

## THE EFFECTIVENESS OF COLLECTION OF LAND AND BUILDING TAX ON REGIONAL TAX REVENUE IN BADUNG REGENCY

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### Abstract

Land and building tax is one type of tax that provides benefits and a better socio-economic position for people or entities who have rights to or benefit from the land and buildings. The implementation of land and building taxes through the Regional Revenue Agency can carry out intensification and extensification activities, one of which is to increase effectiveness or optimize existing potential. The problems raised are the effectiveness of land and building tax collection on local tax revenues and the inhibiting factors faced by the Badung Regency Regional Revenue Agency in carrying out land and building tax collection. The aim is to determine the effectiveness of land and building tax collection on local tax revenues and to determine the inhibiting factors faced by the Badung Regency Regional Revenue Agency in carrying out land and building tax collection. The results show that the average percentage of land and building tax collection in Badung Regency reaches 74.82% with less effective criteria. Land and building tax collection that does not reach the target may be caused by a lack of taxpayer discipline, lack of awareness of taxpayers, and arrears in tax payments.

**Keywords:** Effectiveness, Land and Building Tax, Local Tax.

### INTRODUCTION

Regional government revenues used to finance government administration come from various sources, one of which comes from taxes. Based on Article 1 paragraph (1) of Law Number 16 of 2009 concerning General Provisions and Tax Procedures, explains that taxes are mandatory contributions to the state owed by individuals or entities that are coercive based on the law, with no direct compensation. and used for the needs of the state for the greatest prosperity of the people. In Article 1 of Law Number 28 of 2009 concerning Regional Taxes and Regional Levies, it is explained that regional taxes are mandatory contributions to regions owed by individuals or entities that are coercive based on the law by not receiving direct compensation and used for regional needs. for the greatest prosperity of the people.

Local tax revenue is a component that makes a large contribution to Regional Original Revenue in Badung Regency. Until now 10 types of local taxes are sources of local tax revenue in Badung Regency which consist of Hotel Taxes, Restaurant Taxes, Entertainment Taxes, Parking Taxes, Advertising Taxes, Street Lighting Taxes, Ground Water Taxes, Non-Metal Mineral Taxes and Rocks, Rural and Urban Building Land Tax, Land and Building Rights Acquisition Fees.

Regional taxes are mandatory levies paid by residents of a certain area to the regional government which will be used for the benefit of the regional government and the public interest. This regional tax applies to Provinces and Regencies/Cities. Residents who pay taxes will not benefit from local taxes directly because they will be used for public purposes, such as building roads, and bridges, opening new jobs, etc. not to serve individual interests. Local taxes are also one of the sources of the Regional Revenue and Expenditure Budget (APBD) that the government uses to run its programs. Tax collection can be forced because it has been regulated by applicable laws and regulations (Dewi & Kusuma, 2019).

**Table 1 Badung Regency Regional Tax Revenue for 2018-2021**

Year	Target	PBB P2	
		Realization	%
2018	375.000.000.000,00	205.568.318.326,25	54,82%
2019	300.000.000.000,00	208.324.758.792,00	69,44%
2020	159.735.592.816,80	147.068.176.988,36	92,07%
2021	205.374.333.621,00	170.296.962.037,37	82,92%

Source: Badung Regency Regional Revenue Agency, 2020

Based on the data on local tax revenue for Badung Regency for the 2018-2021 fiscal year above, shows changing conditions. It can be seen that in 2019 there was a significant increase. However, it experienced a decline in 2020 and again showed a fairly good increase in 2021.

Land and building tax is one of the potential revenue factors for the state and contributes to regional income. More precisely, the land and building tax is none other than because its object covers all land and buildings that are within the territory of the Republic of Indonesia. The existence of land and building tax as a type of tax can be understood considering that land and buildings have provided benefits and a better socio-economic position for people or entities that have rights over them or benefit from the land and buildings.

The implementation of local government land and building taxes through the Regional Revenue Agency can carry out intensification and extensification activities, one of which is to increase effectiveness or optimize existing potential and continue to strive for equal effectiveness by government provisions and calculations regarding this effectiveness (Mulyani & Furqon, 2021 ). The level of success in increasing Land and Building Tax is very important to achieve the development planned by the government, because when land and building tax collection increases, regional tax revenues will also increase to maximize regional development for the welfare of the people (Muflaha & Selvi, 2021).

