

Analysis of the Effectiveness of Contribution of Rural and Urban Land and Building Taxes to Increasing Original Local Government Revenue

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Abstract.

This study aims to analyse the effectiveness and contribution of rural and urban land and building taxes to the original local government revenue in Purwakarta Regency during 2016-2019. The method used in this study is a descriptive method using secondary data sources in the form of reports on the realisation of Rural and Urban Land and Building Taxes and Original Local Government Revenue of Purwakarta Regency. Analysis techniques include measuring the effectiveness and contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue. The results showed fluctuations in the receipt of Rural and Urban Land and Building Taxes during the study period. 2019 recorded the lowest effectiveness, while 2017 showed significant improvement. The average efficacy of Rural and Urban Land and Building Taxes during the period was satisfactory. However, the contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue showed greater variation, with some years recording relatively low contributions. This indicates the need for increased consistency and efficiency in the tax collection system and improved services to taxpayers.

Keywords: *Rural and Urban Land and Building Taxes, Original Local Government Revenue*

INTRODUCTION

Original Local Government Revenue can be said to be an indicator or standard to measure the level of dependence of a region on the central government in implementation and development. Therefore, the government will continue to work hard to realise local taxation to increase local tax revenue. Original local government revenue is one of the most significant sources of income in the development of a region because it can determine a region's ability to develop, spend, and engage in government activities.

One of the components of Original Local Government Revenue that contributes and has great potential in Purwakarta Regency is local taxes. Local taxes are one of the sources of Original Local Government Revenue. Law Number 28 of 2009 concerning Regional Taxes and Regional Retribution, the Regional Government fully implements the authority to collect Regional Taxes. As a result, the UN and BPHTB, previously classified as Central Taxes, are now Regional Taxes (Risidiana et al., 2023). Granting autonomy to regions is expected to make areas more independent in managing their households (Batubara & Kuncara, 2023).

The change in the government system that was originally centralised to decentralisation made development more widespread to reach all regions in Indonesia. The implementation of the decentralisation system is the implementation of regional autonomy, which has the aim of providing freedom to the people and local governments in regulating and managing their

government households by providing broad, real, and responsible authority and encouraging local governments to be more independent in meeting regional needs (Yuda & Sumanto, 2021). In connection with this decentralisation, Indonesia has implemented it as a consequence of regional autonomy policies so that revenue instruments from regional taxes and levies can be utilized as much as possible for the benefit of the community (Akmal et al., 2022).

Tax revenue is one of the important aspects in order to increase Regional Original Revenue (Dari et al., 2022). Taxes are important for improving regional finances (Amirullah et al., 2022). Rural and Urban Land and Building Taxes Rural and urban taxes are among the most important local taxes and can potentially increase Original Local Government Revenue. (Wicaksono, et al., 2022). Rural and Urban Land and Building Taxes (PBB-P2) are part of the Original Local Government Revenue (PAD) sourced from the local tax revenue sector. (Inayah & Wicaksono, 2022).

LITERATURE REVIEW

Tax

Community citizens pay Taxes as levies for services such as town halls, markets, roads, electricity, etc. (Muhammad & Ishiaku, 2013). Regional taxes are an important source of revenue to finance the administration and development of regions to support the real, broad, dynamic and responsible implementation of regional autonomy as mandated in Law of the Republic of Indonesia Number 32 of 2004 concerning Regional Government. (Sari, et al., 2019).

The central or local government usually collects taxes, and the government can collect taxes if there is a law. In Law of the Republic of Indonesia Number 16 of 2009 concerning General Provisions and Tax Procedures Article 1 Paragraph (1):

“Tax is a compulsory contribution to the state owed by an individual or entity of a coercive nature based on the Law with no direct remuneration and is used for state purposes for the greatest prosperity of the people”.

Rural and Urban Land and Building Taxes

Rural and Urban Land and Building Taxes is a State tax imposed on land and buildings based on Law No. 12 of 1985 concerning Rural and Urban Land and Building Taxes as amended by Law No. 12 of 1994; UN is a material tax in the sense that the amount of tax payable is determined by the state of the object, namely the earth / land and / or buildings, The state of the subject (who pays) does not determine the amount of tax, (Widyaningsih, 2014: 56).

Original Local Government Revenue

Based on Law Number 33 of 2004 concerning the financial balance between the central and regional articles 1 number 18, the definition of Original Local Government Revenue is revenue obtained by regions collected based on regional regulations by laws and regulations.

