

Analysis of rural and urban land and building tax management

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Abstract

This study aims to assess the effectiveness, contribution, and growth rate of the collection of land and building taxes (PBB P2) in Klaten Regency from 2017 to 2021. The research methodology employed a descriptive analysis with a quantitative approach. The findings indicate: (1) an average effectiveness level falling within the "very effective" category, standing at 112.72%. (2) The contribution level is notably low, averaging 8.53%. (3) Positive results were observed in the growth rate analysis.

Keywords: Effectiveness, Contribution, Growth Rate, and Rural and Urban Land and Building Tax (PBB P2)

INTRODUCTION

Regional autonomy refers to the entitlement, power, and responsibility granted to regions for governing themselves, allowing each area to oversee and handle its governmental matters independently (Pemerintah Republik Indonesia, 2014). This empowerment enables regions to enhance operational efficiency, effectiveness, and service delivery to their communities while adhering to legal guidelines. Regional administrations possess extensive rights and authority to utilize their financial resources and distribute them based on the requirements. In managing these governmental affairs, regional authorities are empowered to impose taxes on the populace, constituting a significant means of funding development initiatives.

A tax is an obligatory payment to the government demanded from individuals or entities without direct reimbursement, serving as a means for the state to fund public welfare initiatives (Pemerintah Republik Indonesia, 2007). The implementation of Law Number 28 of 2009 aimed to enhance accountability in the execution of regional autonomy by governing Regional Taxes and Regional Levies (Pemerintah Republik Indonesia, 2009). Under this legislation, regions are granted the power to gather 16 categories of taxes, comprising 5 Provincial Taxes and 11 Regency/City Taxes (Mardiasmo, 2016). The Rural and Urban Land and Building Tax (PBB P2) is identified as a promising revenue source among the various types of taxes available. As of January 1, 2014, the Regency/City Government has formulated a policy transferring full control of the administration of Rural and Urban Land and Building Tax (PBB P2) to the regional government (Wulansepty, 2014). This transfer aims to bolster tax authority, broaden the regional tax foundation, and set tax rates accordingly (Yulistia, 2019).

The Rural and Urban Land and Building Tax pertains to a levy imposed on land and/or properties owned, managed, or utilized by individuals or organizations within rural and urban settings, excluding those used for plantations, forestry, and mining (Pemerintah Republik Indonesia, 2009). This tax constitutes a specific regional tax category, with the government entirely responsible for determining its amount. The implementation of this tax holds significance in fostering development and elevating the welfare and prosperity of the populace (Wulansepty, 2014).

Klaten Regency, situated within Central Java Province. As per the report data, the total Regional Revenue (PAD) achieved by Klaten Regency in 2021 amounted to IDR 315.30 billion. This revenue was derived from various sectors, including Regional Taxes, notably sourced from Rural and Urban Land and Building Taxes (PBB P2) (Badan Pengelolaan Keuangan dan Aset Daerah Kabupaten Klaten, 2021).

Street Lighting Tax (PPJ), Land and Building Rights Acquisition Tax (BPHTB), and Rural and Urban Land and Building Tax (PBB P2) are the primary sources of regional tax revenue, constituting the three most significant contributors (Badan Pengelolaan Keuangan dan Aset Daerah Kabupaten Klaten,

2021). This illustrates the considerable significance of PBB P2 as a tax type in bolstering PAD. The ability of a region to effectively carry out regional autonomy is often linked to PAD revenues significantly aiding governmental administration and regional development.

This research aims to assess the revenue generated from PBB P2 in Klaten Regency by evaluating the management efficiency of Urban and Rural Land and Building Tax (PBB P2) during the fiscal years from 2017 to 2021. The focus is on examining the effectiveness of tax revenue, the extent of contribution from PBB P2 revenue, and the growth rate of PAD during this period.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature review

