

# THE EFFECT OF TAX INCREASE POLICY ON COMMUNITY COMPLIANCE IN PAYING LAND AND BUILDING TAX (PBB) IN NAGRAK VILLAGE

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## Abstract

Taxpayer compliance is a condition where the taxpayer fulfils all the things that are his tax obligations and implements the tax rights he gets. The formulation of the problems studied in this study are: (1) what is the effect of the increase in Land and Building Tax in Nagrak Village. (2) How do the residents comply with Nagrak Village in Paying Land and Building Taxes. This study aims to determine the effect of the tax increase policy on the public in paying land and building taxes. The sampling method is simple random sampling with a sample of 50 people in Nagrak Village. The data analysis method used in this research is multiple linear regression analysis using SPSS 25 software. This study's results indicate that the tax increase policy (X1) positively and significantly affects public compliance in paying land and building taxes (Y).

**Keywords:** Tax Increase Policy, Community Compliance in Paying Land and Building Taxes

## INTRODUCTION

Income taxes from the past are reflected in the current income taxes in Indonesia. The implementation of the tenement tax by the Dutch colonial government in 1816 marked the beginning of the history of income tax in Indonesia. Significant changes to the enactment of Law No. 8 of 1970, where the function of regulating/regular taxes is included in the provisions of PPs 1925, particularly regarding tax holidays. According to Feldman in the book *De over Heidsmiddelen Van Indonesia: Taxes are achievements that are imposed unilaterally by and are owed to employers without any counter-achievement and are solely used to cover general expenses*. The Indonesian government has started using a self-assessment or trust system to calculate the tax owed, close the tax loopholes, and calculate it yourself to the Director General of Taxes. In addition, it is undeniable that many people do not believe in the existence of taxes. From the perspective of the community environment, they only know that taxes are paying certain taxes to the government but need to understand the basis, purpose, and tax purposes. Law No. In 2007, concerning General Provisions and Taxation Procedures (KUP), taxes were mandatory contributions to the state owed by individuals or entities that were coercive by law by not getting compensation directly and used for the needs of the state for the greatest prosperity of the people.

From the above understanding, taxes have an essential role in the prosperity of the people in our country, especially in the implementation of development. One example is the construction

of toll roads, road justification, etc. Because of that, people must be aware of how important it is to pay taxes, which are also a source of state revenue. The authors are interested in conducting research entitled "The Effect of Tax Increase Policy on Community Compliance in Paying Land and Building Tax (PBB) in Nagrak Village..."

## **THEORETICAL STUDY**

### **Definition of Tax**

Feldman (1951) wrote a Dutch translation of the De Over Heidsmiddelen Van Indonesia that tax is an achievement imposed unilaterally by and owed to employers (according to generally determined norms), without any contra-performance, and solely used to cover expenses. - general expenses.

According to Prof. Dr. MJH Smeets (1951) defines that "Taxes are achievements to the Government that are owed through general norms, and which can be enforced, without any counter-achievement that can be shown in individual terms."

### **Definition of Compliance**

According to Fernanda (2019), taxpayer compliance, namely tax compliance, is defined as a condition in which taxpayers fulfill all tax obligations and exercise their tax rights. In terms of taxes, the rules that apply are tax regulations. So, concerning obedient taxpayers, the definition of taxpayer compliance is obedience to carry out the provisions of tax rules that are required or required to be implemented.

### **The basis for Imposition of Land and Building Tax**

The basis of UN Law is found in article 79 Law no. 28 of 2009 concerning Regional Taxes and Regional Levies, which reads:

- The basis for implementing Rural and Urban Land and Building Tax is the NJOP.
- The amount of NJOP, as referred to in paragraph (1), is determined every 3 (three) years, except for specific tax objects, which can be determined every year following the development of the territory.
- The regional head determines the amount of the NJOP as referred to in paragraph (2).