**Table 2 Targets and Realization of Land and Building Tax Collection for 2018-2021**

Year	PBB P2		
	Target	Realization	%
2018	375.000.000.000,00	205.568.318.326,25	54,82%
2019	300.000.000.000,00	208.324.758.792,00	69,44%
2020	159.735.592.816,80	147.068.176.988,36	92,07%
2021	205.374.333.621,00	170.296.962.037,37	82,92%

Source: Badung Regency Regional Revenue Agency, 2020

Based on target data and realization of rural and urban land and building taxes, conditions show fluctuating or fluctuating, as seen in 2018 there was a decrease from the previous year, but in 2019 and 2020 there was a good increase, in 2021 it will again decrease.

According (Mardiasmo, 2009) explained that effectiveness is the contribution of output to the achievement of the goals and objectives that have been set. Effectiveness is the relationship between output and goals or objectives to be achieved. Operational activities are said to be effective if the process of activity reaches its goals and is spent wisely (the ultimate goal of the policy). According to (Mardiasmo, 2009) explained that effectively describes the range of consequences and impacts (outcomes) of program outputs in achieving program objectives. The greater the contribution of a program produced to the achievement of the specified goals or objectives, the more effective the performance of an organizational unit.

This study raises the issue of the effectiveness of land and building tax collection on Badung Regency regional tax revenues for 2018 – 2021 and the inhibiting factors faced by the Badung Regency Regional Revenue Agency (BAPENDA) in carrying out land and building tax collection.

## **IMPLEMENTATION METHOD**

The method used in carrying out this research is a quantitative descriptive approach method. The research was conducted based on the data that had been collected in the form of analysis and made interpretations according to the related theory. The data collected is quantitative in the form of target data and realization of local taxes and land and building taxes for the last 4 years (2018-2021). The research was conducted at the Regional Revenue Agency of Badung Regency.

Further review was conducted to see the level of effectiveness of the local tax revenue itself. The level of effectiveness can be seen by comparing what has been planned with the results achieved. If something that is planned is not by the results that have been achieved, then it can be said to be ineffective. To measure what is needed, several indicators of effectiveness can be used as a reference.

Indicators of effectiveness regarding whether or not a desired goal is achieved are put forward by (Mardiasmo, 2009: 132) says that effectiveness indicators describe the range of consequences and impacts (outcomes) of program outputs in achieving program objectives. The greater the output contribution produced to the achievement of a predetermined goal or target, the more effective the performance of an organizational unit or company. Assessment of the effectiveness of land and building tax collection can use various indicators, namely: (Devaas, 1989)

### 1. Yield

Whether or not the results of a tax are adequacy about the various services it finances, the stability and elasticity of tax returns on inflation, population growth, and also the comparison of tax results with collections.

### 2. Equity

The basis for taxes and obligations to pay must be clear and not arbitrary. The relevant tax must be fair horizontally, which means that the tax burden must be the same between different groups but with the same economic position. Then it must be vertically fair, which means it is bigger than groups that have economic resources. Taxes must be fair from place to place, which means that there should be no large and arbitrary differences in the tax burden from region to region unless these differences reflect differences in the way public services are provided.

### 3. Economic Efficiency

Taxes should encourage the efficient use of resources in economic life, prevent consumers and producers from seeing it as one direction or people become reluctant to work or save and reduce the burden of excess taxes.

### 4. Ability to Implement

A tax must be enforceable both in political will and administrative will.

### 5. Suitability as Local Revenue Resources

This means that there must be clarity in which area the tax must be paid and the exact tax collection is as much as possible with the exact final burden to other regions. Regional taxes should not exacerbate differences between regions in terms of their respective economies and taxes should not cause a burden that is greater than the ability of regional tax administration.

(Halim, 2004) said that the level of effectiveness can be known from the results of calculating the effectiveness formula. The formula for measuring effectiveness related to taxation is a comparison between tax realization and tax targets:

$$\text{Efektivitas PBB} = (\text{Realisasi Penerimaan PBB} / \text{Target Anggaran PBB}) \times 100\%$$

The following is an interpretation of the results of measuring effectiveness which can be categorized into several types, namely:

<b>Percentage (%)</b>	<b>Category</b>
> 100	Very effective
90 – 100	Effective
80 – 90	Effective enough
60 – 80	Less effective
< 60	Ineffective

Source: Ministry of Home Affairs, Kepmendagri No. 690,900,327, 2004

Based on the effectiveness category interpretation table above, it can be seen that if the achievement percentage is less than 60% then it is included in the ineffective category, 60%-80% is included in the less effective category, 80%-90% is included in the moderately effective category, 90%-100% is included in the effective category, and if it exceeds 100% it is included in the very effective category.

