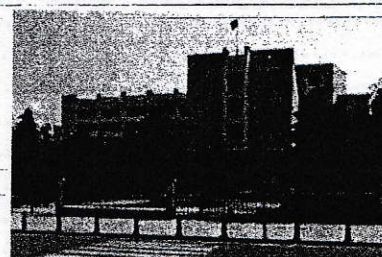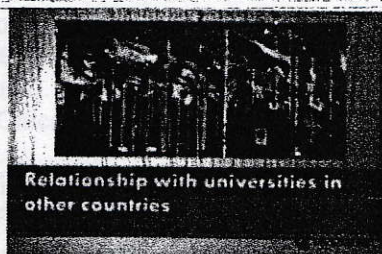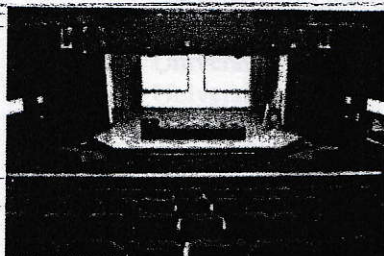# International Conference on Applied Business & Economics

PROCEEDINGS ICABE 2017
September 28th – September 30th, 2017
University of National and World Economy, (UNWE) Sofia
Bulgaria

Relationship with universities in other countries

Organized jointly with Transilvania University of Brasov, **Jean Monnet Centre of Excellence "Challenges and Prospects of EU Integration in South Eastern Europe", Project Number 2015-2403**

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International Conference on Applied Business & Economics

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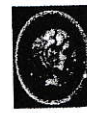
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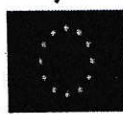
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I.J.E.B.A.

Welcome to ICABE 2017
Professor El Thalassinos

Sofia, September 28th, 2017

Dear Colleague, Dear ICABE Participant,

Welcome to the International Conference on Applied Business and Economics **ICABE 2017.** This year we celebrate the 13th. Edition of ICABE since its first appearance as International Symposium in Economic Research in 1996. For one more time the Organizing and the Scientific Committees have done a marvelous job of assembling a high number of diverse and interesting sessions as well as very interesting events.

As the **Rector of the University of National and World Economy Professor Statty Stattev** said we are very proud hosting you at the promises of the University wishing a very pleasant stay in Sofia. **My sincere thanks and great respect to the Rector** for his encouragement, interest and cooperation in the preraratory stage of the conference.

On behalf of all the members involved in the preparation of this conference I would like to express our pleasure for being at the **University of National and World Economy,** the host institution of ICABE 2017, accepting the invitation of the **Rector, Professor Statty Stattev** to organize the conference at UNWE in cooperation with other distinguish Universities and Research Institutions from around the world, among them the **Jean Monnet Centre of Excellence "Challenges and Prospects of EU Integration in South Eastern Europe" Project Number 2015-2403 of Transilvania University of Brasov, and the Jean Monnet Centre of Excellence of the University of Piraeus.**

I would like to thank our partners **for the great honor and the privilege** to cooperate with them for quite a long time before the official opening ceremony of the conference today.

The Organizing and the Scientific Committees have noticed, for one more time, **the great differentiation of the participants and the members of the Committees,** from 30 countries of the world, as a key indicator of the wide expansion of ICABE among academics and researchers worldwide. In addition to conference activities regarding presentations, discussions, Ph.D. coaching, media meetings, social events etc., we have also planned a special meeting on a voluntary basis, among the representatives of the participating Universities to discuss, to create new links and to form official and/or unofficial groups of Higher Education Institutions for the benefit of all the participating parties. It is a good opportunity to exchange ideas and information with regards to scientific cooperation, projects, common programs and mobility activities.

I would like to invite any person interesting to participate to inform us about improving the agenda of the meeting. We, as the **International Strategic Management Association (ISMA)** have prepared a draft, an initial Memorandum of Understanding (MoU), to be discussed in the meeting and to be adopted by the corresponding bodies in due course where possible.

