

CHAPTER I

INTRODUCTION

A. Research Background

Indonesia is a legal state based on Pancasila and upholds everyone's right and obligations. One form of society's obligation to the country is paying taxes. Article 23 A of the 1945 constitution states, "Taxes and other coercive levies for country needs are regulated by law". Taxes are one form of country income which plays an important role in developing the country's infrastructure. Taxes paid by the country's people are used to organize government services in general. Taxes are Indonesian's largest source of income. This can be seen in the Indonesian State Budget (APBN), which shows that the taxation sector makes the largest contribution to the country's revenue. A country's economic growth will also increase if its people are obedient in paying taxes. One of the factors of a country that can be categorized as developed is the compliance and awareness of the people of that country in carrying out their obligations as citizens, such as paying taxes. Public facilities can also run well and in serving society.

The country carries out its function of serving society, not for personal importance. To carry out this function requires financing. Therefore, the country has the right to oblige its people on the basis of sovereignty to cover this financing according to the level of ability of each society. In the Islamic religion, Allah SWT. has regulated that fellow

humans must help and look after each other. In the Al-Quran, here is Surah An-Nisa verse 29:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا

The translation:

O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. And do not kill 'each other or' yourselves. Surely Allah is ever Merciful to you.

In the verse above, Allah SWT. forbids His servants from consuming each other's wealth in ways that are not justified. Taxes are one of the vanity ways to eat up each other's wealth. Philosophers of the 19th century argued that taxes were required on the basis of the country's reciprocal relationship with society. According to proponents of the theory of reciprocity, solid scientific agreements between countries and taxpayers suggest various trends. Mirabau believes that tax is an advance payment made by someone to protect a group of people. Adam Smith stated that tax is an agreement in the form of payment for services for work. Montesquieu and Hobes argue that taxes are agreements in the form of security guarantees (Dedi, 2017).

Indonesia is an archipelagic country with 38 provinces. Then, it is divided again into 416 districts and 98 cities that spread out. Therefore, one of the important policies in the reform order government was the implementation of regional autonomy which was expected to raise regional

dignity in the form of granting a large portion of authority in managing regional financial potential and income. In essence, granting authority with a larger portion is directed to exploring all available potential, both natural resources and human resources, to improve the regional economy with a growth-oriented and equal distribution of income (Suparto, 2014).

Indonesia is a country that has established regional autonomy. Regional autonomy is the granting of authority to regional governments to regulate and manage national affairs independently. All regions create their own systems with the regional autonomy system, especially in financial administration (Santoso, 2009). Therefore, with this system, the regional financial system can improve so that it can become one of the supports for development in the region.

By adopting a regional autonomy system, each region in Indonesia is given the authority to regulate finances and development in their respective regions, but still in coordination with the central government. Therefore, the government also regulates several taxes that are only paid to regions to help finance regional development. The more advanced a region, it can be shown by how well the development and financial management of the region (Safitri, 2016). Additionally, the regional tax provides financial support in some subsidiaries in areas such as education, health, social welfare, security, etc.

Each region definitely has different development potential. The regional autonomy that applies can enable these regions to hone their regional potential. Many things that can be assessed to see the development of a region, one of them is the financial management and public services of the region. The effectiveness of the contribution, management, and distribution of PAD (Regional Original Income) also has a big influence on economic growth and improving public services in a region (Nuswantoro et al., 2013). Therefore, the region's development can be asserted by distributing tax income from PAD.

Regional development financing sources come from Regional Original Income (PAD) and the Central Government. There is PAD, which supports the financing of public services in the region. Sources of PAD are regional tax income, regional levy income, income resulting from the management of separated regional assets and other legitimate PAD (Yusuf, 2020).

However, until now almost all regions in Indonesia are still very dependent on the APBD (Regional Revenue and Expenditure Budget) which is received every year from the central government. Therefore, the central government is currently trying to do something so that regional governments can finance development in their region and not only depend on funds provided by the central government.

One of the problems that has existed for a long time and still exists today is the payment of taxes by Indonesian people. Indonesian people can be said to be a society whose self-awareness in paying taxes can still be categorized as low. Many factors that can induce this. The government is always trying various ways to optimize public awareness by paying taxes. The optimal tax payments of the people of a country certainly have a big influence on the country's economic growth and infrastructure. The taxes paid by the society are actually only for the society itself. Public services such as toll road construction are some of the facilities built by the government for society based on taxes paid by society itself. With the construction of toll roads, it will be easier for people who drive cars to avoid traffic jams.

There are taxes that are contributed to the central government, and there are also taxes that are contributed specifically to regional governments. Even though there are differences in contribution, the tax paid by the society still aims to support the implementation of public services for society. Examples of taxes collected by the central government are PPh (income tax) and VAT. Meanwhile, some of the taxes collected by local governments include hotel taxes, restaurant taxes, and PBB (land and building) taxes (Nooraini et al., 2018).

