



# Analysis of Business Development Services in Improving Taxpayer Compliance of Micro, Small and Medium Enterprises

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## A B S T R A C T

This study aims to analyze the role of implementing business development services (BDS) to improve the tax compliance of MSME taxpayers. To do this, a qualitative approach with the Library Research method is used. Data is collected by reviewing journals, conference publications, books, and other sources related to the research problem, such as news from credible sources, as well as final project research from another relevant research. The results of the study show that Business Development Services (BDS) is a form of business development services that facilitates MSME actors to grow. In Indonesia, the Director General of Taxes uses this program to encourage tax compliance by integrating it with tax socialization. This program then provides various event platforms that increase tax knowledge and perceptions of tax justice. The implication for the Tax Office is to be able to develop a BDS program that is as attractive as possible for MSMEs. This study provides originality as the first qualitative study to investigate the effect of BDS on tax compliance.

## INTRODUCTION

This study aims to analyze the role of implementing business development services (BDS) to improve the tax compliance of MSME taxpayers. BDS is one of the ways used by the government to improve MSME taxpayers' tax compliance with a tax socialization mechanism. So, then the main goal of BDS is an increase in tax revenue from MSMEs. This research contributes by assessing how the BDS program can encourage MSME tax compliance.

Micro, Small, and Medium Enterprises (MSMEs) are one of the sectors that have an important role in the economy in Indonesia. MSMEs as the largest business actors in Indonesia have contributed to the absorption of labor, the formation of gross domestic product (GDP), exports, and the creation of fixed capital/investment on a massive scale in the economy in Indonesia. In addition, MSMEs have also proven their resilience to environmental conditions, including when there are economic difficulties such as when the economic crisis hit Indonesia, even during the COVID-19 pandemic (Putri, Murwadji, & Mulyati, 2022). MSMEs have proven that this sector has been able to contribute to the recovery of the national economy (Weya, Areros, & Tumble, 2020). This then shows how big the potential of MSMEs in Indonesia is, especially in economic development.

This then encourages the government to continue to support the development of MSMEs in Indonesia, one of which is through the Business Development Services (BDS) program. BDS is a term developed by Donor Agencies for Small Enterprise Development (CDASED) which refers to services that improve market accessibility, competitiveness, and overall performance of the company (Mwaniki, Ngugi, & Nyang'au, 2022). BDS is considered a tool that can be used by SMEs to overcome market failures by providing information needed by businesses, providing consulting services, improving business skills and

training, improving quality through technology transfer, providing access to subsidized infrastructure, and increasing market accessibility. and help it gain a competitive advantage (Okay, 2014).

Access to financial services and Business Development Services (BDS) is considered to be able to help the growth of micro and small businesses (Sievers & Vandenberg, 2007). The scope of BDS can include non-financial and financial aspects. The non-financial aspects are related to market access, infrastructure, training, and technical assistance, as well as technology and, product development, while the financial aspects are related to credit and capital (Ombi, Ambad, & Bujang, 2018).

In Indonesia itself, Business Development Services (BDS) has been combined with tax socialization activities aimed at improving MSME tax compliance. This is carried out based on the provisions issued by the Directorate General of Taxes related to capacity building of micro, small and medium enterprises through the circular letter of the Director General of Taxes number SE-13/PJ/2018 as an effort to foster and supervise MSMEs to increase tax compliance and revenues Development Services program (Irawan, 2022).

The policy is based on the problem that although SMEs are one of the main contributors to GDP, this sector does not support state revenues. Data from the Indonesian Ministry of Industry shows that over the last 5 years there has been an increase in the contribution of MSMEs to GDP from 57.84% to 60.34%, but this is not accompanied by the contribution of MSMEs to state revenues which only reached 0.5% of the total tax revenue (Zulma, 2020). This then shows that the contribution of MSMEs to tax revenue should be maximized. This then encourages the socialization of taxation in the BDS program to improve MSME tax compliance.

