a type of quantitative research, with a causal comparative research method and using a survey. The population referred to in this study is taxpayer subjects in Banda Aceh City, which amounts to 5,936 taxpayer subjects. So, in this study, the sample that the researcher will use is as many as 98 taxpayer subjects found in the Directorate General of Taxes of the Banda Aceh Regional Office. Data collection techniques are efforts or methods made by researchers to obtain the data needed in research namely, observation, questionnaire, literature study. The regression coefficient for the effect of Income Levels is 0.424, which indicates that every increase in Income Levels will increase Income Tax Revenues by 0.424. This shows a positive relationship between Income Levels and Income Tax Revenues. The t-statistic for the effect of the Income Levels variable is 4.788, with a significance probability of  $< 0.001$ . The t-table value at a 5% significance level is approximately 1.986. This result shows that Income Levels have a significant positive effect on Income Tax Revenues because the significance value is  $< 0.05$ .

**Keywords:** *Income Levels, Tax Rate Changes, Tax Incentives, Income Tax Revenues, Entrepreneurial Individual Taxpayers, MSMEs.*

### INTRODUCTION

Taxes are one of the most important sources of state revenue in economic development (Riyadi, 2021). In the Indonesian context, taxes function not only as a tool to raise funds, but also as an instrument to achieve social and economic goals. According to the Directorate General of Taxes (2021), the tax sector's contribution to Non-Tax State Revenue reached more than 70%, which shows how vital the role of taxes is in supporting infrastructure development and public services.

Tax revenue for the state, especially Indonesia, is very vital because tax revenue is one of the sources for financing public facilities, taxes collected by the state will be used for various purposes such as development and subsidies in various fields, for example subsidies in the field of education, because these two fields are the key to the realization of good quality human resources. In 2023, approximately

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73% or approximately Rp 2.1 Trillion of the State Revenue and Expenditure Budget in Indonesia will be obtained from taxes, in 2023 the State Budget disbursed for the education sector will be 20% of the total budget or Rp 608.3 Trillion (Ministry of Finance 2023).

The Directorate General of Taxes said that in Indonesia, the number of MSMEs taxpayers who complied with paying taxes in 2019 was 2.31 million taxpayers. This number consists of 257,000 Corporate Taxpayers and 2.05 million Individual Taxpayers. This number is growing with a trend that shows a slowdown (So that the slowdown does not continue, The Directorate General of Taxes will increase socialization and education to MSMEs actors. The most important thing about this socialization and education is information about the 0.5% tax rate facility for MSMEs which is calculated based on the amount of gross circulation. Therefore, understanding the factors that affect tax revenue is crucial, especially in the context of individual taxpayers, entrepreneurs, and Micro, Small, and Medium Enterprises (MSMEs).

One of the subjects of taxpayers is MSMEs or better known as micro, small and medium enterprises, which have a considerable role as the main contributor to income in Indonesia (Andreansyah, 2022). In other words, increasing the compliance of MSMEs taxpayers is very important to improve the economic structure in Indonesia. The existence of MSMEs in Indonesia is the government's own way of overcoming various forms of unemployment and poverty in Indonesia. Kwartono (2009), said that small businesses are economic activities in Indonesia that have a net worth of up to Rp 200 million (without land and buildings where they do business) or an annual turnover of Rp 1 billion and are owned by Indonesian citizens.

MSMEs and entrepreneurs have a significant role in the national economy. According to the Central Statistics Agency (2022), MSMEs absorb around 97% of the workforce and contribute more than 60% to the Gross Domestic Product (GDP). The existence of MSMEs not only provides job opportunities, but also encourages local and regional economic growth. However, the challenges faced by MSMEs in terms of tax obligations are often greater than those of large companies. Limited access to tax information and a lack of understanding of tax obligations can hinder their contribution to tax revenue.

Given that tax revenue is very vital for the development process carried out by the state, especially Indonesia, the state is required to maintain a positive trend in tax revenue. The year 2019 was a year of adversity for almost all countries as well as for developing countries such as Indonesia, in that year almost all trade activities had to be stopped by *the Corona Virus Disease* Pandemic which is further known as Covid-19.

Charoline Cheisviyany 2020, through a research she conducted with the title "Recovering Tax Revenue After the Covid-19 Pandemic", proposed two things so that tax revenue in Indonesia can increase, *First*, optimizing the *Withholding Tax* (WHT) mechanism, which has actually been known for a long time but in the process of

implementing the mechanism is still not optimal. *The second* is to impose a final tax on non-MSMEs taxpayers, as well as the current imposition of final PPH on MSMEs.

