

An Analysis on Land and Building Tax Revenue in Urban Sector, Medan

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Abstract: *The objective of the research was to find out the development, efficiency, effectiveness, and contribution of collecting PBB (Land and Building Tax) in Medan on Regional Revenue and to find out the difference of efficient, effectiveness, and contribution in PBB with Regional revenue before and after Law No. 28/2009 is in effect. The data from 2007 Until 2016 were analyzed. They were obtained from Regional Tax and Retribution Agency, Medan, and Central Bureau of Statistics, Medan. They were analyzed by using efficiency, effectiveness, contribution, and paired sample t-test. The result of the research showed that the development of the efficiency in collecting PBB in Medan was relatively stable; even though it was categorized as effective, it was fluctuating. The development of PBB contribution to Regional Revenue of Medan was fluctuating and tended to decline; it was categorized as lacking of contribution to the Regional Revenue. There was no difference in the effectiveness and contribution of collecting PBB before and after Law No. 28/2009 was effective, but there was the difference in the efficiency of collecting PBB before and after Law No. 28/2009 was effective.*

Keywords: *Efficiency, Effectiveness, Contribution, Regional Revenue, PBB*

Date of Submission: 03-09-2019

Date of acceptance: 18-09-2019

I. Introduction

Development at both the national and regional levels is basically held for the welfare and prosperity of the people. The development of the region itself is strived so that the region can manage the potential of the region together with the community and increase the development in the economic field and create a new employment for the community (Halim, 2004).

Development of an area can be achieved if it is carried out jointly by the government and the community. One form of government and community cooperation in financing national development is through the taxation sector. Taxes are one of the most important sources of state revenue in addition to other revenue components in increasing the prosperity and welfare of the people. Law Number 12 of 1985 which has been updated with Law Number 12 of 1994 concerning Land and Building Tax (PBB) states that the earth including the waters and natural resources contained therein has an important function in building a just and prosperous society based on Pancasila. and the 1945 Constitution.

Mardiasmo (2016) states that the source of PBB revenue in Indonesia comes from 5 (five) classifications, namely:

- a) Rural sector: consisting of plots of land, land for fields, land for rice fields, pond land, land for salt fields and others in rural areas.
- b) Urban sector: consists of land and buildings in cities and towns that are seen as cities, such as the national capital, provincial capital, district capital, sub-district capital, and so on.
- c) Plantation sector: land and buildings used for plantation purposes such as land and buildings for factories and plantation crops.
- d) Mining sector: includes land and buildings used for mining, for example land drilled to obtain oil, natural gas, iron ore, and buildings constructed around the drilling site used for mining business purposes.

The PBB revenue is regulated in article 18 of Law No.12 of 1985 which has been amended to become Law Number 12 of 1994 concerning Land and Building Tax. This Article 18 explains that the tax revenue results are state revenue divided between the Central Government and the Regional Government with an equal distribution of at least 90% (ninety percent) to Level II Regional Government and Level I Regional Government as the revenue of the region concerned. PBB revenue in the Regional Revenue and Expenditure Budget (APBD) is included in the group of tax revenue sharing.

The Land and Building Tax (PBB) has changed since the enactment of Law No. 28/2009 concerning Regional Taxes and Regional Retribution (PDRD Law). Law Number 28 of 2009 gives local authorities authority for taxing power starting from the process of data collection, assessment, determination, administration, collection / collection and services. The transfer of PBB from the Central Tax to Regional Tax aims to increase Regional Original Revenue (PAD) and as the implementation of regional autonomy. Local Governments are expected to play an active role in managing the potential of land and building tax contained in their respective regions, especially the rural and urban sectors (Jatmiko, 2006).

In the data can be seen before the transfer of the United Nations into local taxes (2007-2011) the realization of PBB revenue in the urban sector tends to be above the specified target, where the highest achievement of the PBB revenue of the Medan city urban sector in 2010. After the transfer of the United Nations into a local tax, namely since from 2012 to 2016, it can be seen that there was an increase and decrease in revenue realization where the highest realization in 2016 was Rp. 334,613,267,000 and the lowest in 2013, amounting to Rp. 234,325,866,564. The table also shows that the achievement of the realization of PBB revenues is still far from achieving the specified targets. If the target set can be achieved, the government can optimize its revenue. The low realization of tax revenue originating from the United Nations results in a reduction in the contribution of the United Nations in the continuity of development implementation as measured through Local Revenue (PAD).