Tax compliance shows a person's behavior to fulfill tax obligations starting from depositing, and reporting taxes to the tax authorities (Khasanah, Sutrisno, & Mardiaty, 2019). This can also be seen as all actions taken by taxpayers in the context of fulfilling tax obligations by tax provisions. MSMEs as one of the taxpayers are also required to have tax compliance. However, until now, MSMEs have shown low tax compliance, which then demands a solution to increase their contribution to state revenue. One of the factors that causes low MSME tax compliance is the low understanding of taxpayers' taxation, especially regarding tax regulations (Cahyani & Noviani, 2019). This then led to the idea of tax socialization through BDS to be one way that the government might use to encourage MSME tax compliance and at the same time guide MSMEs.

Research on BDS is mostly related to how BDS unguided development of MSMEs, for example regarding institutional capacity building for Micro, Small, and Medium Enterprises through business development service programs. In this study, they both use a qualitative approach but have different goals, namely to identify the type of institutional capacity development for micro, small and medium enterprises through Business Development Services and find a model of institutional capacity development that is suitable for micro, small and medium enterprises through Development Services. Business in Banten Province, Indonesia. While in the research the author discusses the role of the BDS Program in increasing tax knowledge to encourage tax compliance.

In addition, in other studies examining the effectiveness of the implementation of BDS (Koesharwati, Afifudin, & Hariri, 2022). The review of Koesharwati, Afifudin, & Hariri (2022) regarding the effectiveness of the implementation of BDS on taxpayer compliance is carried out quantitatively and shows that taxpayer compliance is driven by the existence of tax knowledge, bookkeeping knowledge and tax calculation simultaneously. But then only tax knowledge has a direct effect on MSME taxpayer compliance. Research on the effect of tax knowledge on tax compliance also shows that tax knowledge has a positive effect on tax compliance of MSME taxpayers in Indonesia, which means that the better the level of tax knowledge, the higher the level of tax compliance (Zulma, 2020).

Then further research discusses the influence of business development services (BDS) on the performance of Micro, Small, and Medium Enterprises actors (Ombi, Ambad, & Buj, and, 2018). This study is also a quantitative study with Partial Least Square (PLS) used to analyze the collected data. The results of this study reveal that financial services affect the performance of MSMEs. Similar findings were found by Jauriyah (2014), Yusoff and Yaacob (2010), Denan (2008), and Wren & Storey (2002). Hardiyanti's research (2020), discusses the BDS program consisting of planning factors, implementation factors, and development factors that will affect the increase in SME taxpayer compliance, using quantitative analysis research, with descriptive methods. It is known that only the implementation factor has a positive and significant effect on taxpayer compliance (Hardiyanti, 2020).

The studies above have the main focus of research on the BDS program, where almost all of them have a quantitative approach and only one qualitative research, namely research by (Irawan & Suryani, 2020), which has a different purpose from the research conducted by researchers, so it is indicated that

there has not been a qualitative research conducted to review how BDS can encourage MSME taxpayer compliance to pay their tax obligations. Quantitative research can present empirical data in the form of numbers but is lacking in qualitative and theoretical discussions. Whereas a qualitative review like this can provide a more comprehensive explanation, especially about existing theories and pre-existing conceptions to explain phenomena. The question that then wants to be discussed in this study is How the BDS Program can encourage MSME taxpayer compliance?

