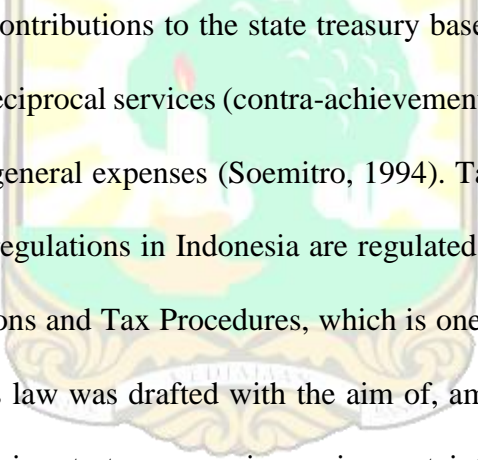


CHAPTER I

INTRODUCTION

1.1 Research Background

Tax is a mandatory contribution to the country that is owed by an individual or entity that is coercive in nature based on the law, with no direct compensation and is used for the needs of the country for the greatest welfare of its people. Every country must strive for the welfare of its people. It can be seen from the available facilities that aim to prosper the people. But the things everyone must know is that every available facility must have a source of income to finance all of this.



Taxes are people's contributions to the state treasury based on the law (which can be enforced) by not receiving reciprocal services (contra-achievements) that can be directly shown and which are used to pay general expenses (Soemitro, 1994). Taxes are the most significant income for a country. Tax regulations in Indonesia are regulated in Law Number 28 of 2009 concerning General Provisions and Tax Procedures, which is one of Indonesia's fundamental changes of tax reform. This law was drafted with the aim of, among other things, providing more justice, improving services to taxpayers, increasing certainty and law enforcement, and increasing tax administration transparency and taxpayer voluntary compliance, which in turn increases state revenues from the taxation sector.

In Indonesia, the types of taxes are divided into two major groups based on the tax-collecting institution, namely the Central Government, called the Central Tax, and the Regional Government, called the Regional Tax. In Indonesia, this regional tax is a form of implementing regional autonomy.

Indonesia is entering the era of regional autonomy; there are laws on regional taxes and regional levies, regional government and regional autonomy, and central and regional financial balance laws (Mandagi , Sabijono, & Walandouw, 2018). According to Law No 23 (2014), regional autonomy is right, authority and obligation of an autonomous region to regulate and manage its own governmental affairs and the interests of the local community within the system of the Unitary State of the Republic of Indonesia.

After the implementation of regional autonomy, a region can be judged as advanced or not from its ability to develop and fund its development. The region's financial evidenced by the ability of region to run its own government. One of the regional financial sources comes from Regional Original Income.

According to Article 1 of Law Number 33 of 2004 concerning Regional Original Income, it is revenue obtained by a region from sources within its territory which is collected based on Regional Regulations under with applicable laws and regulations. Regional Original Income itself is obtained from the results of regional taxes, regional levies, management results separated regional assets, and other legitimate regional original revenues, with the aim that a region is more flexible in funding the implementation of regional autonomy.

Land and building tax is one of the implementations of the regional autonomy. Local property taxes in fact finance services that benefit property values (Bird & Slack, 2004). It means, land and building tax could have increase the regional original income. However, in fact, the revenue of the land and building tax rarely exceeds its target. Especially on Padang city in West Sumatra.

West Sumatra is one of the provinces in Indonesia which is located in lines 00 54' North Latitude to 30 30' South Latitude and 980 36' to 1010 53' East Longitude with a total area of

around 42,297.30 Km² or 4,229,730 Ha including ± 391 large and small islands around it. The capital of West Sumatra is Padang. According to the Padang Central Bureau of Statistics, the population of Padang city, according to the latest data collection in 2020, is 909,040 people. With a relatively dense population, it will obviously affect the amount of tax revenue in the city of Padang. Based on data from Padang City Regional Original Income as follows:

Table 1 : Regional Original Income of Padang from 2018 - 2022

Year	Regional Original Income (Pendapatan Asli Daerah / PAD)
2018	487.655.433.746,35
2019	546.108.570.689,61
2020	499.895.722.726,67
2021	538.932.070.166,30
2022	612.640.632.298,56

Based on these data, it can be seen that the Padang Regional Original Income is quite significant and extensive. However, every year, it happens to be fluctuate ups and downs.