Putra et al., (2019) stated that one of the taxes collected by local governments is land and building tax or PPB-P2 (Land and Building Tax for Rural and Urban). Earth and buildings are two objects of the PBB P2,

namely the earth, which can be defined as the surface of the earth in the form of land, waters, and everything below it, while buildings are technical constructions that are embedded or permanently attached to the land and waters in the territory of Indonesia.

Property tax (PBB) has a material nature, as the amount of tax is determined by the condition of the object, such as land and buildings. For instance, rice fields, fields, gardens, yards, and mining areas are considered, and the tax is then determined by the quality and quantity value of the buildings situated on the land. According to Law Number 28 of 2009, PBB P2 is one of the taxes managed by the regional government. PBB is a tax imposed by the government on taxpayers for ownership of rights to land and buildings whose value is above the Sales Value of Non-Taxable Tax Objects (NJOPTKP). PBB P2 can be done by assessing its level of effectiveness (Putra et al., 2019). Hence, the effectiveness of PBB-P2 can increase the tax income of regional governments within the authority's region itself.

Effectiveness is the level of success in achieving goals. To find out the level of effectiveness, of course the contribution must be calculated. The contribution of PBB-P2 to Original Regional Income (PAD) can be interpreted as the contribution made by PBB-P2 income to the amount of PAD. The higher the contribution level of PBB-P2, the PAD will also increase. Even though PBB-P2 is not the largest contributor to PAD, if there is a continuous decrease in PBB-P2 it will definitely have an impact

on PAD (Rohman et al., 2014). Therefore, the role of the government to increase compliance with tax payments is very important so that regional income can achieve outcomes as expected.

PBB-P2 itself certainly has the potential to be better for regional finances if it can be managed well. Since the objects of PBB-P2 are land and buildings, districts or cities with large areas have the potential to receive large revenues from PBB-P2.

In one of the districts in South Sulawesi, Bantaeng district has an area of 395.8 km² and a population of around 178,699 people. Based on the website Statistics Indonesia (BPS, 20/12/20223) Bantaeng Regency, the administrative area of Bantaeng Regency is divided into 8 sub-districts, the land area of each sub-district, namely: Bissappu (32.84 km²), Uluere (67.29 km²), Sinoa (43 km²), Bantaeng (28.85 km²), Eremerasa (45.01 km²), Tompobulu (76.99 km²), Pa'jukukang (48.9 km²), and Gantarangkeke (52.95 km²). The most influential sector in the regional economy of Bantaeng Regency is the Agriculture, Forestry, and fisheries sector, which contributed 23.72 percent. The economic growth of Bantaeng Regency in 2022 amounted to 15.45 percent. The percentage of economic growth increased from the previous year, reaching 8.86 percent. This is shown in the news published by detik.com entitled "Ekonomi Bantaeng Tumbuh 15,45%, Pemprov Sulsel Harap Jadi Contoh Daerah Lain" on March 6th,2023.

Furthermore, the development of regional tax can be influenced by the contribution of PBB-P2. This is because land and building tax has been regulated for ownership of rights as the owner of land and buildings. On the other hand, Ardiansyah et al., (2020) argued that the development of regional tax can be assessed by the effectiveness ratio of PBB-P2 (table 1.1). Before it, the effectiveness (%) can be calculated by:

$$\text{Effectiveness of PBB P2 revenue} = \frac{\text{Realization of PBB P2 Revenue}}{\text{PBB P2 Revenue Target}} \times 100\% \quad (1)$$

Table 1. 1 Interpretation of effectiveness values

Percentage	Criteria
>100%	Very Effective
90-100%	Effective
80-90%	Quite Effective
60-80%	Less Effective
<60%	Ineffective

Source: (Ardiansyah et al., 2020)

However, the revenue of PBB-P2 in Bantaeng Regency did not achieve the expected effectiveness. With the ineffectiveness that occurs, the government needs to have a strategy that can increase the effectiveness of tax payments, and the contribution made by PBB-P2 to PAD.