## RESULTS AND DISCUSSION

### Effectiveness of Land and Building Tax Collection

According to (Soewarno Handayani S, 1994:16) said that effectiveness is a measurement in the sense of achieving predetermined goals. This is the opinion put forward by (Hidayat, 1986) which explains that effectiveness is a measure that states how far the target (quantity, quality, and time) has been achieved. Where the greater the percentage of targets achieved, the higher the effectiveness. According to (Mardiasmo, 2009) explained that effectively describes the range of consequences and impacts (outcomes) of program outputs in achieving program objectives. The greater the contribution of a program produced to the achievement of the specified goals or objectives, the more effective the performance of an organizational unit.

(Mahmudi, 2005) defines effectiveness as the relationship between output and goals, the greater the contribution (contribution) of output to achieving goals, the more effective the organization, program, or activity. Effectiveness focuses on outcomes (results), programs, or activities that are considered effective if the output produced can meet the expected goals or is said to be spent wisely.

The development of land and building taxes in Badung Regency from 2018 to 2019 has increased from the previous year in its realization. However, the nominal that has been targeted was not achieved. Effectiveness is a measure that states how far the target has been achieved, in which the greater the percentage of the target achieved, the higher the level of effectiveness.

Based on the data that has been obtained, it can be presented data on the effectiveness of land and building tax collection in Badung Regency. Following are the results of calculating the effectiveness of collecting land and building tax in Badung Regency for the 2018-2021 fiscal year, can be seen in the following table:

**Table 4 Effectiveness Level of Badung Regency Land and Building Tax Collection for 2018-2021**

Year	PBB P2			Category
	Target	Realization	%	
2018	375.000.000.000,00	205.568.318.326,25	54,82%	Ineffective
2019	300.000.000.000,00	208.324.758.792,00	69,44%	Less effective
2020	159.735.592.816,80	147.068.176.988,36	92,07%	Effective
2021	205.374.333.621,00	170.296.962.037,37	82,92%	Effective enough

Source: Badung Regency Regional Revenue Agency (2020), processed

Based on the table above, it can be seen that every year it changes. The effectiveness of land and building tax collection in 2018 to 2020 fiscal year has increased while in 2020 to

2021 it has decreased. In the 2018 fiscal year, the effectiveness of land and building tax collection was 54.82%, the collection of land and building tax this year was realized at Rp. 205,568,318,326.25, the target which had been budgeted at Rp. In the following fiscal year, namely 2019, the target for tax collection is budgeted at IDR 300,000,000,000.00 and IDR 208,324,758,792.00 has been realized so that the effectiveness value is 69.44%.

In the 2020 fiscal year the effectiveness of land and building tax collection reached 92.07% with a realized budget of IDR 147,068,176,988.36 and the budgeted tax collection target is IDR 159,735,592,816.80. Then in the 2021 fiscal year, the effectiveness of land and building tax collection was 82.92%, this year the realized budget was IDR 170,296,962,037.37 of the budgeted target of IDR 205,374,333,621.00.

Land and building tax collection in Badung Regency during the 2018-2021 period has not been effective. This can be seen from the level of effectiveness which is below 100%, which means that the budget target cannot be achieved optimally. Collections are always below the set target, possibly due to unpaid taxes, large tax arrears, and a lack of exploration of the potential for land and building taxes that have not been optimal by the Badung regional government. Discipline and public awareness also really need attention, because they are the main factors in the lack of realization of the collection that has been previously determined. If all of these factors can be maximized, then it is very easy to be able to exceed the target that has been determined previously. Regional development financing for the community will be more advanced and smooth.

If it is associated with the theory expressed by (Devaas, 1989) in which the results of data analysis on the effectiveness of land and building tax collection are influenced by the following indicators:

1. *Yield* (Hasil)

To achieve a certain result, some indicators are used, starting from the goals to be achieved, predictions of when to achieve them, to targets, and realization in their implementation. The collection of land and building tax every year has set a target that must be realized from the previous year. Therefore, it has a goal to increase local taxes, because there is a nominal value that greatly impacts the interests of the community. The achievement of the results of land and building tax collection as a whole from 2018-2021 has not reached the predetermined realization because there are still many people who are not disciplined and have the awareness to pay taxes every year.

