

THE OBLIGATION OF RURAL AND URBAN LAND AND BUILDINGS TAXATION BASED ON REALIZATION OF RURAL AND URBAN LAND AND BUILDINGS TAX REVENUE

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ABSTRACT

Rural and Urban Land and Building Tax, is one of the important sources of regional income to finance the implementation of local government, especially the City/Regency. Therefore, taxpayer compliance is required in fulfilling its obligations. Taxpayers compliance can be seen from the realization of the Rural and Urban Land and Building Tax revenue target. This research was conducted at the Regional Revenue Management Agency of Bandung City. The author examines the Analysis of Taxpayer Compliance Based on the Rural and Urban Land and Building Tax Revenue. The purpose of this study was to determine how much percentage of the level of compliance of Rural and Urban Land and Building Tax Obligation based on the Realization of Rural and Urban Land and Building Tax revenue. The analytical method used is descriptive method where the data obtained from the Regional Revenue Management Agency of Bandung City is processed by looking at the percentage of realization of Rural and Urban Land and Building Tax revenue. The author concludes that the taxpayer compliance of Rural and Urban Land and Building Tax in 2015 was 93.86%, in 2016 increased to 100.51%. In 2017 it was 93.81%, in 2018 it was 78.82%, and in 2019 the level of taxpayer Compliance with Rural and Urban Land and Building Tax increased again to 88.58%. So it can be said that the taxpayer Compliance of Rural and Urban Land and Building Tax is compliant with their obligations in paying taxes.

Keywords: Compliance, Rural and Urban Land and Building Tax, Realization of Rural and Urban Land and Building Tax Revenue

INTRODUCTION

The Bandung city is the capital city of West Java province, which has quite a large regional revenue potential. You can see the realization of Bandung City government revenue by type of revenue in 2015-2017 in the following table:

Table 1: Realization of Bandung City Government Revenues By Type of Income (thousand rupiah), 2015 – 2017

Revenue Type / Source of Revenues		2015	2016	2017
(1)		(2)	(3)	(4)
A	Local Government Revenue	5 098 071 917	5 685 213 859	6 503 784 683
1	Original Regional Government Revenue	1 859 694 644	2 152 755 704	3 065 143 012
1,1	Regional Taxes	1 494 147 377	1 709 807 582	2 400 097 139
1,2	Regional Retributions	64 985 848	102 665 192	262 678 024
1,3	Income of Regional Government Corporate and Management of Separated Reg Gov Wealth	8 602 757	-	20 000 000
1,4	Other Original Regional Gov Revenue	291 958 661	340 282 930	382 367 849
2	Balanced Budget	1 765 831 826	2 443 763 936	2 592 216 225
2,1	Tax Sharing	173 384 595	315 653 269	344 482 401
2,2	General Allocation Funds	1 574 737 891	1 672 456 589	1 823 867 625
2,3	Special Allocation Funds	17 709 340	455 654 078	423 866 199
3	Other Legal Revenue	1 472 545 447	1 088 694 219	846 425 445
B	Regional Financing	1 213 007 181	994 140 891	455 147 610
Total Amount		6 311 079 097,81	6 679 354 749,64	6 958 932 292,45

Note: ¹ Regional Budget Revenue and expenditure Data

Source: Financial Statistics of Provincial Government Survey, 2017

The Bandung City Government to optimize revenue through taxes. In 2019, the Bandung City tax target will increase from Rp2.43 trillion to Rp2.56 trillion. The amount of tax realization in the Bandung city in semester 1 of 2019 stood at 43.22% or Rp1,052,944,970,945 from Rp2,436,311,729,898. On the way to the end of 2019, all sectors of tax in the Bandung city can fulfill the realization, so that Bandung City's Locally-Generated Revenue continue to increase.

