

## **Abstract**

Indonesia shows a stable GDP growth between 2010 and 2019 with the range between 5% and 6%. One of the most important contributors of GDP is MSMEs which contributes 60% share. Concern with the important role of MSMEs in the economy, Indonesia government implemented Simplified Tax System (STS). STS is a turnover-basis tax system with a single-tax rate. In 2019, MSMEs contribute 1% of tax revenue with 3.92% active taxpayers. This arises concerned that six years after its implementation, STS cannot reach out all MSMEs and cannot effectively collect taxes. Therefore, it needs to evaluate the tax system. This study will identify the problem of STS and suggest effective measures for tax collection of MSMEs in Banyumas Regency. The problem is identified and evaluated through the principles of tax system by Stiglitz (1988).

This study is a qualitative study. Data are collected through semi-structured interviews of thirteen respondents consisting of MSMEs owners in Banyumas Regency and the Head of MSMEs association in Banyumas Regency (ASPIKMAS). The result of the study indicated several problems, such as the unfair turnover-calculation basis, the burdensome and inefficient tax rate, repetitive and complicated procedure, and limited access for valid information. This study also suggests that a business-friendly tax system along with active socialization are the effective measure for MSMEs tax collection in Banyumas Regency. Finally, the study provide an initial indication for the need of MSMEs tax amendment, as well as strengthening the socialization and assistance from tax authorities.

**Keywords:** MSMEs, Tax collection, Tax System