In another study conducted by Ryan Mohhammad et al. entitled "The Effect of Tax Incentives Based on Tax Rates on the Macro Economy: A Case Study of Indonesia", it was seen that tax incentives have an effect on several things, namely investment, GDP and open unemployment. The influence of tax incentives on the things that have been mentioned will indirectly increase the amount of tax revenue, because if the rate of economic growth in this case is investment, for example, then with that it will also increase the tax objects that will be the target of tax collection.

In Banda Aceh City itself, as data compiled by the Ministry of Finance, there are 9,672 disabled MSMEs located and or operating in Banda Aceh City, but for now there are only around 5,936 entrepreneurial individual taxpayers who are active in Banda Aceh City with a total realization of 5.83 trillion, this number if we look at the total number of entrepreneurial individual taxpayers which is 9,672 subjects, It can be said that there are still around 40% of the realization of tax revenues that have not been received due to the inactivity of tax subjects in paying taxes.

There are many factors that can affect tax revenues carried out by the state, but from previous studies the author did not find that research has been conducted that looks at the influence of income levels, changes in tax rates and tax incentives on tax revenues simultaneously, therefore it attracts the author to take these factors as the focus of the study in this study, This is not only expected to provide more effective research results in providing explanations related to taxation in Indonesia, but also expected to give a new color to research that focuses on the field of taxation, along with an explanation of these factors, which the author will use to see tax revenues that occur in the city of Banda Aceh.

*First*, the income level, the income level is the income earned by individuals and or institutions obtained in a certain vulnerable time, usually one month which can be obtained from various sources such as salaries, wages, rent, interest, commissions, fees, and profits. The income level of an individual or entrepreneur is often the main indicator in determining tax obligations. Previous research has shown that the higher the income level, the greater the tax obligation that must be fulfilled (Sari, 2020). However, it is necessary to further examine whether there are certain limitations where the increase in revenue is not directly proportional to the increase in tax revenue.

For the amount of revenue in the City of Banda Aceh as data collected in the 2023 Budget General Policy report, the Banda Aceh City Government explained that the GDP per capita value shows the proportion of added value produced in one year divided by the number of population experiencing positive development. Central Agency of Statistics data shows that the GDP per capita of Banda Aceh City

increased from Rp 62.94 million in 2017 to Rp 78.1 million in 2021. The GDP growth per capita of Banda Aceh City has a tendency to increase. This shows an improvement in the welfare of the people of Banda Aceh City as seen in the following graph:



**Figure 1. Graph of Per Capita Income of Banda Aceh City**

Source: Banda Aceh City in 2022 Figures

The graph data shows that as of 2021 the per capita income of the people of Banda Aceh City amounted to ± Rp 6,000,000.00 (six million rupiah). As for the data on active taxpayers in Banda Aceh City as data compiled by the Directorate General of Taxes of the Banda Aceh Regional Office, there are 9,672 taxpayers who are actively paying taxes, the data is calculated data from 2019 to 2023.

*Second*, changes in tax rates, tax rates are the basis for imposing taxes on tax objects that depend on them. The tax rate is usually a percentage (%). The basis for imposing tax is the amount of money used to calculate the tax payable. The tax rate applicable to income tax in Indonesia is a progressive rate as stipulated in Article 17 of the Income Tax Law. Changes in tax rates can affect taxpayers' behavior in reporting and paying taxes. For example, research by Putri (2021) shows that a decrease in tax rates can encourage taxpayers to be more compliant in reporting their income. However, this impact may be different for MSMEs that have different characteristics and challenges compared to large companies.

*Third*, tax incentives, tax incentives are stimuli offered to taxpayers so that taxpayers feel motivated to pay and comply with taxes (Verawaty et al., 2015). Tax incentives are designed to encourage the growth of MSMEs, but their effectiveness in increasing tax revenues still needs to be researched. According to research by Hidayati (2022), the right tax incentives can improve tax compliance among MSMEs, but there needs to be a more in-depth evaluation of the most effective types of incentives.

*Fourth*, tax revenue, from an economic-political perspective, a country's revenue is a major key so that a country can immediately alleviate its people from the poverty trap, a country's income can be obtained from various sources, one of which is tax. In Indonesia as stipulated in Law Number 16 of 2009 concerning the fourth

amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 Paragraph 1, tax is a mandatory contribution to the state that is owed by an individual or entity that is coercive under the Law, by not getting a direct reward and used for state purposes for the greatest possible prosperity of the people.