Hotel tax and restaurant tax become the most strategic tax sector considering that Bandung is one of the favorite tourist destinations in Indonesia. As of July 2019, the realization of hotel tax in Bandung reached 57.99%. Besides, for restaurant tax, as of July 2019 has reached 66.77%. Meanwhile, Rural and Urban Land and Building Tax and Excise on Acquisition of Right on Land and Building, became the highest tax sector in the first semester of 2019 in Bandung. These two tax items have experienced a significant increase as of July 2019 according to the Head of Bandung's Regional Revenue Management Agency, Arief Prasetya.

The Bandung City Government continues to push for Locally-Generated Revenue. One of them is by chasing receivables whose potential reaches Rp 1 trillion. The receivables are from tax arrears. The largest receivables are from the arrears of Rural and Urban Land and Building Tax. Its value reaches approximately Rp. 900 billion. While another Rp. 100 billion comes from other tax receivables. The amount of Land and Building Tax receivables in Bandung is due to the transfer of authority of the Land and Building Tax management from the Small Tax Service Office (Pratama) to the City Government in 2012-2013, so the value of the receivables is quite large. Initially accounts receivable amounted to Rp 600 billion, after the data was corrected to Rp 900 billion.

The Bandung Regional Revenue Management Agency of Bandung City seeks to attract this potential. The potential income can provide great benefits for development. Various programs were launched in order to attract the interest of taxpayers to want to fulfill their obligations. One example is running the Sunset Policy program or eliminating tax penalties. The program starts from 22 September to 31 December 2019 and applies to fine for tax arrears 2018 and below. (<https://jabar.tribunnews.com/2019/10/17/punya-tunggakan-pajak-di-kota-bandung-tenang-denda-dihapus-sampai-31-desember-2019>).

In realizing public awareness to pay taxes, the Bandung Regional Revenue Management Agency of Bandung City conducted several socialization activities through print and electronic media. It is hoped that Bandung's public awareness in paying taxes will continue to increase. This is also helped by the presence of technology. Paying taxes can be done on a mobile phone. This ease of access is ultimately utilized by the community. Tax payments can be made on line through bjb banks, ATMs, M-Banking, Post Offices, Indomaret, and Bukalapak and Tokopedia online shopping applications that can be accessed directly from mobile phones without waiting in line.

Bandung Regional Revenue Management Agency conducts socialization by visiting taxpayers. As in the Cicendo area, Land and Building tax arrears reached Rp 900 million. The tax principal is Rp 600 million, the fine is Rp 300 million, if you pay before December 31, you don't have to pay a fine. With the elimination of fines can reduce arrears because the fines are actually quite large. Fines due to arrears to pay taxes will be removed so that taxpayers only pay the principal. Taxpayer compliance will have implications for tax revenue.

Based on the description, the writer wants to know how the level of compliance of the Rural and Urban Land and Building Taxpayer is based on the realization of Rural and Urban Land and Building Tax revenue in Bandung City.

Like research in Pamekasan Regency (Agoes, 2017), the Land and Building Taxpayer is compliant with his obligation to pay taxes. This is seen from the increasing number of Land and Building taxpayers. Even though the number did not reach the target, the realization of Land and Building Tax revenues increased.

The purpose of this study was to determine how much percentage of the level of compliance of Rural and Urban Land and Building Tax Obligation based on the Realization of Rural and Urban Land and Building Tax revenue.

Rural and Urban Land and Building Tax

According to article 1, paragraph (37) of Law No. 28 of 2009 on Local Taxes and Charges, Rural and Urban Land and Building Tax, shall mean tax on land and/or buildings owned, controlled and/or used by private persons or Entities, with the exception of land used for the business activities of plantations, forestry, and mining.

Land shall mean ground surface covering land and inland waters as well as sea in district/town areas. Buildings shall mean technical constructions permanently erected on or affixed to land and/or in-land waters and/or sea.

According to article 78 of Law No. 28 of 2009 on Local Taxes and Charges, the subjects of Rural and Urban Land and Building Tax are private persons or Entities that actually own rights on Land and/or acquire right on benefits on Land, and/or own, control and/or acquire right on benefits on Building.