METHODS

This study used a descriptive method. The data obtained in this study is secondary data sources in the form of reports on the realisation of Rural and Urban Land and Building Taxes for Rural and Urban and Original Local Government Revenue for 2016-2019 in Purwakarta Regency. The analysis technique used is an analysis of effectiveness and contribution by measuring the level of effectiveness and contribution of Rural and Urban Land and Building Taxes Rural and Urban to Original Local Government Revenue.

In this case, the research variable is the Effectiveness and Contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue. The research method uses a descriptive method. The data obtained in this study is secondary data sources in the form of reports on the realisation of Rural and Urban Land and Building Taxes and Original Local Government Revenue for 2016-2018 in Purwakarta Regency. The analysis technique uses effectiveness and contribution analysis by measuring the effectiveness and contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue. The formula used in measuring the effectiveness of Rural and Urban Land and Building Taxes is:

The formula used in measuring the effectiveness of land and building tax is:

$$\begin{aligned} & \textit{Effectiveness of land and building tax} \\ &= \frac{\textit{Realization of land and building tax receipts}}{\textit{Land and building tax targets}} \times 100\% \end{aligned}$$

To assess whether or not it is effective can be seen in Table 1:

Table 1. Effectiveness Criteria

PERCENTAGE	CRITERIA
>100%	Very Effective
90-100%	Effective
80-90%	Effective Enough
60-80%	Less Effective
<60%	Ineffective

The formula used in measuring the Contribution of land and building tax is:

$$\begin{aligned} & \textit{Contribution of land and building tax} \\ &= \frac{\textit{Realization of land and building tax receipts}}{\textit{Realization of Local Revenue}} \times 100\% \end{aligned}$$

To find out how much of the contribution of land and building tax to Local Revenue can be seen in Table 2 :

Table 2. Contribution Criteria

PERCENTAGE	CRITERIA
0-10%	Very Less
10,10-20%	Less
20,10-30%	Enough
30,10-40%	Good Enough
40,10-50%	Good
>50%	Very Good

RESEULT AND DISCUSSION

Result

This study aims to determine the effectiveness and contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue. The calculation of the effectiveness and contribution of Rural and Urban Land and Building Taxes can be seen in Tables 3 and 4.

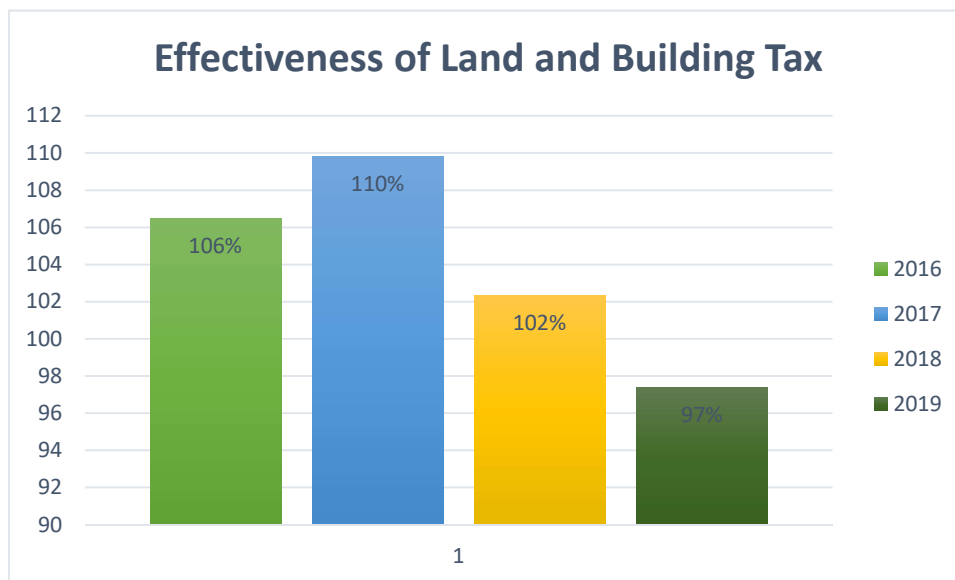


Figure 1. Effectiveness of Rural and Urban Land and Building Taxes

Figure 1 shows an increase and decrease in the percentage of Rural and Urban Land and Building Tax receipts seen in 2017. Revenue levels were at their lowest point in 2019 compared to other years, at 97%. Furthermore, Rural and Urban Land and Building tax revenue increased in 2017 by a percentage of 110%.