## METHOD

This study uses a qualitative method. Qualitative research is used to find answers to a phenomenon or question through the application of scientific procedures systematically using a qualitative approach (Sidiq & Choiri, 2019). In this study used a library research approach. The data in this study were taken from various previous articles, including journals, conference publications, books, and other sources related to the research problem, then news from credible sources, as well as final project research from other relevant studies. The analysis is carried out by reducing the data obtained and then presenting it in the form of paragraphs explaining the findings from the existing data. This will ultimately produce conclusions that are summarized from the analysis that has been carried out. The research will conduct a description of the BDS program, then look at the relationship between MSMEs and tax compliance,

## RESULTS AND DISCUSSION

### *Business Development Services Program*

*Business Development Services* (BDS) is a form of business development services that facilitates business actors, especially MSMEs, to be able to develop better and be able to face market competition in the future through the assistance and training they provide (Nurhayati, 2014). BDS is a service that is considered important for the success and growth of MSMEs (Goyal, Sergi, & Esposito, 2018). BDS is part of the MSME development program that provides support for MSME actors in the form of management training, financial training, vocational skills training, human resource development, marketing assistance, technical advice, information provision, accounting, and legal services (Suzuki & Igei, 2019). This is done in conjunction with financial support and has given better results for the development of MSMEs. This then shows the importance of BDS in developing MSMEs.

Government support for MSMEs through the BDS program emerges by recognizing and encouraging the formation and growth of MSMEs by increasing policy-level initiatives, promoting cluster-based arrangements, and facilitating business advice, training, and skills development programs (Goyal, Sergi, & Esposito, 2018). One of these is providing a Business Development Service Provider (BDS-P). The main function of the institution is to carry out activities to overcome business failures of MSMEs by providing or facilitating consulting services, providing activities to improve the skills or expertise of business people as well as transferring information, technology, or access to capital to business people to be able to develop (Wahyudin, Baihaqi, & Ardiantono, 2020).

BDS providers play an activist role focusing on the different growth-related performance needs of MSMEs ranging from competitive relationships to regulatory compliance to

innovation-oriented; provide a range of non-financial services to MSMEs including consulting, training, marketing support, technology knowledge, policy advocacy, infrastructure and access to finance; and have service characteristics ranging from heterogeneity, inseparable, intangible, perishable, immediacy, diagnostic skills to process-based and relationship orientation (Goyal, Sergi, & Esposito, 2018). In the end, the role of this BDS institution is to help MSMEs manage their businesses so that they can develop.

BDS is one of the things that most startup entrepreneurs need most in the early stages of business development. This is also needed by those who have been in business for a longer period. Growth-focused companies are more interested in business development services provided by external parties. Business development services are provided by various experts and consultants in specific business areas. For example, an intermediary on behalf of a seller is known as a business intermediary. However, most MSME owners do not take them seriously as a reliable source of business support. Meanwhile, supporters, such as accountants and lawyers, are considered more important in providing support to MSME owners (George, 2020).

Research conducted by Beyene (2018) shows that BDS has led to changes in the performance of MSMEs. These changes are related to the improvement of work processes; accumulation of own capital by utilizing government loan services; the ability to save time and effort, free of waste and a decent workplace; business expansion; Improvement of accounting system and profitability; and Better business management. In addition, there is also a reduction in the wastage of time and resources, and appropriate income tax payments as a result of improved financial records.

#### *MSMEs and Tax Compliance*

MSMEs are defined as an independent and stand-alone business unit, which is carried out by individuals or business entities (Tambunan, 2012). In the setting in Indonesia, MSMEs are defined based on their turnover. Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (UU MSMEs) defines MSMEs as companies that have a turnover of not more than Rp. 300 million, small companies have a turnover of not more than Rp. 2.5 billion, and medium-sized companies have a turnover of not more than Rp. 50 billion.

MSMEs in Indonesia, as in many countries, play an important role in the national economy. Historically, MSMEs have been a major player in domestic activities in many countries, including Indonesia (Inasius, 2015). MSMEs have contributed to the Gross Domestic Product (GDP) by as much as 61.41 percent and can absorb almost 97 percent of the total national workforce and constitute 99 percent of the total business actors in Indonesia (Maulana, et al., 2020). With such a large contribution given by MSMEs to GDP, MSMEs' contribution to state revenue through taxes should also be the same. However, later reviews showed that the contribution of MSMEs to state revenue only reaches 0.5% of total tax revenue (Zulma, 2020). This then shows that there are problems in the compliance of MSMEs taxpayers in fulfilling their tax obligations.