Based on the above table, it can be seen that the amount of original regional income obtained by the Medan City Revenue and Financial Management Office in 2007 was Rp. 310,398,945 then increased to 391,514,558 in 2008. In 2009 the PAD had decreased to Rp. 368,564,026 and increased again in 2010 to Rp. 588,941,454. After the enactment of Law Number 28 Year 2009, the realization of regional original income has increased every year, where the highest realization in 2016 was Rp. 1,535,435,344. However, if seen from the effectiveness between the target and the realization of Regional Original Revenue (PAD) 6 Medan City during 2007 to 2016 included in the effective category.

The implementation of the United Nations in the City of Medan, which began in 2012, will be a very potential source of PAD compared to other regional tax and retribution if managed seriously and professionally. These conditions need to be guaranteed continuity and evaluated the efficiency and effectiveness of their collection.

II. Literature Review

2.1 Regional Finance

Law of the Republic of Indonesia (RI Law) Number 17 of 2003 concerning State Finances is a law governing the definition and scope of state finances, general principles of management of state finances, the position of the president as the holder of management of state financial management, delegation of presidential powers to the Minister of Finance and Minister/Head of Institution, the composition of the State Budget and State Budget (APBN) and the Regional Budget (APBD), the provisions regarding the preparation and stipulation of APBN and APBD, the regulation of financial relations between the central government and the central bank, regional governments and foreign governments/institutions, regulating financial relations between the government and state companies, regional and private companies, and community fund management bodies, and determining the form and deadline for submitting accountability reports on the implementation of the APBN and APBD. Law Number 17 of 2003 has also anticipated changes in accounting standards in government circles in Indonesia that refer to the development of accounting standards in government environments internationally (Apriyani, 2011).

2.2 Regional Revenue

article 1 paragraph 1 of the 1945 Constitution states that the State of Indonesia is the Unitary State of the Republic of Indonesia. The territory of the State of Indonesia is very large covering many large and small islands, so it is not possible if everything will be taken care of by the Government which is domiciled in the national capital. Regional Government needs to be formed to take care of the administration of the State Government to all corners of the region. Law Number 22 Year 1999 becomes Law Number 32 Year 2004, Regional Government is the organizer of the Autonomous Regional Government by the Regional Government and the Regional Representative Council according to the principle of decentralization. Regional Government is the Regional Head along with other Autonomous Region apparatus as regional executive bodies. One of the obligations of the Regional Head as an executive body is to establish regional regulations with the approval of the Regional House of Representatives in the context of implementing regional autonomy (Wicaksono, 2017).

2.3 Local Tax

Pursuant to Law Number 28 Year 2009 Concerning Regional Taxes and Regional Retribution, it can be explained as follows "Regional Tax, hereinafter referred to as tax, is a compulsory contribution made by

individuals or entities to the region without balanced direct compensation, which is imposed based on statutory regulations. valid invitation used to finance the implementation of regional government and regional development. " Local taxes must be determined by local regulations after obtaining approval from the DPRD and may not conflict with 15 Central Government taxes and may not conflict with Central Government policies.

2.4 Land and Building Tax

Before the Rural and Urban Land and Building Tax (PBB P2) was applied as a Regional Tax (before January 1, 2011) and before Law No. 28 of 2009 concerning Regional Taxes and Regional Levies, the United Nations is regulated in several laws and regulations as follows: 1. Law No. 12 of 1985 as amended by Law No. 12 of 1994 concerning Land and Building Tax (hereinafter referred to as PBB Law). 2. KMK No. 201 / KMK.04 / 2000 concerning the adjustment of the Selling Value of Non-Taxable Tax Objects (NJOPTKP) as the basis for calculating the Land and Building Tax. 3. Decree of the Minister of Finance No. 523 / KMK.04 / 1998 concerning Determination of Classification and the Amount of Sales Value of Tax Objects as the Basis for Imposing Land and Building Taxes. 4. Minister of Finance Decree No. 1004 / KMK.04 / 1985 concerning the determination of International Organizations or Representatives who use Land and Building Tax Objects which are not subject to Land and Building Tax. 17 5. Decree of the Director General of Tax Number: KEP-251 / PJ. / 2000 concerning Procedures for Determining the Amount of Taxable Sales Value Not Taxable as the Basis for Calculating Land and Building Taxes. 6. Decree of the Director General of Tax Number: KEP-16 / PJ.6 / 1998 concerning the imposition of Land and Building Tax. 7. Circular of the Director General of Tax Number: SE-57 / PJ.6 / 1994 concerning the confirmation and explanation of the exemption of Land and Building Taxes on Public Facilities and Social Facilities for Industrial Estates and Real Estate.