Table 3. Effectiveness Of Land And Building Tax

Year	Target	Realisation	Effectiveness
2016	62.000.000.000	66.028.205.615	106 %
2017	65.000.000.000	71.388.514.803	110 %
2018	68.000.000.000	69.615.293.977	102 %
2019	71.500.000.000	69.644.547.987	97 %
	Average		104 %
	Category		Very Effective

The data in Table 3 shows that receiving Rural and Urban Land and Building Taxes is very effective against Original Local Government Revenue in Purwakarta Regency. Rural and Urban Land and Building Taxes' average effectiveness is 94%.

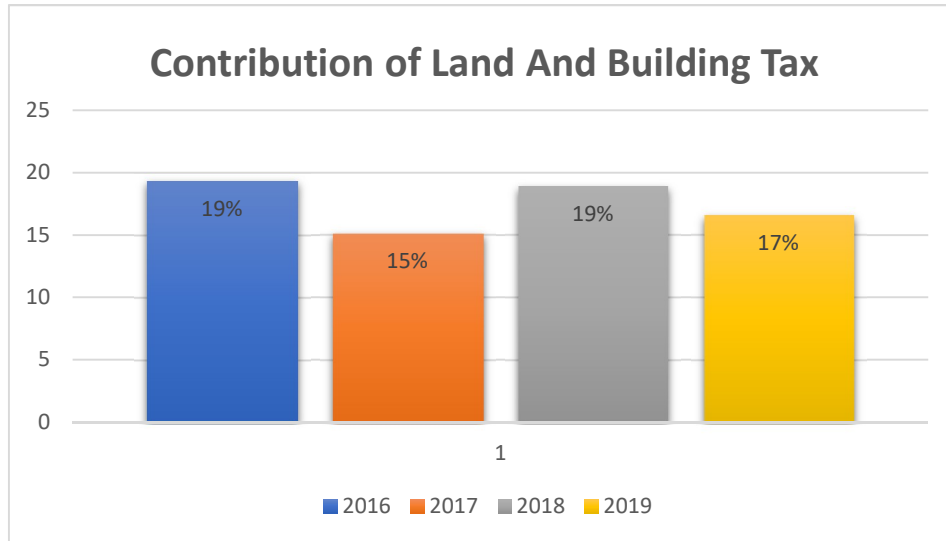


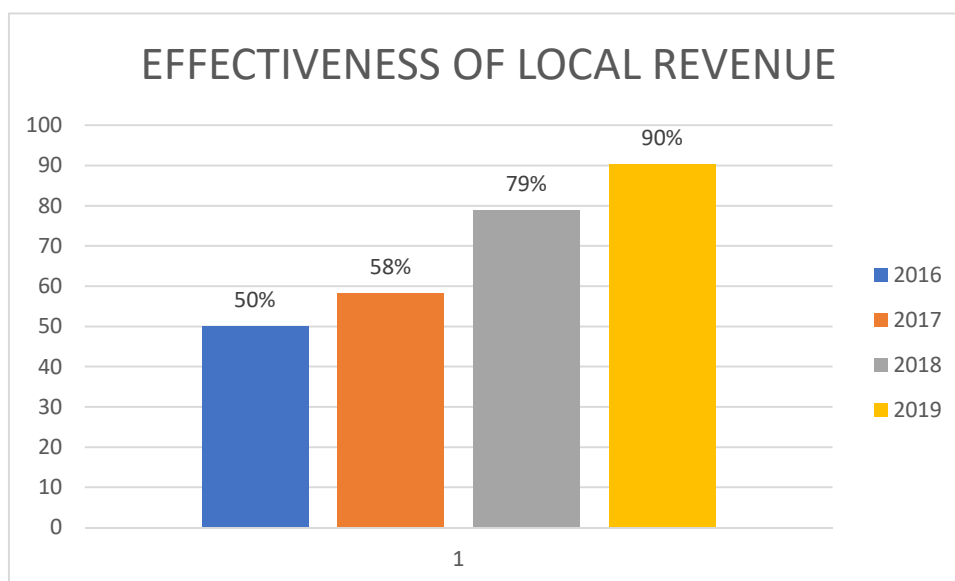
Figure 2. Contribution of Land And Building Tax

Figure 2 shows an increase and decrease in the percentage of Rural and Urban Land and Building Taxes contributions. Revenue levels were at their lowest point in 2017 compared to other years, at 15%. Furthermore, the contribution of Rural and Urban Land and Building tax revenue increased in 2018 by a percentage of 19%.