A review of international experience shows that MSMEs have a disproportionate burden on tax arrangements (Inasius, 2015). MSMEs play a dominant role in the national economy,

but this group has limited administrative capabilities which then lead to high non-compliance. This can be caused because MSMEs are businesses that develop from individual businesses and then develop into small companies with small or medium sizes. Complex administrative and taxation burdens can increase tax compliance costs, thereby reducing the competitiveness of SMEs. This will ultimately have an impact on the low level of tax compliance (Inasius, 2018). Therefore, in recognition of their contribution to the national economy, SMEs must be supported by the government, especially in the burden of regulation and taxation (Inasius, 2015) to encourage tax compliance.

Tax compliance has become an important subject for personal and corporate taxation in both developed and developing countries and emphasizes the responsibility of taxpayers to report income and determine tax liability. Government regulations, especially taxation, are a major concern of the business sector, especially small and medium enterprises (MSMEs) around the world. The law requires MSMEs to comply with all relevant laws, including taxation (Inasius, 2018). This then shows that tax compliance is crucial for MSMEs.

The OECD defines tax compliance as the extent to which a taxpayer complies (or fails to comply with) his country's tax regulations, for example by declaring income, filing returns, and paying taxes on time (Inasius, 2018). In contrast to tax compliance, tax non-compliance is the failure of the taxpayer to submit the correct amount of tax, possibly due to complexity or contradictions in tax laws or tax administration procedures (Jackson & Milliron, 1986). According to Inasius (2018), what is meant by tax non-compliance is the failure to comply with tax laws, and/or to report incorrect income, and/or to pay the incorrect amount of tax outside the specified period.

Tax payments in Indonesia are based on a self-assessment system. Self-assessment relies on the accountability of taxpayers to be able to calculate and report their tax obligations on an annual basis. In addition to reporting their taxes, taxpayers are also subject to tax withholding in which the taxpayer withholds taxes owed on certain payments to other taxpayers. Tax payment is a letter used by the Taxpayer to pay or deposit taxes owed to the state treasury through the post office and/or bank owned by the government or region or other place of payment appointed by the Minister of Finance. In paying income tax, companies, including MSMEs, get a 25% burden. Furthermore, the tax rate for value added tax is 10% (Inasius, 2018). With a self-assessment system like this, the tax no longer determines the taxpayer's tax debt. This then causes tax compliance behavior to always be a concern for tax policy makers non-compliance with reporting requirements affects the collection of state revenues from taxes.

The government then issued various policies to encourage increased taxpayer compliance, one of which was done by providing education to the public. Education has an important role, especially because it can be a means of transferring knowledge from the government to the public regarding taxation. This education will be a means to avoid continuous asymmetry of information so that it can interfere with the government's efforts to increase tax revenues (Mukhlis, Utomo, & Soesetyo, 2014).

*The role of BDS in increasing tax knowledge to encourage tax compliance*

BDS is a program organized by the Extension, Services, and Public Relations Division of the DGT since 2015. This program focuses on developing MSME businesses in Indonesia. According to SE-13/PJ/2018, the BDS program is a means of fostering and supervising MSME taxpayers in fostering and encouraging sustainable company growth to increase awareness, involvement, and tax compliance (Susilawati, Herdona, Lim, & Nadilla, 2021).

The BDS program as a form of training for MSME actors encourages them to be able to do business with more professional products and management so that they can boost sales and SMEs will be big if they want to be occupied. In other countries where the government supports the BDS program, such as Sri Lanka and Ethiopia, it is evident that many more productive communities have emerged who become MSME entrepreneurs after going through a series of continuous mentoring (Beyene, 2018).