[7]

ICABE 2017 • International Conference on Applied Business & Economics

ICABE continues to grow in stature and number of participating Universities. We are very proud for our distinguished key note speakers and our distinguished moderators, Professor **Will Bartlett** from London School of Economics and Political Sciences, Professor **Catherine De La Robertie** from University of Paris 1, Sorbonne, Professor Emeritus **Theodore Katsanevas** from the University of Piraeus, Professor **Jesus Lopez-Rodriguez** from the University of A Coruna, Professor Vice Rector **Natalia Vovchenko** from Rostov State University of Economics, Professor **Ramona Rupeika-Apoga** from the University of Latvia and the moderator in the plenary session, Professor **Simon Grima** from the University of Malta.

I would personally like to thank Professor **Ileana Tache,** Jean Monnet Chair and Director of the Centre of Excellence of Transilvania University of Brasov for her continuous support of ICABE and other activities organized by **the International Strategic Management Association** and Professor **Christos Negkakis,** Director of the Graduate School at the University of Macedonia Thessaloniki for his cooperation in the preparation of several activities in Greece and abroad. I would like to express my great respect to both.

Among many distinguish participants registered in ICABE and members of the Committees from 30 countries, we have special guests that I would like to mention in this welcome address. With the permission of the audience I salute the presence of:

Professor **Andy Pusca,** Rector Danubius University of Galati, **Romania**
Professor **Natalia Vovchenko,** Vice Rector, Rostov State University of Economics, **Russia**
Professor **Magdalena Mihai,** Vice Rector, University of Craiova, **Romania**
Professor **Ibish Mazreku,** Vice Rector, University Haxzi Zeka-Peja, **Kosovo**
Professor **Nikolae Sichigea,** Dean, Faculty of Economics and Business Administration, University of Craiova, **Romania**
Professor **Anca Bandoi,** Vice-Dean, Faculty of Economics and Business Administration, University of Craiova, **Romania**
Professor **Agnieszka Brelik,** Erasmus Coordinator, West Pomeranian University of Technology in Szczecin, **Poland**
Professor **Tulus Suryanto,** ERSJ's Chair for South East Asia and Chair for ICABE 2018, The State Islamic University of Raden Intan Lampung, **Indonesia.**

Aristotle, one of the pioneers in the attempt of mankind to contextualize and interpret human nature and mentality, expressed his view on success by saying that "...*We are what we repeatedly do. Excellence, therefore, is not an act but a habit.*"

Most attendants and participants identify themselves in the field of economics and business. Our goal is to furnish people with knowledge, exceptional skills and personal attributes that not only would facilitate them to secure a favorable and promising position at the labor market but also to cultivate their personalities becoming rational individuals. Our commitment to this mission is demonstrated through continuity and our will to dedicate resources and time in contemporary research. Today, we announce the commencement of the **13th Edition of ICABE** in its later form. Hence, the reason we are here is to vindicate Aristotle that success is an attitude of commitment and a pattern of consistent behavior stimulating public debate.

In this context, I would like to welcome you all to this two and a half – day academic event that focuses on a wide array of topics in the fields of Economics and Business Administration.

As it is pointed out in the official site of ICABE its main goal is to provide an opportunity for academics and professionals from a variety of fields to meet and exchange ideas and expertise. An additional goal of **ICABE is to provide a place for academics and professionals with inter-disciplinary interests** related to business-economics to interact with members within and outside their own disciplines.

ICABE 2017 · International Conference on Applied Business & Economics

ICABE 2017 main theme is **"Structural and Financial Deficiencies in the EU: Strategies moving forward"** aiming to address the issues that arise from recent developments in the EU proposing innovative ideas to move the Union forward. For those who had attended ICABE 2016 last year in Paris where the main theme was *"Challenges for the future European Union"* may recognize the consistence of our conferences' theme with contemporary topics by following the developments and the research interests in academia and in the society.

For one more time this year's ICABE is organized after the most severe financial crisis the world economy has experienced since the 1930's. Challenges in the political, the economic and the societal fields arise in a rather demanding fashion. Brexit will be a key issue for the future of the European Union for quite a long time. Even if a scientific meeting often is characterized by a theoretical framework, suitable proposals for tackling the problems that have arisen in multiple levels due to these developments may emerge. All participants will have a good opportunity to analyze and discuss current situation and to propose measures for future research.

This is what ICABE tries to do each year and will continue doing next year in **Bali Indonesia** in collaboration with the host institutions of **ICABE 2018**; to promote contemporary research that puts forward practical solutions.