Law No. 16 of 2016 explicitly shows that the role of taxes in state development is very vital, so factors that are closely related to the tax system such as people's income levels, changes in tax rates, and the provision of tax incentives, must receive good attention. In this context, this study aims to identify and analyze the influence of income levels, changes in tax rates, and tax incentives on income tax receipts from individual taxpayers, especially those engaged in the entrepreneurial sector and MSMEs in Banda Aceh City. With a systematic and data-based approach, it is hoped that the results of this research can make a meaningful contribution to the development of a more inclusive and sustainable tax policy

## **METHOD**

The type of research used by the researcher in conducting this research is a type of quantitative research, with a causal comparative research method and using a survey. Comparative causal research method is a type or method of research with problem characteristics with a cause-and-effect relationship between two or more variables (Sugiyono, 2014). The type of data used by the researcher in this study is a type of primary data. According to Supomo & Indrianto (2013:146-147), primary data is a set of research data obtained directly from original or initial sources, while secondary data is data obtained by researchers indirectly or data obtained through intermediary media. The population referred to in this study is taxpayer subjects in Banda Aceh City, which amounts to 5,936 taxpayer subjects. So, in this study, the sample that the researcher will use is as many as 98 taxpayer subjects found in the Directorate General of Taxes of the Banda Aceh Regional Office

Data collection techniques are efforts or methods made by researchers to obtain the data needed in research namely, observation, questionnaire, literature study. Data analysis is an effort to process information or data obtained during the research process with the aim of explaining in detail and systematically all problems to be discussed and researched. The researcher will regress how the influence of income levels, changes in tax rates, and tax incentives on tax revenues in the Directorate General of Taxes of the Banda Aceh Regional Office with a perception of 1-5, in order to find and find out how significant the influence of income levels, changes in tax rates and tax incentives on tax revenues of the Directorate General of Taxes of the Banda Aceh Regional Office. Instrument testing namely: validity test, reliability test. Classical assumption test namely: Multicollinearity Test, Heteroscedasticity Test, Multiple linear regression analysis, hypothesis testing.

## RESULT AND DISCUSSION

The object of this research is taxpayers in Banda Aceh City who are registered at the Regional Office of the Directorate General of Taxes in Banda Aceh. Banda Aceh is the capital city of Aceh Province, with a growing economic activity encompassing various business sectors that contribute to both regional and national tax revenues.

The Regional Office of the Directorate General of Taxes in Banda Aceh plays a role in managing tax administration, including tax collection from individuals and business entities within this area. According to the data, the number of taxpayers in Banda Aceh City reaches 5,936, with a sample of 98 respondents.

This study focuses on the factors influencing tax revenue by examining the impact of income levels, tax rate changes, and tax incentives on taxpayer compliance and contributions. The data is collected directly from respondents through questionnaires and interviews to understand taxpayer behavior in fulfilling their tax obligations.

### Respondent Characteristics

The characteristics of the respondents in this study can be described as follows:

**Table 1 Respondent Characteristics Based on Gender**

Description	Frequency (People)	Percentage
Male	61	62,2
Female	37	37,8
<b>Total</b>	98	100

Source: Primary Data, 2025 (processed)

Based on the presentation of Table 1, it can be seen that the number of male respondents is 61, accounting for 62.2%, while the number of female respondents is 37, accounting for 37.8%.

**Table 2 Respondent Characteristics Based on Age**

Description	Frequency (People)	Percentage
18-29 years	46	46,9
30-39 years	28	28
40-49 years	15	15,3
> 50 years	9	9,2
<b>Total</b>	98	100

Source: Primary Data, 2025 (processed)

Based on the presentation of Table 2, it can be seen that the largest group of respondents is in the age range of 18-29 years, with 46 respondents or 46.9%, while the smallest group is in the age range of over 50 years, with 9 respondents or 9.2%.

**Table 3 Respondent Characteristics Based on Marital Status**

Description	Frequency (People)	Percentage
Not Married	43	43,9
Married	55	56,1
<b>Total</b>	98	100

Source: Primary Data, 2025 (processed)

Based on the presentation of Table 3, it can be seen that the majority of respondents are married, with 55 respondents or 56.1%, while 43 respondents or 43.9% are unmarried.