The BDS program is generally carried out based on a cooperation agreement between several parties to be able to provide support to MSMEs. This is mainly related to increasing managerial ability in MSMEs which in turn contributes to increasing the realization of tax revenues in the MSME sector. Managerial skills will be acquired by SMEs through training provided by contributors to the BDS program. The forms of training that can be obtained include simple bookkeeping training for MSMEs, e-commerce training or sales through websites, and brand image training. Digital and internet marketing training as well as business feasibility and financial management, and calculation of profit and loss using an android application that can be installed by MSME participants (Putranto & Ariani, 2020).

Apart from this, the BDS program can also be implemented by providing various event platforms that can be used by SMEs. This can be carried out in the form of training that contains lessons to improve the quality of income capacity, or bazaars conducted to facilitate them in promoting products to taxpayers who report tax documents to the tax office; and so forth. Utomo (2021) suggests several programs that can be implemented in BDS as a series to conduct tax socialization. This can be seen in Table 1.

Table 1. Tax Socialization with BDS Theme

Event Platform	BDS Theme
Seminar	Online Marketing
	Optimization of Facebook and Instagram to Increase Business
	Business Development & Business Roadmap
	How to join Marketplace
Training	Cashier App & Financing Solution
	Accounting Application for MSMEs
Bazaar	Cooking class
	MSME tax payment bazaar

Source: Utomo (2021)

The implementation of such a BDS program must then involve the tax service office (KPP) to be able to carry out tax socialization. KPP does not only play a role in being able to collect taxes, but also KPP's role is not only to collect taxes but

also to start asking how MSMEs can feel the tax money they pay. This is because most of the training carried out by the Directorate General of Taxes and BDS program partners is free of charge (Putranto & Ariani, 2020).

The types of training carried out through the BDS program are provided to improve the ability of MSMEs. Several limitations can generally be found in MSME operations, namely irregularities in managing funds and limited capital, inadequate human resources, and difficulties in marketing as well as difficulties in the process of recording and calculating funds to carry out tax payment obligations (Putranto & Ariani, 2020). According to Rohman, Zulaikha, Rahardjo, and Harto (2011), the competence of MSMEs in Indonesia is still inadequate, thus affecting their compliance with taxes. This shows that small businesses and individuals do not have proper bookkeeping but have tax potential. BDS can then provide information on sound accounting and financial reporting by providing business seminars (Susilawati, Herdona, Lim, & Nadilla, 2021). In the end, when MSMEs can provide good bookkeeping, it will encourage them to report taxes and ultimately increase state tax revenues.

The BDS program can then also be a means of interaction between DGT and MSME taxpayers. This is because the implementation of the BDS program is generally left to the discretion of each tax office. The interaction and pattern of relationships that are built between DGT and MSME taxpayers will be seen in the implementation of the BDS program. The technical implementation of BDS will ultimately be left to the discretion of each tax office. The audience for BDS activities organized by the tax authorities is often divided into two categories, namely MSME taxpayers assisted by the Tax Service Office and MSME taxpayers invited by the Tax Service Office. There is a difference between MSME taxpayers who are specifically trained by the tax authorities and MSME taxpayers who are only employed as audiences in the office BDS program. There is no guarantee that the interaction between MSME taxpayers and taxes in the BDS implementation program will be limited. However, placing MSME taxpayers under the jurisdiction of the tax authorities with a high-level meeting will foster trust between the two parties. The relationship between tax authorities and MSME taxpayers is built on trust, which makes it easier for both parties to carry out a transition strategy. In addition, trust has a good effect on taxpayer voluntary compliance (Djajanti, 2020). On the other hand, the strong contacts established can enable tax authorities to monitor the readiness of MSME taxpayers in real-time and to continue to guide MSME taxpayers through the transition process to a standard tax system. placing MSME taxpayers under the jurisdiction of the tax authorities with a high-level meeting will foster trust between the two parties. The relationship between tax authorities and MSME taxpayers is built on trust, which makes it easier for both parties to carry out a transition strategy. In addition, trust has a good effect on taxpayer voluntary compliance (Djajanti, 2020). On the other hand, the strong contacts established can enable tax authorities to monitor the readiness of MSME taxpayers in real-time and to continue to guide MSME taxpayers through the transition process to a standard tax system. placing MSME taxpayers under the jurisdiction of the tax authorities with a high-level meeting will foster trust between the two parties. The relationship between tax authorities and MSME taxpayers is built on trust, which