ICABE 2017 is supported by several International Journals. Besides the proceedings in which all the abstracts of the papers presented will be included, selected papers will be published in one of the Journals according to their publishing requirements as follows:

1. **European Research Studies Journal** (a special issue will be published with selected papers from ICABE 2017).
2. **International Journal of Economics and Business Administration** (a special issue will be published with selected papers from ICABE 2017).
3. **International Journal of Computational Economics and Econometrics.**
4. **International Journal in Business and Economic Sciences and Applied Research.**
5. **Journal of Economic Asymmetries.**
6. **Journal of Business and Economic Studies.**
7. **The International Journal of Finance.**
8. **Global Journal of Finance and Banking Issues.**

The conference would not be possible to take place without the great collaboration of several colleagues from the **University of National and World Economy** and the other participating Universities. We are very delighted to all the members of the Organizing and the Scientific Committees locally and internationally. Special thanks to all and to every one of them.

Last but not least I would personally like to express my sincere thanks to Professor **Silvia Trifonova** from the University of National and World Economy and Ph.D. Candidate **Sofia Kassidova** for their trust and great support in the realization of this event.

With my Great Respect for all of You,
Professor El Thalassinos
Chair, ICABE 2017

Welcome to ICABE 2017

Professor Rector Statty Stattev

TO
PROFESSOR EL THALASSINOS, EUROPEAN CHAIR JEAN MONNET EDITOR, ERSJ, IJEBA, IJMTEI, CONFERENCE CHAIR, ICABE

DEAR PROFESSOR EL THALASSINOS,

For me as the Rector of the University of National and World Economy-Sofia is a great honor and pleasure to welcome you in our university. I would like to thank you sincerely for choosing the University of National and World Economy-Sofia for hosting this year's Thirteenth International Conference on Applied Business & Economics – ICABE 2017.

The attraction of distinguish scientists, practitioners and researchers from all over the world and established international organizations and foreign universities such as the International Strategic Management Association, University of Paris X Nanterre, Transylvania University of Brasov, University of Latvia, Rostov State University of Economics among others, is an evidence for the high quality of this international scientific event. Accept our most sincere respect for the professionalism, responsibility and effort you put into the validation of the educational and scientific values and for the development of the international and multidisciplinary scientific cooperation. I am confident that the international conference ICABE 2017 will launch many future beneficial scientific and practical-applied collaborations and projects internationally.

On behalf of the academic community of the University of National and World Economy-Sofia and from me personally I would like to express our most-warmest feelings to the participants in the Thirteenth International Conference on Applied Business & Economics – ICABE 2017 „Structural and Financial Deficiencies in the EU: Strategies moving forward". I wish everyone health and new scientific successes!

Prof. D.Sc. (Econ.) Statty Stattev

RECTOR OF THE UNIVERSITY OF NATIONAL AND WORLD ECONOMY

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Perceptions of fairness on the Small, Medium Enterprises Tax Regulation

Waluyo

Topic: Finance & International Finance

Abstract:

The background of this research is the tax of small medium enterprises tax regulation which implementation is still quite quite difficult because of the taxpayer who has the perception that this policy is less fair. In particular, this study aims to analyze the influence of perceptions of fairness on the small medium enterprises tax regulation, Tax Knowledge of the small medium enterprises tax regulation, the tax administration, Assertiveness penalty and socialization Government for the implementation of Regulation the small medium enterprises tax regulation of the Compliance Tax Payer Year 2016 small medium enterprises either partially or simultaneously.

The study was conducted with a quantitative approach using a survey method through questionnaires. Analysis of data using multiple linear regression. The study population is the entire small business gross income of less than Idr 4,8M annually in Jakarta.

The sampling technique was conducted to find were the aims (purposive sampling) that small medium enterprises engaged in the sale of automotive parts / equipment technical in Jakarta, with the following criteria: (1) Small Medium Enterprises already have a business entity and have Tax Number), (2) Gross Sales of Gross business less than Idr 4,8 M annual, (3) Small Medium Enterprises have started their business and have a minimum of 2 years of legal entities, (4) Small Medium Enterprises trading activity .