Table 1. 2 Table of the effectiveness of PBB P2 Bantaeng Regency

No	Year	PBB P2 (Land and Building Tax for Rural and Urban)			
		Target (Rp)	Realization (Rp)	Effectiveness (%)	Criteria
1.	2015	2,360,145,558.00	2.067.840.307,00	87.61	Quite Effective
2.	2016	2,860,145,558.00	2.054.193.336,00	71.82	Less Effective
3.	2017	3,000,000,000.00	2.019.947.200,00	67.33	Less Effective
5.	2018	3,000,000,000.00	2.041.549.968,00	68.05	Less Effective
6.	2019	2,350,000,000.00	1.750.896.449,00	74.51	Less Effective
7	2020	3,500,000,000.00	1.980.670.861,00	56.59	Ineffective
8	2021	3,500,000,000.00	1.780.239.622,00	50.86	Ineffective
9	2022	3,500,000,000.00	1.831.012.078,00	52.31	Ineffective

Table 1.2 depicts the effectiveness of the realization of PBB-P2 summarized into three criteria: ineffective, less effective, and quite effective. In the last three years, the realization of PBB-P2 was not satisfied with the level of ineffectiveness. However, from 2016 to 2019, the effectiveness level was less effective. Finally, the realization of PBB-P2 was included in a level quite effective in 2015.

Taxpayer awareness can be one of the factors for low PBB-P2 revenue. Awareness of taxpayers influences people's compliance in

paying taxes. Awareness is the voluntary attitude of the people to carry out their obligations to pay taxes. If people have a high awareness of this, of course, tax payments will continue to increase (Ma'ruf & Supatminingsih 2020).

Furthermore, a study by Kusuma et al., (2023) explained that government trust is one factor that influences taxpayer compliance. The more taxpayers trust the role of the government in managing tax regulations and managing tax revenue, the more taxpayer will voluntarily pay taxes because the usage of tax revenue will return to the taxpayer itself but in the form of development.

A study by Ma'ruf & Supatminingsih (2020) stated that service quality influences taxpayer compliance and affects PBB tax revenue. The better the service provided, the higher the level of taxpayer compliance in paying taxes. Additionally, if taxpayers are satisfied with the services provided, they will feel comfortable in paying taxes.

Tax punishment is one-factor affecting taxpayer compliance in paying taxes. These punishments are meant to discipline the public into paying taxes. These punishments are aimed at taxpayers who do not comply with tax regulations and commit violations (Ariessa, 2020). It is hoped that the existence of these tax punishments will make taxpayers more obedient in paying their taxes.

This study was conducted to determine why the PBB-P2 tax has significantly decreased in the last 3 years. This research focuses on what influences taxpayer compliance that causes the ineffectiveness of PBB-P2 revenue realization in Bantaeng Regency.

This study is inspired by Ardiansyah (2021) with the title “Effectiveness and Contribution of Land and Building Taxes (PBB-P2) in an Attempt to Increase Regional Original Revenue of OKU Regency”. His study used secondary data from the OKU Regency Regional Revenue Agency. However, this study used primary data obtained from a distribution questionnaire. The analysis model of this study used Smart PLS to test the variable. So, this study also added contingency factors that may influence the level of compliance of PBB-P2 taxpayers in Bantaeng Regency, where the level of effectiveness and contribution of PBB-P2 continues to decrease from year to year after measuring the effectiveness ratio and contribution of PBB-P2 to the PAD of Bantaeng Regency.

The importance of this study is that PBB-P2 is one of the significant sources of state revenue. A decrease in revenue realization can directly impact local fiscal conditions, affecting the ability of local governments to finance development policies and projects.

B. Research Problem

Based on the background that has been described, then the research problems in this study are:

1. Does tax awareness influence tax compliance with PBB-P2 in Bantaeng Regency?
2. Does government trust influence tax compliance with PBB-P2 in Bantaeng Regency?
3. Does service quality influence tax compliance with PBB-P2 in Bantaeng Regency?
4. Does tax punishment influence tax compliance with PBB-P2 in Bantaeng Regency?

C. Research Objectives

Based on the background that has been described, the research aims to find out:

1. To what extent does tax awareness influence tax compliance in Bantaeng Regency
2. To what extent does the government trust influence tax compliance in Bantaeng Regency
3. To what extent does service quality influence tax compliance in Bantaeng Regency
4. To what extent does tax punishment influence tax compliance in Bantaeng Regency

D. Research Benefits

1. Theoretical benefit

This study is expected to serve as a reference in the literature and to inspire similar research in the future.

2. Practical Benefits

a. For the Government

This research makes a practical contribution to local governments to increase the effectiveness of tax revenue realization. Knowing the factors that cause low PBB-P2 tax revenues can help the government design and implement more effective tax policies. The government can update or change tax rates, identify tax loopholes, or make other policy adjustments to increase revenue. Information about factors influencing tax revenues can also help the government to evaluate and improve the tax system.

b. For Public

By understanding the causes of low PBB-P2 revenues, the public can participate more actively in the taxation process. They can provide input and support to local governments in designing more effective tax policies.

c. For writer

It is expected to provide knowledge for researchers in understanding regional taxation, especially PBB-P2 and also what factors influencing the low realization of PBB-P2 revenue.