2.5 Efficiency and Effectiveness of the United Nations

In order to foster real, dynamic, harmonious and responsible regional economic development, government financing and regional development sourced from Regional Revenues, especially those from the Land and Building Tax, are further improved. In line with the increasing implementation of development and the provision of services to the community and efforts to increase regional economic growth, it is necessary to provide sources of Regional Revenues which results are increasing as well. Efforts to increase the provision of funds from these sources include but are not limited to improving the performance of its collectors, refining and adding tax types. These steps are expected to increase the efficiency and effectiveness of the collection of land and building taxes and the quality and type of service to the community.

III. Research Results and Discussion

3.1 Development of Efficiency of PBB Collection in Medan City

The development of the efficiency of PBB collection in the city of Medan over a ten (10) year period is fluctuating but with a relatively stable tendency and an average efficiency rate of 7.98 percent. This means that each expenditure of Rp. 7.98 generates PBB revenue of Rp. 100 or to enter the PBB in the amount of 1,000,000,000 requires a fee of approximately Rp.79,800,000. Before it was transferred to local tax, the collection fee of 9% of the realization of land and building tax revenues was an average efficiency rate of 8.37 percent with a very efficient category. Whereas after being transferred to local tax, where the collection fee of 5% of the realization of land and building tax revenues the average efficiency level of 6.58 percent with a very efficient category. Overall it can be said that the level of efficiency of the United Nations PBB collection in Medan City is smaller than 60 percent category very efficient. This needs to be increased again in the future by minimizing the cost of collecting PBB.

3.2 Development of the Effectiveness of PBB Collection in Medan City

We can see that at the beginning of the transition period the land and building tax to local tax in 2012 was the second lowest level of effectiveness at 77.87 percent. In 2012, where the PBB was managed by the Regional Government, there was a significant increase in the target from the previous year, which was 76.10 percent. The PBB targets are set more likely because the local government has its own ability to predict how large the PBB targets and realization P2 will be obtained. Determination of the PBB target is also seen from the amount of principal or stipulation in the relevant tax year and also in accordance with the Regional Regulation on Land and Building Tax. The Regional Government of Medan City in Regional Regulation Number 3 of 2011 in Article 2 paragraph 5 stipulates the value of the taxable object of sale (NJOPTKP) of Rp. 15,000,000 (fifteen million rupiah) for each taxpayer.

3.3 PBB Contribution to Regional Revenue

Based on an analysis of the contribution of the Land and Building Tax to Regional Revenue shows a very less figure, namely below 10 percent. From the results of calculations in table 4.10 it can be seen that the

largest contribution occurred in 2012 which amounted to 9.18 percent and the lowest in 2011 amounted to 5.87 percent, while the average PBB contribution to overall Regional Revenue of Medan City was 7.83 percent which according to the criteria means very less. In other words, it can be said that the degree of dependence of Regional Revenues on Tax Receipts from the United Nations is 7.83 percent.