### **Land and Building Tax Rates**

Based on Article 41 of Law Number 1 of 2022, the land and building tax (PBB) rate was a maximum of 0.5% before the HKPD Law was issued. The PBB rate ranges from 0.1 – 0.3%. Meanwhile, as already mentioned Previously, NJKP ranged from 20-100%. NJOP\_NJOP is not taxable.

### **Calculation of Land and Building Tax**

How to calculate the latest Land and Building Tax (PBB) is as follows:

Amount of PBB = PBB rate (maximum 0.5%) x NJKP (Taxable Selling Value) x (NJOP – Non-Taxable NJOP)

## **Land and Building Tax Law According to Law No.12/1994 concerning Land and Building Tax**

### **Considering:**

- a. that the implementation of national development has resulted in rapid developments in national life, particularly in the economic field, including the development of forms and practices for conducting business activities that have not been accommodated in the current Tax Law;
- b. that to always ensure that the economic development as mentioned above can continue following development policies that are based on the Development Trilogy as mandated in the Outlines of State Policy, and along with that, legal certainty can be created relating to aspects of taxation for forms -forms, and practices of conducting business activities that continue to develop, adequate adjustment steps are needed to various existing tax laws;
- c. that in order to realize these things, it is deemed necessary to amend several provisions in Law Number 12 of 1985 concerning Land and Building Tax;

### **Remember:**

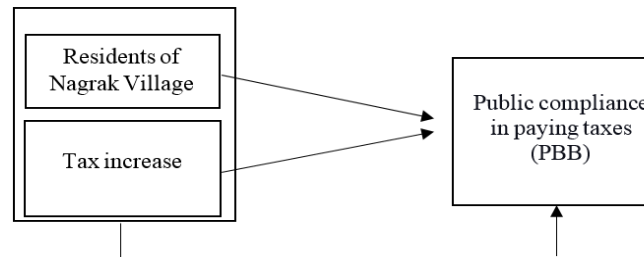
1. Article 5 paragraph (1), Article 20 paragraph (1), and Article 23 paragraph (2) of the 1945 Constitution;
2. Law Number 6 of 1983 concerning General Provisions and Tax Procedures (State Gazette of 1983 Number 49, Supplement to State Gazette Number 3262) as amended by Law Number 9 of 1994 (State Gazette of 1994 Number 59, Supplement to State Gazette Number 3566);
3. Law Number 12 of 1985 concerning Land and Building Tax (State Gazette of 1985 Number 68, Supplement to State Gazette Number 3312);

The Republic of Indonesia is a constitutional state based on Pancasila and the 1945 Constitution, which upholds the rights and obligations of everyone because it places taxation as one of the manifestations of state obligations in national cooperation as the community's participation in financing development.

Law Number 12 of 1985 concerning Land and Building Tax, which has been in effect since 1986, is the legal basis for imposing taxes concerning land rights and/or obtaining benefits from land and/or ownership, control, and/or obtaining benefits from buildings.

After nearly a decade after the enactment of Law Number 12 of 1985, with increasing public welfare and increasing the number of tax objects as well as aligning the imposition of taxes with the mandate in the Outlines of State Policy, it is felt that the time has come to perfect Law Number 12 of 1985.

## Hypothetical Thinking Framework



**Figure 1: Schematic Framework for Thinking**

## RESEARCH METHODS

### Types of research

In this study, the author used quantitative research to compile the data, namely the variables that are the primary reference for researchers in compiling a questionnaire/questionnaire about how public compliance with tax increases to pay PBB. Quantitative research, in general, is an investigation of social problems based on testing a theory.

According to Creswell (1994), Quantitative research tests specific theories by examining the relationship between variables. Usually, these variables are measured by research instruments so that the data in numbers can be analyzed based on statistical procedures.

### Place and time of research

The place for conducting this research is in the Community Environment of Nagrak Village, Cangkuang District, and Bandung Regency. The researcher chose to conduct research at that place because the researcher wanted to find out how the residents of Nagrak Village responded to the increase in PBB.