Regional tax

As per Prof. Dr. Rochmat Soemitro, SH., taxes represent citizens' financial contributions to the state's treasury, mandated by law and not contingent on receiving specific, direct, or demonstrable services in return. These contributions serve to cover general expenses incurred by the state (Resmi, 2019). Taxes are compulsory payments required of Indonesian citizens as stipulated by law, applicable to those with incomes. They are categorized into two types: central taxes, overseen by the central government, and regional taxes, managed by local governments (Mardiasmo, 2019). Regional Tax is categorized into two segments: Level I Regional Tax (under Provincial Government jurisdiction) and Level II Regional Tax (governed by Regency/City Governments). The provincial tax category includes Motor Vehicle Tax, Motor Vehicle Title Transfer Fee, Motor Vehicle Fuel Tax, Surface Water Tax, and Cigarette Tax (Pemerintah Republik Indonesia, 2009). On the other hand, district/city tax types encompass: Hotel Tax, Restaurant Tax, Entertainment Tax, Advertisement Tax, Street Lighting Tax, Non-Metal Mineral and Rock Tax, Parking Tax, Ground Water Tax, Swallow's Nest Tax, Rural Land and Building Tax, Urban Land and Building Tax, and Fees for Acquisition of Land and Building Rights (Pemerintah Republik Indonesia, 2009). Regional Tax denotes an obligatory payment from individuals or entities to a region, enforced without direct reciprocation, and utilized to fund regional government operations and development initiatives aimed at enhancing the welfare of the populace (Pemerintah Republik Indonesia, 2009). Hence, regional taxes are levies established through regional regulations, administered by regional governments to cover costs associated with governing and advancing development within the region.

Land and building tax

Land and Building Tax (PBB) is a levy imposed on taxable properties such as land and/or buildings. (Mardiasmo, 2016). The land comprises the surface of the earth and its underlying body, encompassing both land areas and inland waters like swamps, ponds, and other bodies of water within the borders of the Unitary State of the Republic of Indonesia. Conversely, a building refers to a constructed entity permanently affixed to the land or water surface. In this scenario, the tax amount is contingent upon the object's condition (land/terrain and/or building) and isn't influenced by the payer's circumstances.

The fundamental regulations and methodologies for gathering regional taxes are outlined in Law Number 28 of 2009, which pertains to Regional Taxes and Regional Levies. These legal frameworks have a consequential effect on Regional Governments by expanding the sources of Regional Original Income (PAD) from an initial count of only 7 to 11 tax categories, incorporating taxes like the Rural and Urban Land and Building Tax (Rohmah et al., 2022).

The transition of PBB P2 into a regional tax is implemented starting from January 1, 2012, and must be completed no later than January 1, 2014 (Padangekspres.co.id, 2012). The expectation is that this shift will result in bolstering the authority of local taxation as a means to augment local original income. (Pusat Kebijakan Anggaran Pendapatan dan Belanja Negara, 2016).

As per Article 79 of Law Number 28 of 2009, the foundation for assessing the Rural and Urban Land and Building Tax is the difference between the sales value of the taxable property (NJOP) and the sales value of the non-taxable property (NJOPTKP) (Pemerintah Republik Indonesia, 2009). Determining NJOP involves various methods such as comparing prices with similar properties,

determining new acquisition values, or estimating replacement selling values. Additionally, the minimum NJOPTKP value is established at IDR 10,000,000 per taxpayer (Pemerintah Republik Indonesia, 2009). Furthermore, as stated in Article 80 of the same law, the maximum rate for the Rural and Urban Land and Building Tax stands at 0.3% (Pemerintah Republik Indonesia, 2009).

The efficiency of collecting rural and urban land and building tax (PBB P2)

Effectiveness assesses the correlation between the output and objectives set. The greater the generated output toward predetermined aims, the more efficient the operational procedures of an organizational division become. Effectiveness serves as a gauge for determining the degree of success in attaining organizational objectives (Mardiasmo, 2016). In public sector entities, a key indicator of effectiveness lies in the delivery of services to the community (Prawita & Lutfi, 2021). Adequate service provision heightens public contentment in fulfilling their tax responsibilities (Baok et al. 2020). Evaluating effectiveness involves comparing actual tax revenues with predetermined tax goals (Mahmudi, 2019). The computation for effectiveness can be formulated as follows:

$$\text{Effectiveness of Regional Taxes (PBB P2)} = \frac{\text{Realization of Regional Tax Revenue (PBB P2)}}{\text{Regional Tax Revenue Target (PBB P2)}} \times 100\%$$

The parameters defining the level of tax revenue effectiveness, as derived from the previous calculations, are outlined in the subsequent Table 1:

Table 1. Effectiveness Criteria

Percentage	Criteria
> 100%	Very Effective
100%	Effective
90% - 99%	Effective Enough
75% - 89%	Less Effective
< 75%	Not Effective

Source: (Mahmudi, 2019)