Compulsory of Rural and Urban Land and Building Tax is a private person or agency that obviously has a right to land and/or to benefit the Earth, and/or possess, control, and/or obtain benefit from the building. Meanwhile, the object of Rural and Urban

Land and Building Tax is land and/or buildings owned, controlled, and/or utilized by an individual or agency, except the area used for plantation, forestry, and mining.

The Tariff for Rural and Urban Land and Building Tax is determined at the highest to be 0.3% (zero point three percent). The Tariff for Rural and Urban Land and Building Tax is promulgated by Regional Regulation.

According to Article 79 of Law No.28 of 2009 on Local Taxes and Charges, The basis of imposition of Rural and Urban Land and Building Tax is the Tax Object Sale Value. The amount of Tax Object Sale Value is determined every 3 (three) years, with the exception for certain tax objects that can be determined each year in accordance with the relevant area's development. The determination of the Tax Object Sale Value as referred to in paragraph is carried out by the Regional Head. The principal range of Rural and Urban Land and Building Tax owed is calculated by manner of multiplying the tariff with the basic imposition of taxes after being deducted by the Sale Value of Non-Taxable.

The Tax Year shall be a period of 1 (one) calendar year. The time to determine taxes owed shall be in accordance with the condition of the tax object on the date of 1st January.

The amount of the Sale Value of Non-Taxable Tax Objects is determined at the lowest to be Rp 10,000,000.00 (ten million Rupiah) for each Taxable Subject. The Sale Value of Non-Taxable Tax Objects is promulgated by Regional Regulation.

Data gathering is carried out by using Letter of Notification of Tax Object. Letter of Notification of Tax Object as referred to in paragraph must be filled in clearly, accurately and completely as well as signed and submitted to the Regional Head whose working area covers the location of the tax object, the latest 30 (thirty) working days after the date of receipt of the Letter of Notification of Tax Object by the Tax Subject. Based on the Letter of Notification of Tax Object, the Regional Head shall issue the Letter of Notification of Owed Tax.

Tax Compliance

According to Chaizi Nasucha (2005: 43) Compliance taxation is "a fulfillment of tax obligations to do taxpayer through a notification letter (Tax Return), a completion report arrears and report progress payment or deposit taxes owed." Safri Nurmantu (2006: 148), defines tax compliance is "a state where the taxpayer fulfill all tax obligations and running the right of taxation".

Tax compliance proposed by Norman D. Nowak as "a climate" awareness of compliance and fulfillment of tax obligations is reflected in the situation (Devano, 2006: 110) as follows:

- a. Taxpayer understanding or trying to understand all the provisions of tax legislation. Filling out tax forms completely and clearly.
- b. Calculating the amount of tax payable correctly.
- c. Pay taxes owed on time.

Based on the Ministry of Finance's Decree Number. 544/KMK.04/2000, tax payer be included in the category of taxpayer obedient if it meets the following criteria:

- a. On time submitting a notice to all types of taxes in the last two years.
- b. Do not have tax arrears for all types of taxes, unless it has obtained permission for installment or delay the payment of taxes
- c. Never been committed for a criminal offense in the field of taxation within the last ten years
- d. In the last two fiscal years the books of account referred to in Article 28 of the Law *General Provisions and Procedures of Taxation* and in terms of the taxpayer never inspection, correction on the final examination for each type of tax due at most 5%.
- e. Taxpayer that its financial statements for the last two years audited by a public accountant with an unqualified opinion or an opinion with the exception of the whole does not affect the income tax. Audit report must be prepared in the form of a long (long form report) which present a reconciliation of the commercial and fiscal income. In terms of tax payer whose financial statements are not audited by public accountants are required to meet the provisions of letters a, b, c, and d above.