Regional Original Income usually has several posts that contribute, such as local tax, regional levies, proceeds from regional owned companies and results from other separated regional wealth management, and other legitimate regional income. In Padang regional original income, the most significant contribution is local taxes. It can be seen in the following table:

Table 2: Component of Regional Original Income

Component	2018	2019	2020	2021	2022
LT	348.898.074.970	388.095.396.286	344.743.134.377	376.220.701.318	438.180.451.486
RL	41.582.194.336	48.213.509.480	37.127.065.443	40.737.001800	41.156.604.570

PFRC	86.919.997.640	98.088.446.545	105.698.586.823	109.205.960.026	116.766.249.833
OLRI	10.255.166.800	11.711.218.378	12.326.936.083	12.768.407.022	16.537.326.409

Note:

- LT = Local Taxes
- RL = Regional Levies
- PFRC = Proceeds from regional owned companies and results from other separated regional wealth management,
- OLRI = Other legitimate regional income

From the table above, we can conclude that Local Taxes contributed more than 50% yearly to Padang Regional Original Income for five (5) consecutive years. Land and Building Tax is the most contribute tax on local taxes in Padang. It contributes 12 – 15% every year to it. The following table presents PBB revenues for the last five (5) years (2018 – 2022):

Table 3: Land and Building - P2 Tax Revenue of Padang from 2018 -2022

Year	Target	Realization	%
2018	49.000.000.000	51.045.597.906	104%
2019	100.000.000.000	60.701.661.704	61%
2020	73.000.000.000	62.578.387.788	86%
2021	78.000.000.000	64.685.331.413	82%
2022	78.000.000.000	66.505.739.008	85%

Based on the table, it can be seen that Land and Building Tax has high value. It means Land and Building Tax is the one which contribute the most to the Regional Original Income of Padang and West Sumatra. The data above, shows that Land and Building Tax are closely

related to regional original income. The higher the Land and Building Tax revenue, the greater the regional original income value will be.

Based on the data above, it can be seen that Land and Building Tax has only reached the target once, which is in 2018, as much as 104%. Meanwhile, in 2019, it dropped dramatically to 61%. In 2020, the amount of revenue increased to 86% and have increased quite a lot from the previous year but still have yet to reach the target. In 2021 and 2022, the target of the tax is decreased, so that the realization is getting increased. The realization from 2021 is 82% and the for 2022 is 85%. The percentage is decreased but the nominal that received is increased. But still, the realization not reach target. This makes the possibility of there are uncollectible taxes and some factors that impacted it. The potential that property tax revenue improvements have, countries must undertake strategic reform by combining policy and administrative interactions to improve tax base coverage, property valuations, collection, enforcement and taxpayer services (Adalety, Alkadash, Achiyaale, & Oware, 2022). Therefore, the land and building tax will have a maximum contribution to the regional original income.

According to the empirical study that had been conducted before, one of the factors affecting Land and Building Tax revenue is land area and building area. It aligns with a study conduct in 2014, that building area and land area are the factors that could influence the revenue of Land and Building Tax revenue (Tiara, 2014). In that study, it was found that the increase in land area and building area has a positive value with an increase in regional original income which also affects an increase in Land and Building Tax. Apart from that, is evidenced by a study conducted in 2022, there are other factors which affecting the Land and Building Tax revenue. These are notice of tax collection (SPPT), sales value of the taxable object (NJOP), and tax arrears (Nurhayati, Malik, & Mahardini, 2022). Based on that study, the notice of tax

collection and sales value of taxable objects have positive and significant results to the PBB revenue, whilst the tax arrears are negative but significant results.

Therefore, by seeing those phenomena and facts, this study will be conducted titled as:

"The Factors Influencing the Land and Building Tax Revenue in Padang City"

1.2 Problem Formulation

Based on the research background above, this study intends to determine the factors influencing Land and Building Tax Revenue and its contribution to Padang Regional Original Income. Therefore, these research problems are formulated as follows:

1. Does the notice of tax collection (SPPT) affect the Land and Building Tax revenue in Padang?
2. Does the building area affect the Land and Building Tax revenue in Padang?

1.3 Research Objectives

Based on the formulation of the problem above, the objectives of this research are as follows:

1. To examine the amount of notice of tax collection (SPPT) affecting the Land and Building Tax Revenue in Padang City.
2. To examine the building area effect on the Land and Building Tax Revenue in Padang City.

1.4 Research Benefits

Based on the above research objectives, this research is expected to provide benefits for interested parties. The benefits of this research are as follows:

1. For Academics

The results of this study can be used as study material for further research on Land and Building Tax Revenue, especially in Padang. In addition, this research can also support and provide empirical evidence against previous studies.

2. For Padang Regional Revenue Agency

This research can provide information for the Padang Regional Income Service about the factors that influence the Land and Building Tax revenue in Padang City.

1.5 Systematic Discussion

CHAPTER I: INTRODUCTION

Contains the background of the problem, problem identification, problem definition, problem formulation, research objectives, research benefit, and writing systematics.

CHAPTER II: LITERATURE REVIEW

Contains theoretical studies, relevant research results, and thinking frameworks.

CHAPTER III: RESEARCH METHODOLOGY

This chapter contains the time and area of research, research methods, variables, population and samples, data and data sources, and data analysis techniques.

CHAPTER IV: RESEARCH RESULTS AND DISCUSSION

This chapter describes the results and discussion of the research conducted. This chapter describes research's result and discussions.

CHAPTER V: CONCLUSION

In this chapter which is the last chapter of the whole research which contains a description of the conclusions of the overall discussion of problem analysis and suggestions given by the author on the problems raised by the researcher.