### Data and Data Sources

In this study, the type of data used is subject data. According to Indrianto and Supomo (2018), subject data is research data in the form of opinions, attitudes, experiences, or characteristics of a person or group of research subjects (respondents). Subject data, thus, is research data that is self-reported by respondents individually or as a group.

The data source used is primary data. According to Sugiyono (2018), Primary data is data sources that directly provide data to collectors. Data is collected by the researchers themselves directly from the first source or where the object of research is carried out. Data were obtained directly by distributing questionnaires to the WP in Nagrak village using a list of questions in the form of a questionnaire to collect information from the research object.

### Data analysis technique

The data analysis technique used in this study is descriptive analysis and simple linear regression analysis. In this study, researchers used Statistical Product Service Solutions

(SPSS). This study describes the influence of the Tax Increase Policy on Community Compliance in Paying Land and Building Tax (PBB) in Nagrak Village.

## RESULTS AND DISCUSSION

### RESULTS

The data processing and discussion results in this study were obtained from the distribution of questionnaires to respondents who were residents of Nagrak Village, Kab. Bandung is the primary data source.

Questionnaires were delivered to the respondents accompanied by an explanation regarding the research that would be carried out to the people of Nagrak Village who would become the sample.

**Table 1: Respondent's Occupation**

Work	Frequency	Percentage
Private sector employee	34	68%
civil servant	5	10%
Self-employed	10	20%
Businessman	1	2%
<b>Total</b>	<b>50</b>	<b>100%</b>

Based on the analysis results, it is known that the respondents in the study were dominated by 34 private employees (68%). Furthermore, 10 people are self-employed (20%), 5 civil servants (10%), and 1 entrepreneur (2%).

**Table 2: Data Normality Test Results**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.30942427
Most Extreme Differences	Absolute	.107
	Positive	.092
	Negative	-.107
Test Statistic		.107
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on the Kolmogorov-Smirnov test by comparing the Kolmogorov-Smirnov significance value with the alpha significance at 0.05. The Kolmogorov-Smirnov significance value is

0.200, more than 0.05, so the data is usually distributed so that the data normality test has been fulfilled for the linear regression test.

Following are the results of Pearson's correlation coefficient analysis using SPSS 25.0.

**Table 3: Correlation coefficient**

Correlations			
		Tax Increase Policy (X)	Community Compliance in Paying Land and Building Tax (Y)
Tax Increase Policy (X)	Pearson Correlation	1	.663**
	Sig. (2-tailed)		.000
	N	50	50
Community Compliance in Paying Land and Building Tax (Y)	Pearson Correlation	.663**	1
	Sig. (2-tailed)	.000	
	N	50	50
**. Correlation is significant at the 0.01 level (2-tailed).			

Based on the calculation results, it is known that the magnitude of the correlation coefficient between Tax Increase Policy (X) and Community Compliance in Paying Land and Building Tax (Y) is 0.663, with a strong correlation level because it is between 0.60 – 0.799. Thus, it can be said that the relationship between Tax Increase Policy (X) and Community Compliance in Paying Land and Building Taxes is a strong level of relationship.

### Simple Linear Regression Analysis

The results of data analysis with the help of computer processing based on SPSS calculations are as follows:

**Table 4: Results of Analysis of Simple Linear Regression Equations**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.980	3.704		4.044	.000
	Tax Increase Policy (X)	.898	.146	.663	6.131	.000
a. Dependent Variable: Community Compliance in Paying Land and Building Tax (Y)						

Based on the table above, the equation is obtained:

$$Y = a + bX$$

$$Y = 14.980 + 0.898X$$

The equation above means:

- If the Tax Increase Policy (X) is zero, then Community Compliance in Paying Land and Building Tax (Y) is 14,980.
- Each increase in the Tax Increase Policy (X) by one unit will increase Public Compliance in Paying Land and Building Tax (Y) by 0.898.