The result of research indicating that perceptions of justice of the small medium enterprises tax regulation, tax knowledge of the small medium enterprises tax regulation, the tax administration, firmness government penalty and socialization effect on taxpayer compliance in Jakarta either partially or simultaneously.

Keywords: The small medium enterprises tax regulation, Small Medium Enterprises, tax knowledge, tax administration, firmness penalty and socialization, taxpayer compliance.

Security Code: 67966

PERCEPTIONS OF FAIRNESS ON THE SMALL AND MEDIUM ENTERPRISES TAX REGULATION

WALUYO[1]

ABSTRACT

The background of this research is the Small and Medium Enterprises (SMEs) tax regulation which implementation is still quite difficult because of the taxpayer who has the perception that this policy is less fair. In particular, this study aims to analyze the influence of perceptions of fairness on SMEs tax regulation, tax knowledge of the SMEs tax regulation, the tax administration, tax penalty and tax information Government for the implementation of Regulation the SMEs tax regulation of the Compliance Tax Payer Year 2016 SMEs either partially or simultaneously. The study was conducted with a quantitative approach using a survey method through questionnaires. Analysis of data using multiple linear regression.

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The result of research indicating that perceptions of fairness on the SMEs tax regulation, tax knowledge, tax administration, tax penalty and socialization effect on tax compliance either partially or simultaneously .

JEL Clasification:

Keywords: The small and medium enterprises tax regulation, tax knowledge, tax administration, tax penalty and socialization, tax compliance.

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[1] Waluyo, Waluyo is a lecturer at the Graduate and Postgraduate Program Department of Accounting at the University of Mercu Buana, Email : waluyo@mercubuana.ac.id, waluyo9@yahoo.com

1. INTRODUCTION

Tax is government's source of revenue that is dynamic and follows the cycles of economic and social life. Therefore it demands improvement in policy and administration system to optimize its potentials while still upholds principles of justice (Waluyo, 2016). The source of revenue is not coming only from large taxpayers, but also from small taxpayers categorized as Small and Medium Enterprises (SMEs). This SMEs business category plays an important role in improving economic growth of a country. For the aim of tax collection, tax needs to be based on justice principle. Taxpayers have tendencies to avoid paying taxes they perceive tax collection system as unfair. It shows the importance of justice in tax as a variable that affects the behavior of taxpayers.

The Small and Medium Enterprises Tax Regulation set taxation rule for SMEs with gross income less than IDR 4.8 billion by charging one percent (1%) final income tax on gross income. The rule is applied since the tax year of 2013. The regulation is perceived as unfair by taxpayers because when a company suffers a loss the rule is still applied i.e. the company has to pay the tax.

Perceived tax unfairness in tax system motivates SMEs not to comply with the regulation. Tax compliance among SMEs taxpayers is low since the height of tariffs percentage and the complexity of tax administration procedure. (Ojochog we Winnie Atawodi & Stephen Aanu Ojeka, 2012).

Besides unfairness factor, other factors are suggested as factors affecting tax compliance among taxpayers that are knowledge and tax penalty. Based on these issues, the problem in this study can be formulated as follows: what are the effects of perception of tax fairness, tax knowledge, tax administration, tax penalty and information dissemination, on the compliance of SMEs taxpayers with the published Small and Medium Enterprises Tax Regulation.

2. REVIEW OF LITERATURE

2.1   Theory of Justice

Principles of Justice or Equality is one of the main principles in tax collection. Every citizen is required to participate in paying taxes. Justice could be interpreted as justice in tax distribution means that every taxpayer is charged with tax in the same situations (Sari, 2013). Principles of justice are absolutely needed, however, there are many problems related to the

concept of justice. Various concepts of justice are translated into different principles of tax collection. The result of research proves that justice in tax collection affects the tax compliance among taxpayers (Siauw Jan, 2013). Justice in taxation begins with determination of tax subject, tax object and levy system.

2.2 Tax Knowledge

Tax knowledge is a very fundamental thing to have for SMEs taxpayers, not only conceptual understanding based on tax constitution but including understanding about tax regulations (Waluyo, 2016). Low level of knowledge in tax is one of the factors of incompliance of taxpayers in meeting their obligations. (Sudrajat, 2015). Some research others show that tax knowledge is not only giving understandings about tax but could make taxpayers understand their tax obligations and in turn can influence tax compliance (Palil, 2005).