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Business Development Services is a form of encouragement from the Directorate General of Taxes towards the business progress of MSME entrepreneurs which involves training, consulting and advice services, marketing assistance, business development information, technology transfer, bookkeeping management and tax reporting, and promotion of business networks (Putranto & Ariani, 2020). Based on this method, then socialization and tax education are carried out to increase the knowledge of MSME taxpayers. This is ultimately expected to improve tax compliance.

Efforts to increase MSME tax awareness through tax socialization that are integrated inclusively with the BDS program. The letter from DGT number 13/2018 becomes a road map for operational resilience to make it easier for KPP to adjust conditions according to the needs of MSMEs. The classic form of tax socialization contains rights and obligations including sanctions, instead of complying, it keeps SMEs away from KPP. BDS then became an innovation used by the DGT to attract taxpayers to come to tax socialization. MSMEs have limitations in accessing business development training such as knowledge about bank loans, marketing to bookkeeping. DGT then argues that it is necessary to provide various kinds of training arenas that become magnets for MSMEs. The combination of what SMEs will achieve is pursued by the objectives of the tax office to be brought together in the socialization of this new style of taxation. Professionals who match the theme of the needs of SMEs are invited to be the main speakers at the tax socialization event. The event platform is used as a seminar, training, or bazaar. All of them aim to make SMEs aware, through events like this social values and civic norms are instilled (Utomo, 2021).

BDS then becomes a means for KPP to disseminate knowledge on taxation which is built through tax education, both through formal and informal channels. Content that can be provided in tax socialization, including the definition of tax rates, tax sanctions, tax administration, tax services, various types of taxes, and the meaning of tax benefits. If taxpayers have better knowledge about taxation, it will have better implications for tax justice felt by taxpayers (Mukhlis, Utomo,

& Soesetyo, 2014). The KPP can design a BDS program consisting of four core materials, namely:

1. Assistance in access to capital. Assistance in access to capital for MSMEs is then part of an effort to approach MSMEs, to provide solutions to MSME problems regarding lack of capital. This will then provide a channel for MSMEs and KPPs to communicate. In this way, KPP can then build awareness and compliance to carry out its tax obligations. Assistance in access to capital is also an indirect way to improve MSME taxpayer compliance. This is because, with this strategy, KPP can increase MSME access to capital owners.
2. Technology utilization. Technology has also provided various conveniences for MSMEs, for example in conducting financial transactions both with customers and business partners. So it's important to develop training and education in the use of technology for MSMEs. About increasing awareness and tax compliance, KPP can provide education and training on the use of tax technology. This is related to tax payment compliance by introducing MSMEs that tax payments can be made through various channels, including e-banking and e-commerce. This also includes training in the use of technology to be able to make payments and report. Taxpayers can be exposed to various conveniences provided by technology in administration which in the end is expected to attract them to fulfill their tax obligations.
3. Digital marketing. Marketing is a crucial part in determining the success of MSMEs. KPP can provide seminars on marketing, this includes general marketing and digital marketing. Digital marketing and networking are important substances in marketing education. About increasing awareness and tax compliance, the provision of this marketing education and training sub-program involves taxpayers who are not yet registered and do not have an NPWP. With the registration of MSME Taxpayers at the training site, the KPP has carried out the BDS function, namely to expand the tax base. Furthermore, when the Taxpayer has been registered and has a TIN, then a follow-up will be given by the AR party. In this stage, there is a process of supervision in the fulfillment of tax obligations.
4. Financial management and taxation. Financial management and tax reports are an important part of ensuring tax compliance. The material provided in financial management may relate to financial management procedures. This is related to the management of income, expenditure, and tax calculations. In the end, when MSMEs have recognized the processes related to financial management, then MSMEs will recognize tax administration processes such as filling out the SPT. This financial management and tax management sub-program will then improve tax compliance because there are still many MSME taxpayers who do not know how to properly manage finances. In this way, the KPP is expected to focus more on conducting financial management training.