Based on the above understanding, compliance contains the following elements:

1. The knowledge and understanding of the subject of the tax on the tax object.
2. The attitude of the subjects agreed.
3. The existence of deeds action consistent with the knowledge and attitudes that have been held

According to Nurmantu Safri (2005:148) the compliance of tax payer can be divided into two, namely the formal tax compliance and tax compliance material.

- a. Formal compliance
Formal compliance is a state where the tax payer is formally meet tax obligations in accordance with the provisions of the tax laws. For instance, registration Taxpayer Identification Number, the inaugural Taxable Firms, or exceeding the time of filing (Tax Return).
- b. Material compliance
Circumstances where the taxpayer meets all the material provisions of the tax, which according to the contents and spirit of tax laws.

Compliance taxpayer is the taxpayer who dutifully set by the Directorate General of Taxation as a tax payer who meets certain criteria defined in the Regulation of the Minister of Finance 192/PMK.03/2007 on criteria for the taxpayer can be given a preliminary return of overpaid taxes.

The Level of compliance of Land and Building Taxpayers in Rural and Urban Areas at the Bandung Regional Revenue Management Agency

Rural and Urban Land and Building Tax Obligatory Compliance based on Realization of Rural and Urban Land and Building Tax Revenue, calculated using the following formula:

$$\text{Taxpayer Compliance} = \frac{\text{Realization of Rural and Urban Land and Building Tax Revenue}}{\text{Rural and Urban Land and Building Tax Revenue Target}} \times 100\%$$

Table 2: Level of Realization of Rural and Urban Land and Building Taxpayer Compliance at the Bandung Regional Revenue Management Agency

No	Year	Realization of Rural and Urban Land and Building Tax		Percentage (%)
		Target (Rp)	Realization (Rp)	
1	2015	422.000.000.000	396.070.372.591	93,86
2	2016	415.000.000.000	417.134.044.862	100,51
3	2017	578.500.000.000	542.682.971.717	93,81
4	2018	700.500.000.000	552.130.023.174	78,82
5	2019	630.000.000.000	558.077.967.777	88,58
Amount		2.746.000.000.000	2.466.095.380.121	

From table 2 it can be seen that the realization of Rural and Urban Land and Building Tax revenue is increasing every year but has not yet reached the target that should be accepted by the Bandung Regional Revenue Management Agency of Bandung City, thus there are still many taxpayers who have not paid Realization of Rural and Urban Land and Building Tax at the Bandung Regional Revenue Management Agency of Bandung City.

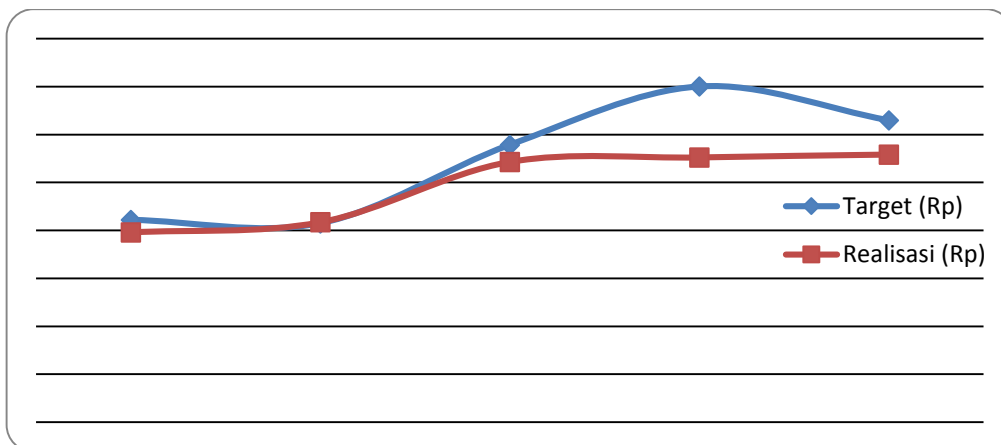


Figure 1: Graphic of Targets and Realization of Rural and Urban Land and Building Tax Revenue