2. *Equity* (Keadilan)

The implementation of land and building tax collection which has the potential to apply the principle of justice or not can be seen whether companies with large scale businesses pay more taxes than companies with small and medium scale. The application of justice in collecting land and building taxes in increasing regional taxes is quite fair because people who cannot afford to pay can apply for a tax deduction which can only be submitted during the current tax year and a maximum deduction of 20% is regulated in the Law.

### 3. *Ability to Implement* (Kemampuan Melaksanakan)

Appropriate levies can be determined by looking at whether the area is appropriate for a tax to be paid, and whether or not an area for tax collection can be seen directly by the staff. Facilities and infrastructure are also important to support the income of people who pay taxes. Counter staff who handle directly carry out consultations if there are things that become obstacles are very clear in the field.

Various efforts that can be made by the Badung Regional Government in increasing land and building tax collection are as follows:

#### 1) Extensification

Extensification is an activity of supervising taxpayers who have fulfilled the requirements as taxpayers but have not yet registered. Efforts made include collecting data, developing compliant applications by village officials, and updating data on potential taxpayers.

#### 2) Intensification

Intensification is carried out by optimizing tax revenue collection for recorded tax objects and subjects. Efforts made include using an online local tax payment system, an online local tax reporting system, an online transaction monitoring information system, an online licensing system integrated with taxes, and a tax complaint information system.

### **Factors Inhibiting Collection of Land and Building Tax**

The attitude of taxpayers who motivate themselves to pay taxes is strongly influenced by internal and external factors. Internal factors that are under the individual's control such as personality, awareness, and knowledge. Meanwhile, behavior that is caused externally is behavior that is influenced by outside or external factors such as equipment or social influences from the outside environment, meaning that individuals will be forced to behave because of the situation (Robbin, 1996).

The factors that will be used to determine the inhibiting factors on the effectiveness of land and building tax collection are divided into two, namely internal factors and external factors. External factors consist of land and building tax collection, sanctions, regulations, facilities and infrastructure, service quality, collaboration with third parties, e-systems, and outreach. Internal factors consist of awareness, compliance, understanding of the taxpayer, trust in the government, religiosity, and the taxpayer's perception of tax benefits (Darnita & Mangoting, 2014).

The Badung Regency Regional Revenue Agency found several obstacles in implementing land and building tax collection as follows:

#### 1) Awareness of taxpayers who have not been able to fulfill their obligations.

The low awareness of people who have fulfilled the requirements as taxpayers are the main point that is always discussed from year to year. Awareness of paying taxes can be seen from the extent to which the desire to carry out obligations as a good citizen. If this desire has arisen, the awareness of paying taxes will increase.

#### 2) Lack of taxpayer discipline in timely tax payments.

Discipline in terms of timeliness can be influenced by internal factors such as forgetting to

pay taxes because you are busy with work activities and external factors such as financial conditions that are being referred to as horns so that you are unable to fulfill the obligation to pay taxes.

- 3) During the Covid-19 pandemic, taxpayers experienced an economic downturn that led to difficulty paying taxes.

The Covid-19 pandemic caused the tax collection target to be reduced by almost 50% because many people do not have income so they are unable to fulfill their tax obligations. The reduced payment that is applied also takes time to process so it takes quite a long time.

- 4) There are arrears in payment

These arrears occur because taxpayers are unable to carry out their obligations until an unspecified time. But as long as the arrears are running, fines for non-discipline in payment will also continue.

## CONCLUSION

Based on the results of the discussion regarding the effectiveness of land and building tax collection on Badung Regency regional tax revenues, it can be concluded that the average percentage of land and building tax collection in Badung Regency during the 2018-2021 fiscal year reached 74.82% with less effective criteria. Land and building tax collection that did not reach the target was probably caused by various factors. Efforts that can be made by the Badung Regional Government in increasing land and building tax collection are by extensification and intensification. The inhibiting factors found were awareness of taxpayers who had not been able to fulfill their obligations, lack of taxpayer discipline in paying taxes on time, during the Covid-19 pandemic taxpayers experienced an economic downturn resulting in difficulty paying taxes, arrears in payment, policies on reducing the tax burden for taxpayers. taxes affected by the Covid-19 pandemic.

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