**Table 4 Respondent Characteristics Based on Last Education Level**

<b>Description</b>	<b>Frequency (People)</b>	<b>Percentage</b>
Senior High School	37	38,8
Diploma	2	1,0
Bachelor Degree/S1	49	50
Magister/S2	10	10,2
<b>Total</b>	<b>98</b>	<b>100</b>

Source: Primary Data, 2025 (processed)

Based on the presentation of Table 4, it can be seen that the majority of respondents have a Bachelor's degree (Bachelor Degree/S1), with 49 respondents or 50%, followed by those with a senior high school at 37 respondents or 38.8%. The smallest group consists of those with a Master's degree (Magister/S2), totaling 10 respondents or 10.2%, and only 2 respondents or 1% have a Diploma.

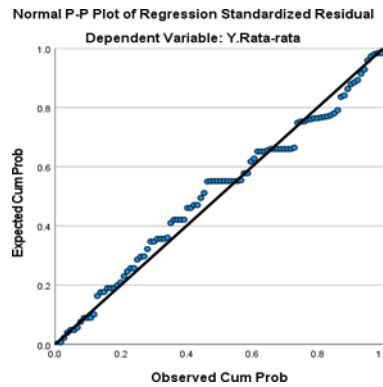
**Table 5 Characteristics of Respondents Based on Highest Level of Education**

<b>Description</b>	<b>Frequency (People)</b>	<b>Percentage</b>
Baiturahman	13	13,3
Banda Raya	31	30,6
Jaya Baru	6	6,1
Kuta Alam	12	12,2
Lueng Bata	9	9,2
Meuraxa	4	4,1
Syiah Kuala	10	10,2
Ulee Kareng	13	13,3
<b>Total</b>	<b>98</b>	<b>100</b>

Source: Primary Data, 2025 (processed)

Based on the presentation of Table 5, it can be seen that the largest group of respondents is from Banda Raya, with 31 respondents or 30.6%, followed by those from Baiturahman and Ulee Kareng, each with 13 respondents or 13.3%. The smallest group is from Meuraxa, with 4 respondents or 4.1%. Other areas include Jaya Baru (6 respondents or 6.1%), Kuta Alam (12 respondents or 12.2%), Lueng Bata (9 respondents or 9.2%), and Syiah Kuala (10 respondents or 10.2%).

**Classical Assumption Test**  
**Normality Test**



**Figure 1 Results of the Normal Probability Plot Test**

Based on the results of the normality test in Figure 1, it can be seen that the data spread around the diagonal line and follow the direction of the diagonal line, indicating that the data is normally distributed. Therefore, the regression model in this study meets the normality assumption. If the points do not follow the data along the diagonal line, the data is considered not to be normally distributed

**Multicollinearity Test**

A model is considered free from multicollinearity if the VIF value is < 10 and the tolerance value is > 0.1. If the VIF value is > 10 and the tolerance value is < 0.1, multicollinearity occurs (Gudono, 2011). The results of the multicollinearity test can be seen in Table 6.

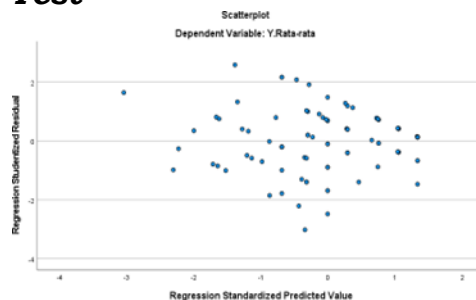
**Table 6 Multicollinearity Test Results**

Variable	Tolerance	VIF	Description
Income Level	0,758	1,320	Free from Multicollinearity
Changes in Tax Rates	0,655	1,526	Free from Multicollinearity
Tax incentives	0,676	1,480	Free from Multicollinearity

Source: Primary Data, 2025 (processed)

From Table 6 above, it can be seen that all independent variables have a Tolerance value greater than 0.10, indicating that there is no correlation between the independent variables. Similarly, the calculation results of the Variance Inflation Factor (VIF) also show the same, as all independent variables have VIF values less than 10. Therefore, it can be concluded that there is no multicollinearity among the independent variables in the regression model of this study.

**Heteroscedasticity Test**



**Figure 2. Heteroscedasticity Test**



The results of the heteroscedasticity test show that the points are scattered with an unclear pattern both above and below the zero mark on the Y-axis. Therefore, it can be concluded that there is no heteroscedasticity issue in the regression model.

### Multiplate Regression Analysis Results

Multiple linear regression analysis aims to address the research problem in this study.