Table 4. Contribution Of Land And Building Tax

Year	Realisation Land and Building Tax	Realization Local Revenue	Contribution
2016	66.028.205.615	341.116.103.330	19 %
2017	71.388.514.803	472.480.560.976	15 %
2018	69.615.293.977	368.851.052.594	19 %
2019	69.644.547.987	420.353.733.502	17 %
	Average		17 %
	Category		Less

The data in Table 4 shows that receiving Rural and Urban Land and Building Taxes has a lower contribution level to Original Local Government Revenue in Purwakarta Regency. Rural and Urban Land and Building Taxes' average contribution is 27%.



Gambar 3. Effectiveness Of Local Revenue

Figure 3 shows an annual increase in the Original Local Government Revenue percentage. The lowest percentage of revenue in 2016 compared to other years, at 50%. In addition, Original Local Government Revenue increased in 2018 by 129%.

Table 5. Effectiveness Of Local Revenue

Year	Target	Realisation	Effectiveness
2016	679.870.000.000	341.116.103.330	50 %
2017	809.950.000.000	472.480.560.976	58 %
2018	467.130.000.000	368.851.052.594	79 %
2019	464.860.000.000	420.353.733.502	90 %
	Average		69 %
	Category		Less Effective

The table above shows that the effectiveness of the Original Local Government Revenue of Purwakarta Regency in the less effective category is based on an average result of 69%.

Discussion

Taxes are one of the sources of government revenue to support routine and developmental expenditures. The government puts as much money as possible into the state treasury as a source of state finance. The tax revenue obtained is mainly spent on Development; the source of tax is very important to cover Development expenditures that require funds (Pawi et al., 2011).

From the study results, the contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue is low. This is in line with research (Syahroni et al., 2019). Low revenue shows that the potential revenue of Rural and Urban Land and Building Taxes has not been optimally utilised by local governments (Ikbal & Haslindah, 2023). Some strategies that can increase taxpayer participation are human resources, tax management, tax administration and services, and tax management policies (Nisa & Rahman, 2019). Not only that, but public awareness also needs to be increased (Afriansyah et al., 2023). The government must optimise revenue from Rural and Urban Land and Building tax sources (Utami & Wicaksono, 2022).

Strategies to meet revenue targets and build taxes in a way that establishes good relations with taxpayers and provides excellent service, conduct field operations, seek socialisation strategies, cooperate with third parties, and directly suspend taxpayers (Lubis & Saragih, 2017). Improving the regional economy due to regional economic development will provide positive results for increasing Original Local Government Revenue (Hartono & Alvionita, 2021). Politics can also affect Original Local Government Revenue (Wang & Hui, 2017). Property taxation, if fully exploited, can be the main source of revenue for city governments (Nyabwengi & K'Akumu, 2019).

Rural and Urban Land and Building tax revenue is very effective. The realisation of tax revenue determines tax effectiveness accurately so that effectiveness criteria can be used as one of the considerations in regional tax optimisation strategies (Arintoko & Bawono, 2021). Land and buildings have good effectiveness but do not contribute to increasing Original Local Government Revenue (Febriansyah, 2019).

CONCLUSIONS

From the results of this study, it can be concluded that the performance of Rural and Urban Land and Building tax revenue in Purwakarta Regency shows significant dynamics. There were fluctuations in this tax revenue throughout the period studied. At one point, there was a marked decline followed by a fairly rapid increase. The effectiveness of this tax revenue in generating Original Local Government Revenue is at a satisfactory level, although there are times when its effectiveness declines. On the other hand, the contribution of Rural and Urban Land and Building Taxes to Original Local Government Revenue tends to be more varied, with several years showing lower contributions. Furthermore, there is a general increase in Original Local Government Revenue each year, although there are certain years when revenue hits its lowest.

To improve the performance of Rural and Urban Land and Building Taxes in Purwakarta Regency, it is recommended to improve the tax collection system and services to taxpayers. Optimisation of tax management and policy needs to be done to increase its effectiveness and contribution to Original Local Government Revenue. Periodic policy evaluation and development of alternative revenue sources are also important for the stability of Original Local Government Revenue.

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