The Tax Service Office must be able to understand that there are opportunities from the lack of access that MSMEs have in developing themselves/businesses. This is due to the economic inability of MSMEs to finance training from the private sector. In addition to access to training, the limitation of MSMEs is that they do not have a place to market their products. Both of these things are facilitated by the tax office so

that a spirit of gratitude arises for the state as a reciprocal value. Through the implementation of the BDS program, MSMEs are expected to understand that the state budget derived from taxes will also be returned to them in the form of business development services. The value of social justice is introduced, so that the idea is embedded that MSMEs not only enjoy tax money but are also motivated to pay their taxes (Utomo, 2021).

What must be done by the KPP is to build a mental building block of knowledge about distribution justice, state budget information, the flow of tax payments from citizens, distribution of funds to the central and regional governments in the form of national development (Braithwaite, 2016). In this case, the mission of Citizenship Education is instilled together with the encouragement of economic independence. The delivery process and the knowledge and training materials provided contain elements of character-building performance and entrepreneurial morals (Alford & Yates, 2016). To develop the capacity of MSMEs, public services (public goods/services) as a symbol of income from tax money will return to them with the quantity and quality of services that will be affected by tax compliance. Tax money is re-rolled for the benefit of the citizens to raise the spirit of loyalty and tax compliance. Budget constraints are unavoidable, but citizens must be aware that its implementation shows that the government's taxation socialization is serious and is trying its best to be fair to SMEs. This message is conveyed so that SMEs do not feel only as subjects of tax enforcement but also as subjects of beneficiary entrepreneurs (poverty alleviation).

So then the important material that must be included in the BDS program is how to provide a sense of social justice in paying taxes. In this case, according to the results of an empirical study by Saad (2012), he stated that knowledge of taxation can affect the perception of tax justice by taxpayers. Taxpayer compliance behavior is not something that appears by itself. Therefore, the role of the KPP is needed to encourage the implementation of BDS which emphasizes the importance of paying taxes to create tax compliance for MSME taxpayers.

## CONCLUSION

MSMEs are one of the important economic contributors for a country, especially with their contribution to GDP. However, the high economic contribution of MSMEs is often not in line with tax revenues from this sector. This then causes the government to make various efforts to be able to encourage an increase in tax revenue from this sector. MSMEs themselves have various weaknesses, especially in terms of resources and competencies, so they need encouragement to be able to develop their businesses. Based on this, the Business Development System program emerged which was used to encourage MSMEs to develop their business. DGT sees this opportunity and encourages the existence of a BDS program that is integrated with tax socialization. This plays a role in increasing the knowledge of MSME taxpayers' taxation by emphasizing a sense of social justice. The BDS program can be run according to several event platforms that can support tax education. This will ultimately increase the tax compliance of MSME taxpayers.

In its planning, the KPP can implement the BDS program by organizing four sub-programs, namely assistance in access to capital, technology utilization, digital marketing, and financial and tax management which provides functions to improve taxpayer compliance by taking an end-to-end approach with

MSME taxpayers, ensuring awareness and compliance, and broaden the tax base. This research is a qualitative analysis of how the implementation of the BDS program can be implemented to encourage tax compliance of MSME taxpayers. So that there are limitations where there is no empirical evidence that can support the results of the analysis in this study. So that future research can be carried out by conducting a quantitative review of the same theme. Besides that,

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