**Table 7 Regression Analysis Results**  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.423	.459		.921	.360		
	X1.	.424	.089	.407	4.788	<.001	.758	1.320
	X2.	.391	.098	.364	3.979	<.001	.655	1.526
	X3.	.090	.116	.070	.774	.441	.676	1.480

a. Dependent Variable: Y.

Based on the given regression output table, the multiple linear regression model formed is as follows:  $Y = 0.424X1 + 0.391X2 + 0.090X3$ . The regression coefficient for the effect of Income Levels is 0.424, which explains that any increase in Income Levels will increase Income Tax Revenues by 0.424. This means there is a positive effect of the Income Levels variable on Income Tax Revenues. The regression coefficient for the effect of Changes in Tax Rates is 0.391, which explains that any increase in Changes in Tax Rates will increase Income Tax Revenues by 0.391. This means there is a positive effect of the Changes in Tax Rates variable on Income Tax Revenues. The regression coefficient for the effect of Tax Incentives is 0.090, which explains that any increase in Tax Incentives will only increase Income Tax Revenues by 0.090. This means that although there is a positive effect of the Tax Incentives variable on Income Tax Revenues, the effect is relatively small and statistically insignificant.

### The Correlation and Determination Coefficients

The linear relationship between Income Levels (X1), Changes in Tax Rates (X2), and Tax Incentives (X3) has a connection that can be proven using multiple correlation coefficients and determination coefficients.

**Table 8 Correlation and Determination Coefficients**

Model	R	R Square	djusted R Square	Std. Error the Estimate	Durbin Watson
	1.719	.517	.479	.4266366055	1.625

The correlation coefficient (R) of 0.719 explains the degree of the relationship (correlation) between the variables Income Levels (X1), Changes in Tax Rates (X2), and Tax Incentives (X3) with Income Tax Revenues (Y) as positive, with a correlation strength of 71.9%. This means that the three independent variables have a moderate relationship with the dependent variable.

Meanwhile, the determination coefficient (R Square) explains the magnitude of the influence of the independent variables on the dependent variable, assuming other variables are not considered. From the SPSS output, the Adjusted R Square is 0.479. This value explains that the role of the independent variables (Income Levels, Changes in Tax Rates, and Tax Incentives) in influencing Income Tax Revenues is 47.9%. The remaining 52.1% (residual value) is influenced by other variables that were not included in this study. The value of Durbin Watson is 1.625, which indicates a low to moderate level of autocorrelation in the residuals, as it falls within the acceptable range of 1.5 to 2.5.

### Simultaneous Testing (F-Test)

The F test is conducted to examine the simultaneous effect of the independent variables on the dependent variable. If the calculated F value (F count) is greater than the critical F value (F table) at a 5% significance level, it can be concluded that the independent variables collectively have a significant effect on the dependent variable.

**Table 9 Results of the Simultaneous Test (F Test)**  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.457	3	5.486	29.531	<.001 <sup>b</sup>
	Residual	17.462	94	.186		
	Total	33.920	97			

a. Dependent Variable: Y.

b. Predictors: (Constant), X3., X1., X2.

The division of Regression Mean Square (5.486) by Residual Mean Square (0.186) results in an F-calculated value of 29.531, with a significance level of < 0.001. To determine the significance of the model, the F-calculated value is compared to the F-table value at a 5% significance level with degrees of freedom (df) 3 and 94. If the F-calculated value is greater than the F-table value, it indicates that the regression model has a simultaneous effect on the dependent variable. Since the F-calculated value (29.531) is greater than the F-table value, and the significance level is < 0.001 (less than 0.05), it can be concluded that Income Levels (X1), Tax Rate Changes (X2), and Tax Incentives (X3) simultaneously have a significant effect on Income Tax Revenues (Y).

### Partial Testing (t-Test)

**Table 10 Results of the Partial Test (t Test)**  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.423	.459		.921	.360		
	X1.	.424	.089	.407	4.788	<.001	.758	1.320
	X2.	.391	.098	.364	3.979	<.001	.655	1.526
	X3.	.090	.116	.070	.774	.441	.676	1.480

a. Dependent Variable: Y.

The comparison of the regression coefficient value with the standard error shows that the *t-statistic* for the effect of the *Income Levels* variable is 4.788, with a significance probability of  $< 0.001$ . Meanwhile, the *t-table* value at a 5% significance level is approximately 1.986. These results indicate that *Income Levels* partially have a significant effect on *Income Tax Revenues* because the significance value is  $< 0.05$ .