Table 3: Taxpayer Compliance Criteria

No	Taxpayer Compliance	Compliance Ratio
1	Very Compliance	> 100
2	Compliance	90 > 100
3	Quite Compliance	80 > 90
4	Less Compliance	60 > 80
5	Not Compliance	≤ 60

Realization of Rural and Urban Land and Building Tax Revenue in the last 5 (five) years, 2015-2019 can be seen in the table as follows:

Table 4: Rural and Urban Land and Building Taxpayer Compliance Based on Target and Realization of Rural and Urban Land and Building Tax Revenue

Year	Target Rural and Urban Land and Building Tax Revenue (Rp)	Realization of Rural and Urban Land and Building Tax Revenue (Rp)	Taxpayer Compliance Level (%)	Taxpayer Compliance
2015	422.000.000.000	396.070.372.591	93,86	Obedient
2016	415.000.000.000	417.134.044.862	100,51	Very obedient
2017	578.500.000.000	542.682.971.717	93,81	Obedient
2018	700.500.000.000	552.130.023.174	78,82	Less Obedient
2019	630.000.000.000	558.077.967.777	88,58	Quite Obedient

Source: bppd.bandung.go.id (Data processed 2020)

From table 4 above, it can be seen that the level of compliance of the Taxpayers of Realization of Rural and Urban Land and Building Tax from 2015-2019 has changed, with an average of compliance. In 2017, taxpayers are less compliant with Realization of Rural and Urban Land and Building Tax payment obligations, there are still taxpayers paying taxes more than the due date. Whereas in 2016 the level reached by the Taxpayers of Rural and Urban Land and Building Tax were very compliant, and in 2018 experienced less compliance. Because there are still taxpayers who are in arrears, the Bandung city government has installed banners in front of the building stating that the taxpayers have not paid tax payments. Although the level of compliance decreased from 2016, in rupiah nominal terms the realization of Rural and Urban Land and Building Tax has increased from year to year.

The City Government of Bandung continues to optimize revenue through taxes. From the 9 (nine) tax items in Bandung city, the Rural and Urban Land and Building Tax and Excise on Acquisition of Right on Land and Building sector became the highest tax sector in the first semester of 2019. Bandung Regional Revenue Management Agency of Bandung City has carried out various socialization activities, both through the printed and electronic media, as well as through several socialization activities. (bppd.bandung.go.id).

Bandung people's awareness in paying taxes has increased. This was also helped by the presence of technology. Paying taxes can be done on a mobile phone. This ease of access is utilized by the community. The Bandung City Government, since 2015, has been implementing a program to increase realization of Rural and Urban Land and Building Tax revenue through information technology, such as building the Land and Building Taxes Electronic Service System (PEPES), then developing it again into the Land and Building Taxes Service Information System (SIPP). The public can access data needs regarding the amount of Land and Building value based on Tax Object Number, as well as the intensive and extensive of Rural and Urban Land and Building Tax program.

CONCLUSION

Based on the results of the study, it can be concluded that:

1. Each year the realization of Rural and Urban Land and Building Tax increases, but has not yet reached the target that must be achieved. So taxpayers compliant Rural and Urban Land and Building Tax in Bandung city are on average with their obligations to pay Rural and Urban Land and Building Tax, but there are still taxpayers who make payments past due and arrears in paying Rural and Urban Land and Building Tax.
2. The number of Rural and Urban Land and Building Tax taxpayers increased, indicating that public awareness as taxpayers to register with the Regional Revenue Management Agency of Bandung City was good, but not all people reported the latest condition of their tax objects to the Regional Revenue Management Agency of Bandung City.
3. The Government of Bandung City, in this case the Regional Revenue Management Agency, must be more active in seeing the condition of the Rural and Urban Land and Building Tax object in Bandung City. Active role of neighborhood association is needed, as well as wards that are more aware of the development of the surrounding land and buildings.

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