2.3 Tax Administration

Tax administration can be understood as service activities to taxpayers (Nurmantu, 2010). Tax administration is a key to policy on tax. Factors that need to be paid attention to is the success of taxation policy including internal and external factors in the taxation process (Waluyo, 2016).

2.4 Tax Penalty and Tax Information

Tax information can be conducted directly as well indirectly. Plenty amounts of electronic media should make dissemination of taxation information easier. With this activity, the tax authority conveys information regarding the tax regulation. It is expected that taxpayers could understand the more about tax law and tax regulation. As the consequences for taxpayers who do not comply with the tax law and tax regulations will subject to tax penalty (Natrah, 2014). Results of research about tax information dissemination suggest that it affects the tax compliance of taxpayers (Andrew, 2015).

HYPOTHESIS DEVELOPMENT

Perceptions of the general public with regards to the fairness of the taxation system applicable in a country significantly influence the taxation implementation and tax compliance behavior. Society tends to less comply and avoid tax when tax system applicable is not fair (Richardson, 2006). Dimensions of tax fairness that influences compliance

significantly namely general fairness, tax structure, and self-interest to tax compliance. Based on basic theoretical structure a hypothesis can be developed:

H1:   Perception of tax fairness influence SMEs tax compliance.

Taxpayers' knowledge on tax law and regulation could influence compliance of taxpayers (Titik, 2013). Tax knowledge will determine the level of compliance of taxpayers. Tax knowledge for SMEs taxpayers not only give an understanding about taxation but also to make taxpayers understand their rights and obligations in paying taxes. With more knowledgeable taxpayers the level of tax evasion may be reduced and it will affect the attitude of the taxpayers in meeting their taxation obligations (Palil, 2005). Based on the theoretical foundation a hypothesis can be developed:

H2: knowledge about tax regulation among SMEs taxpayers influence SMEs tax compliance.

Public give a positive response about convenience and simplification of the tax system. Complicated taxation rules have been replaced with simpler rules. Simple tax administration would influence taxpayers' compliance (Nurmantu, 2010). The result of research on taxation administration for small business states that with simple tax administration system will give convenience for and improve compliance of taxpayers (Waluyo, 2016). Based on the theoretical foundation a hypothesis can be developed:

H3: tax administration influence SMEs tax compliance.

Efforts in improving awareness and compliance of taxpayers are conducted by information dissemination through intensive training (Carolina, 2012). In order to raise awareness of the general public to pay taxes, the tax penalty is imposed (Dewi, 2013). However, this sanction rules will only be effective if people understand the objective and purpose of the issuance of SMEs Tax Regulation. Therefore, information dissemination is necessary to be conducted.ion necessary. Based on the theoretical foundation a hypothesis can be developed:

H4: tax penalty and information dissemination influence SMEs tax compliance.

RESEARCH METHODOLOGY

The research method is basically a scientific way to acquire data with particular objectives and use. The method employed is quantitative research. Quantitative research is categorized as research which data analysis is more emphasized on numerical data. The population of this

research is all SMEs taxpayers which have gross income less than IDR 4.8 billion. The total number of the sample taken is 191 SMEs taxpayers. Data is obtained from the questionnaire and then it was tested for validity and reliability.

 ANALYSIS

5.1. Descriptive Analysis

The following table shows the results of the descriptive statistical output from data processing using SPSS.

Tabel 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Perception of Fairness (PF)	191	2,22	4,78	3,4822	,63219
Tax Knowledge (TK)	191	1,63	4,75	3,3579	,74868
Tax Administration (TA)	191	1,00	4,71	3,3848	,60657
Tax Penalty and Socialization (TP)	191	1,57	4,57	3,3264	,69908
Tax Compliance (TC)	191	1,33	4,67	3,2443	,69957
Valid N (listwise)	191				

Descriptive Analysis of Table 1 shows that Perception of Fairness (PF) generated the minimum value of 2.22, the maximum value 4.78, and the average value obtained from 191 observations is 3.4822. It shows that Perception of Fairness on SMEs Taxpayers has been able on maximum range. For Tax Knowledge (TK) with the average value of 3.3579 stated that SMEs Taxpayers has been able on maximum range. And for Tax Administration, Tax Penalty and Information Dissemination, and Tax Compliance for SMEs Taxpayers have been able on maximum range.