Contribution PBB P2

Contribution serves as a method to assess the degree to which regional taxes contribute to PAD, achieved by comparing the actual tax revenues with the regional income (Mahmudi, 2019). The more significant the percentage produced, the more substantial the tax effect on local income; in contrast, the smaller the percentage produced, the less the tax impact on local revenue (Fitriya & Suparno, 2019). The calculation of PBB P2 contribution to PAD is as follows:

$$\text{Contribution Regional Tax (PBB P2)} = \frac{\text{Realization of Regional Tax Revenue (PBB P2)}}{\text{Realization of PAD}} \times 100\%$$

Table 2. Contribution Criteria

Percentage	Criteria
0% - 10%	Very Less
More than 10% - 20%	Less
More than 20% - 30%	Average
More than 30% - 40%	Quite Good
More than 40% - 50%	Good
> 50%	Very Good

Source: (Kementerian Dalam Negeri Indonesia, 1996)

Growth rate PBB P2

The growth rate serves as a measure to evaluate the progress of a region from one timeframe to another. This examination proves valuable in determining whether the increase in the financial performance of the local government in the current budget period or across multiple budget periods is either positive or

negative (Mahmudi, 2019). The growth rate is anticipated to show a positive value and a rising pattern (Mahmudi, 2019). If this growth yields adverse outcomes, it implies a decline in performance, necessitating an investigation into the reasons behind this decline. This exploration aims to discern whether it's attributed to macroeconomic factors beyond the regional government's control or poor management of regional finances (Mahmudi, 2019). The growth rate calculation can be formulated as follows:

$$\text{Growth Rate Th } t = \frac{\text{Revenue Th } t - \text{Revenue Th } (t-1)}{\text{Revenue Th } (t-1)} \times 100\%$$

Details:

Revenue Th t = Revenue a particular year

Revenue Th (t-1) = Previous year's revenue

RESEARCH METHODS

The research methodology employed here is quantitative descriptive. It focuses on the Regional Financial Management Agency for Income and Assets (BPKPAD) in Klaten Regency. The data utilized originates from secondary sources, encompassing budget listings and actual revenue records of Klaten Regency from 2017 to 2021. Analysis of this data aligns with established theoretical frameworks found in written sources and is presented through sentences or tables to elucidate the performance of the BPKPAD in Sleman Regency. The data analysis technique encompasses qualitative descriptive methods, involving the development of theories derived from field-acquired data. Additionally, the research incorporates quantitative analysis techniques, particularly in evaluating the performance of Rural and Urban Land and Building Tax Management (PBB P2). This assessment measures effectiveness, contribution, and growth rate as key parameters.

RESULT AND DISCUSSION

The evaluation of the effectiveness of PBB Acceptance P2 involves analyzing the comparison between the actual collection of PBB P2 revenue and the targeted revenue. These comparative measurements are outlined in Table 2 for reference.

Table 3. The Degree of Effectiveness PB P2

Years	Target PBB P2	Realization PBB P2	Effectiveness Ratio	Effectiveness Level
2017	23.500.000.000	25.661.809.510	109,20%	Very Effective
2018	26.000.000.000	26.909.314.060	103,50%	Very Effective
2019	28.250.000.000	28.053.778.197	99,31%	Effective
2020	22.500.000.000	31.788.061.644	141,28%	Very Effective
2021	29.500.000.000	32.548.285.626	110,33%	Very Effective

Source: Data Processed

Table 3 illustrates that the effectiveness of PBB P2 revenue from 2017 to 2021 was notably high, falling within the "very effective" category, except for the year 2019, which was classified as "effective." In 2017, revenue effectiveness stood at 109.20%, slightly decreasing to 103.50% in 2018, and experiencing a further decline in 2019 to 99.31%. This decline stemmed from the failure to achieve the targeted PBB P2 revenues. Several factors contributed to this decrease, including incomplete identification of taxpayer addresses and instances of overlapping ownership. These issues presented challenges to tax officers during the collection process, making it difficult to gather taxes from the taxpayers involved. The Regional Tax Service & Determination Division, responsible for managing PBB P2, has implemented a solution by initiating PBB P2 collections through letters addressed to the relevant individuals. This approach has proven to be rather effective in mitigating the decrease in PBB P2 revenues within the Klaten area. Evidence of this lies in the considerable improvement of PBB P2 revenue effectiveness, notably reaching 141.28% in 2020. The government has taken measures to enhance PBB P2 effectiveness, primarily by scrutinizing and updating taxpayer data. Assessing the results outlined in Table 3, it can be deduced that PBB P2 acceptance in the Klaten area has a significant impact and can be deemed successful in meeting the PBB P2 revenue target.