The comparison of the regression coefficient value with the standard error shows that the *t-statistic* for the effect of the *Changes in Tax Rates* variable is 3.979, with a significance probability of  $< 0.001$ . Meanwhile, the *t-table* value at a 5% significance level is approximately 1.986. These results indicate that *Changes in Tax Rates* partially have a significant effect on *Income Tax Revenues* because the significance value is  $< 0.05$ .

The comparison of the regression coefficient value with the standard error shows that the *t-statistic* for the effect of the *Tax Incentives* variable is 0.774, with a significance probability of 0.441. Meanwhile, the *t-table* value at a 5% significance level is approximately 1.986. These results indicate that *Tax Incentives* do not have a significant effect on *Income Tax Revenues* because the significance value is  $> 0.05$ .

### **The Effect of Income Levels on Income Tax Revenues**

The regression coefficient for the effect of Income Levels is 0.424, which indicates that every increase in Income Levels will increase Income Tax Revenues by 0.424. This shows a positive relationship between Income Levels and Income Tax Revenues.

The *t-statistic* for the effect of the Income Levels variable is 4.788, with a significance probability of  $< 0.001$ . The *t-table* value at a 5% significance level is approximately 1.986. This result shows that Income Levels have a significant positive effect on Income Tax Revenues because the significance value is  $< 0.05$ .

According to Tjiptono (2011), an increase in income levels can encourage higher tax revenues because individuals with higher income contribute more to the tax system. Previous research by Inosensius Suban Atun (2021) also showed that income levels have a significant effect on corporate taxpayer compliance, which in turn affects tax revenues.

### **The Effect of Changes in Tax Rates on Income Tax Revenues**

The regression coefficient for the effect of Changes in Tax Rates is 0.391, which indicates that every increase in Tax Rates will increase Income Tax Revenues by 0.391. This shows a positive effect of Changes in Tax Rates on Income Tax Revenues.

The *t-statistic* for the effect of the Changes in Tax Rates variable is 3.979, with a significance probability of  $< 0.001$ . The *t-table* value at a 5% significance level is approximately 1.986. This result shows that Changes in Tax Rates have a significant positive effect on Income Tax

Revenues because the significance value is  $< 0.05$ .

This finding aligns with the research by Suryadi & Subardjo (2020), which states that tax collection and tax rates have a positive effect on corporate tax revenues. This study shows that changes in tax rates can improve taxpayer compliance and their contributions to state revenues.

### **The Effect of Tax Incentives on Income Tax Revenues**

The regression coefficient for the effect of Tax Incentives is 0.090, which indicates that every increase in Tax Incentives will only increase Income Tax Revenues by 0.090. Although there is a positive effect of the Tax Incentives variable on Income Tax Revenues, the impact is relatively small and statistically insignificant.

The t-statistic for the effect of the Tax Incentives variable is 0.774, with a significance probability of 0.441. The t-table value at a 5% significance level is approximately 1.986. This result shows that Tax Incentives do not have a significant effect on Income Tax Revenues because the significance value is  $> 0.05$ .

Research by Muhamad, Rizal, & Pujanggo (2021) also found that the impact of tax incentives on macroeconomic factors such as investment and GDP is greater than on direct tax revenues, suggesting that tax incentives have a limited effect on income tax revenues

### **CONCLUSION**

Based on the analysis of research findings, it can be concluded that income levels significantly influence income tax revenues of entrepreneurial individual taxpayers and MSMEs at the Banda Aceh DJP Regional Office. Higher income levels contribute positively to tax collection, indicating that as taxpayers' earnings increase, their tax obligations also rise proportionally. Similarly, changes in tax rates have a significant effect on tax revenues, demonstrating that adjustments in tax policies impact taxpayer behavior and overall revenue generation. Strategic tax rate policies are crucial in optimizing tax collection efficiency. However, tax incentives, when examined independently, do not show a significant effect on tax revenues. This suggests that incentives alone may not be sufficient to drive substantial improvements in tax compliance or revenue growth. Nevertheless, when income levels, tax rate changes, and tax incentives are analyzed simultaneously, they collectively have a significant impact on tax revenues. This finding highlights the importance of a comprehensive and well-balanced tax policy that considers multiple influencing factors to enhance tax collection. Overall, the study underscores the necessity for a strategic tax administration approach, where tax rate adjustments and income level considerations play a crucial role, while tax incentives may require further evaluation to maximize their effectiveness in fostering compliance and increasing revenue.

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