5.2. Normality Test

Tabel 2. Normality Test

		Unstandardized Residual
N		191
Normal Parameters(a,b)	Mean	,0000000
	Std. Deviation	2,10600857
Most Extreme Differences	Absolute	,048
	Positive	,041
	Negative	-,048
Kolmogorov-Smirnov Z		,666
Asymp. Sig. (2-tailed)		,767

a Test distribution is Normal.
b Calculated from data.

Results test Kolmogorov -Smirnov Test in Table 2 show that value assymp sig of 0.767 or more than significant level of 0.05. Therefore it can be concluded that the normal distribution assumption is satisfied.

Tabel 3. Full Model Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,587	,943		1,683	,094
	Perception of Fairness	,281	,044	,380	6,435	,000
	Tax Knowledge	,188	,041	,269	4,611	,000
	Tax Administration	,168	,058	,170	2,904	,004
	Tax Penalty and Socialization	,138	,051	,161	2,718	,007

a Dependent Variable: Kepatuhan Wajib Pajak

With Equation of regression:

$$TC = \alpha + \beta1\ PF + \beta2\ TK + \beta3\ TA + \beta4\ TP + e$$

Where:

TC : Tax Compliance

PF : Perception of Fairness

TK : Tax Knowledge

TA : Tax Administration

TP : Tax Penalty and Information Dissemination

E : Error

Results obtained of Full Regression Model

$$TC = 1,587 + 0,281\ PF + 0,188\ TK + 0,168\ TA + 0,138\ TP + e$$

The First Hypothesis (H1) stated that perception of fairness influence the tax compliance where t value of perception of fairness is 6,435 with significant value 0,000 or smaller than 0.05 (0.000 <0.05). Because significant value or test probability <0.05, therefore, hypothesis 1 can be accepted. Perception of Fairness has positive coefficient value against tax compliance, it shows that if the perception of fairness is high among taxpayers then SMEs tend to comply with taxation regulations.

The Second Hypothesis (H2) stated that tax knowledge influences the tax compliance where the t value of tax knowledge is 4,611 with a significant value of 0,000 or smaller than 0.05 (0.000 <0.05). Because significant value or test probability <0.05, therefore, hypothesis 2 can be accepted. Tax knowledge has positive coefficient value against the tax compliance, it shows if the tax knowledge is high among taxpayers then SMEs tend to comply with taxation regulations.

The third hypothesis (H3) stated that tax administration influence the tax compliance where the t value of tax administration is 2,904 with a significant value of 0.004 or smaller than 0.05 (0.004<0.05). Because significant value or test probability < 0.05, therefore, hypothesis 3 can be accepted. Tax administration has positive coefficient value against tax compliance, it shows if tax administration is better, then SMEs tend to comply with taxation regulations.

The Fourth Hypothesis (H4) stated that tax penalty and information dissemination influence the tax compliance where the t value of tax penalty and information dissemination is 2.718 with a significant value of 0,007 or smaller than 0.05 (0.000 <0.05). Because significant value or test probability <0.05, therefore, hypothesis 4 can be accepted. Tax penalty and information dissemination have positive coefficient value against tax compliance. It shows

when tax penalty and information dissemination level is high, SMEs tend to comply with taxation regulations.

6. CONCLUSION

All of the variables namely Perception of Fairness, Tax Knowledge, Tax Administration, Tax Penalty and Tax Information influence SMEs Tax Compliance positively. This proves that in the policy of taxation on SMEs principle of justice is required. Not only that, Tax Knowledge among taxpayers, and Tax Administration for SMEs Taxpayers are also needed. SMEs taxpayers are classified as a small taxpayer, therefore they do not using accounting, but an accounting based recording. In taxation for SMEs, those small taxpayers are treated less fairly. It is found that each taxpayers SMEs remain obliged to pay tax although suffering a loss. It can demotivate compliance among SMEs taxpayers. In terms of the heaviness of the tax tariff imposed, it is not something fair to impose such a high tariff to SMEs taxpayers. For 2018 it has been discoursed to lower the tariff for SMEs taxpayers.

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