Contribution of PBB P2 to the Original Regional Income

The analysis of contribution aims to determine the extent to which regional taxes support fulfilling regional requirements. Table 4 presents the outcomes derived from computing the contribution of PBB P2 to the Original Regional Income (PAD).

Table 4. Contribution Level PB P2

Years	Realization PAD	Realization PBB P2	Contribution Ratio	Contribution Level
2017	371.718.439.306	25.661.809.510	6,90%	Very Less
2018	395.884.244.135	26.909.314.060	6,80%	Very Less
2019	311.648.401.655	28.053.778.197	9,00%	Very Less
2020	329.963.261.898	31.788.061.644	9,63%	Very Less
2021	315.304.009.782	32.548.285.626	10,32%	Less

Source: Data Processed

According to Table 4, the PBB P2 contribution to PAD demonstrates an annual increase, with contribution rates ranging between 6.80% and 10.32%. The lowest contribution occurred in 2018 at 6.80%, whereas the highest contribution surfaced in 2021 at 10.32%. This trend results from the decline in Regional Original Income compared to the previous year. Despite the increase in PBB P2 revenues, the contribution level to PAD remains relatively limited. One significant factor affecting this less than maximum contribution level is the considerable number of individuals with outstanding payments for PBB P2. As indicated in the PBB P2 revenue report sourced from PAD Klaten Regency, the total arrears for PBB P2 from 2013-2021 across 26 sub-districts amount to IDR 2,380,773,077 (Badan Pengelolaan Keuangan dan Aset Daerah Kabupaten Klaten, 2021) This aspect might be a contributing factor in the failure to achieve expected regional tax revenues derived from PBB P2 collections.

Furthermore, the decline in the contribution value might stem from the rise in the volume of revenue generated from other components of PAD (such as Street Lighting Tax (PPJ) and Land and Building Rights Acquisition Tax (BPHTB)) compared to the income obtained from PBB P2. This resulted in the reduced contribution of PBB P2 to PAD in 2018. The Klaten Regency Government, responsible for PBB P2 collection, undoubtedly implements strategies to meet the set targets by exploring new possibilities through field data collection initiatives and delivering superior services to the community.

The growth rate of PBB P2 revenue

The findings from the evaluation of the growth rate are outlined in the table below as Table 5:

Table 4. The Growth Rate

Years	Realization PBB P2	Growth Rate Ratio
2016	20.828.717.348	
2017	25.661.809.510	23,20%
2018	26.909.314.060	4,86%
2019	28.053.778.197	4,25%
2020	31.788.061.644	13,31%
2021	32.548.285.626	2,39%

Source: Data Processed

Based on the data presented in Table 5, the growth rate of PBB P2 during the period from 2017 to 2021 exhibited fluctuations, yet consistently demonstrated positive outcomes. The highest growth rate ratio was recorded in 2017 at 23.20%. This notable surge in 2017 resulted from the realization of PBB P2 revenues surpassing the figures from the preceding year. Subsequent to 2017, the growth rate of PBB P2 witnessed a decline, but it managed to rebound in 2020, reaching 13.31%. The decline in growth rate post-2017 stemmed from the marginal increase in actual PBB P2 revenues compared to the predetermined targets set for 2017-2021. The Klaten Regency Government, specifically the Regional Tax Service & Determination Sector responsible for tax collection, has facilitated convenient tax payment methods for the public, primarily through online payment platforms.

CONCLUSION

During the research conducted between 2017 and 2020, the degree of actualization of PBB P2 in Klaten Regency showed improvement, averaging an effectiveness level of 112.72%, categorized as highly effective. The analysis of contributions illustrated that the average PBB P2 contribution to PAD amounted to 8.53%. The findings from this research indicate positive trends in the growth rate.

The Klaten Regency Government can enhance PBB P2 revenues through various means such as offering guidance, counseling, and training sessions to tax officials to enhance their service delivery to the public. Additionally, conducting a thorough review of taxpayer data is essential. Furthermore, raising public awareness about the significance of paying PBB through mass media platforms is crucial.

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