The simple linear regression equation above has a regression coefficient value of variable X (Tax Increase Policy) of 0.898 with a positive sign. This means that the direction of influence of the Tax Increase Policy (X) on Public Compliance in Paying Land and Building Tax (Y) is directly proportional/unidirectional, meaning that if the Tax Increase Policy (X) is excellent/high, then it will cause Community Compliance in Paying Land. Building Tax (Y) is high and vice versa.

**Table 5: Hypothesis testing**

Coefficients <sup>a</sup>			
Model		t	Sig.
1	(Constant)	4.044	.000
	Tax Increase Policy (X)	6.131	.000
a. Dependent Variable: Community Compliance in Paying Land and Building Tax (Y)			

The decisions taken are as follows:

H0 = There is no effect of the Tax Increase Policy (X) on Public Compliance in Paying Land and Building Tax (Y).

H1 = The Tax Increase Policy (X) affects Public Compliance in Paying Land and Building Tax (Y).

- If the significance level is <5% (0.05), then H0 is rejected.
- If the significance level is ≥ 5% (0.05), then H0 is accepted.

Table 4.10 shows that the t-count is 6.131 while the critical price is the t-table value with degrees of freedom  $n - 2 = 50 - 2 = 48$  at  $\alpha$  (0.05) of 2.011. Thus t-count (6.131) > t-table (2.011) or a significance level (0.000) < 0.05, so H0 is rejected. This means that the Tax Increase Policy (X) influences Public Compliance in Paying Land and Building Tax (Y).

Following are the analysis results of the coefficient of determination using SPSS.

**Table 6: Coefficient of Determination**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663 <sup>a</sup>	.439	.428	2.33336
a. Predictors: (Constant), Tax Increase Policy (X)				
b. Dependent Variable: Community Compliance in Paying Land and Building Tax (Y)				



Based on the calculation results, it is known that the magnitude of the coefficient of determination ( $0.6632 \times 100\%$ ) is 43.9%. The coefficient of determination is 43.9%, which means that the Community's Compliance in Paying Land and Building Tax (Y) is 43.9%, determined by the Tax Increase Policy (X). The remaining 56.1% is determined by other variables not examined. Thus, the calculation results show that the effect of the Tax Increase Policy (X) on Community Compliance in Paying Land and Building Tax (Y) of 43.9%.

## DISCUSSION

### **The Effect of Tax Increase Policy on Public Compliance in paying Land and Building Taxes**

Based on the hypothesis test, the t value is calculated at 6.131 while the critical value of the t table with degrees of freedom  $n - 2 = 50 - 2 = 48$  at  $\alpha$  (0.05) of 2.011. Thus t-count (6,131) > t-table (2.011) or significance level ( $0.000 < 0.05$ ) until  $H_0$  rejected. This means that the Tax Increase Policy (X) influences Public Compliance in Paying Land and Building Tax (Y). The results are in line with many people objecting to the increase NJOP. This increase certainly impacts public compliance in fulfilling their obligations to pay their PBB. The results of research conducted by Cornelia, P., Ngurah, A. A., Putra, C., Kartika, K., Wahyuni, G., Nyoman, I., and Yasa, P. (2020.) found that an increase in the NJOP base affects taxpayer compliance

### **Community Compliance in Paying Land and Building Tax**

The calculation results obtained a mean score of 4.18 which is in the range between 3.41 to 4.20 and is categorized as good. Thus, it is known that the variable Community Compliance in Paying Land and Building Tax (Y) is classified as good. Based on the results of previous studies namely Sri Wahyuningsih Abdullah, HartatiTulib, Lukman Pakayac (2022) explained that the results of the study showed awareness and understanding of taxes had a positive and significant effect on taxpayer compliance with land and building taxes. Simultaneously awareness and understanding of taxes significantly affect taxpayer compliance with land and building taxes.

## CONCLUSION

Based on the results of the research that has been done, it can be concluded as follows:

1. This study can be concluded that the variable of community compliance in paying land and building taxes is known that the variable of Community Compliance in paying land and building taxes is classified as good.
2. It is also known that thus there is an effect of the Tax Increase Policy (X) on Public Compliance in Paying Land and Building Tax (Y).

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