3.4 Analysis of Different Tests Paired Samples t-test

Hypothesis testing using paired sample t-test is used to test the average difference between two paired samples. Data processing by using Paired Samples Test t-test analysis, testing of the data used is normally distributed or not, because if the data is not normally distributed then the different test analysis used is Non Parametric, namely Wilcoxon Test.

a. Analysis of the Difference Efficiency Test of Land and Building Tax, Medan City

Based on the results of data processing Paired Samples test obtained a significance value of 0.021. Because the significance value is less than 0.05 or P value $< \alpha = 0.05$, the decision is H_1 accepted. This means that there is a significant difference between the level of PBB efficiency before and after the enactment of Law No. 28/2009 in Medan City. This shows efficiently the collection of land and building tax (PBB) after being transferred to local tax is better than before being transferred or in other words the smaller the level of efficiency, the better the performance of the Medan City Government in using the costs for achieving PBB revenues.

b. Analysis of the Difference Effectiveness Test of Land and Building Tax, Medan City

Based on the results of testing using the Paired Sample Test, a significance value of 0.058 is obtained, which means it is greater than the significant level that has been set (P value > 0.05), then the decision is H_0 which means that there is no difference in the level of effectiveness before and after the enactment of law number 28 in 2009. That is, Medan City Land and Building Tax Revenue before and after law number 28 of 2009 does not have much different effectiveness values. In discussing the development of the effectiveness of the United Nations beforehand, it can be seen in nominal terms that there is a considerable difference in the achievement of the PBB revenue targets before and after the transfer to local taxes, but these differences are not statistically significant.

c. Analysis of the Difference Tax Contribution Test of Land and Building Tax, Medan City

It can be concluded that the average PBB contribution to regional income before and after the enactment of law number 28 of 2009 is the same. This is because the difference in the contribution of the United Nations to regional income before and after law number 28 of 2009 is not too far away which is only 0.43 percent. As discussed in the development of the contribution of the United Nations to regional revenues of Medan, the small or lack of contribution of the United Nations before and after the enactment of law number 28 of 2009 is because the revenue contained in regional income as a whole does not originate from the PBB but there are other receipts outside the PBB that participate affect regional income.

IV. Conclusion and Suggestion

4.1 Conclusion

The results of the analysis and discussion that have been carried out, the following conclusions can be drawn:

1. The development of PBB collection efficiency in Medan City from 2007 to 2016 fluctuated but with a relatively stable trend. The average efficiency level is 7.98 percent which means that the efficiency of PBB collection is categorized as very good because it is still below 60 percent with the highest level of efficiency in 2016 which is 5.78 percent. This is reflected in the cost ratio which is smaller than the PBB revenue of Medan City.
2. The development of the effectiveness of the United Nations in the City of Medan in the last 10 (ten) years has increased and then declined but has been relatively stable. Overall the average level of effectiveness of the Medan City PBB revenue is categorized quite effective with an average effectiveness of 86.93 percent. The highest level of effectiveness occurred in 2010 amounted to 107.14 percent and the lowest level of effectiveness occurred in 2013 amounted to 61.18 percent.
3. The development of the contribution of the United Nations to the Regional Revenues of the City of Medan during 2007 to 2016 fluctuated with a downward trend, where the average contribution of the United Nations to the Regional Revenues of the City of Medan was 7.83 percent, which means the PBB contributed very little to the regional income. The biggest contribution occurred in 2012 with 9.18 percent and the lowest in 2011 with 5.87 percent.
4. There is no significant difference between the level of effectiveness and the contribution of the United Nations before and after the enactment of Law Number 28 Year 2009 in Medan City, this is indicated by the

results of the Paired Samples t-test different values obtained significance values of 0.058 and 0.560, respectively. While the level of efficiency there is a difference before and after the enactment of law number 28 of 2009, this is indicated by the results of the different Paired Samples t-test obtained a significance value of 0.021.

4.2 Suggestion

Suggestions that can be given based on the conclusions above are as follows:

1. Periodic tax rate and NJOP determination or tax exemption for land and buildings by taking into account the condition and location of the area, is expected to be used as a good alternative, especially in encouraging the creation of certainty of the United Nations and justice. This needs to be done so that these efforts continue to guarantee increased PBB revenues without ignoring the issue of certainty and justice for taxpayers.
2. Increasing taxpayer awareness of the importance of payment of Land and Building Tax (PBB) through regular counseling to the public in this case taxpayers and increasing the construction of public facilities in the city of Medan so that people become motivated to pay taxes.
3. For further researchers, it is expected to add research variables such as the great potential of the United Nations in the city of Medan, the arrears of Land and Building Tax (PBB) in the city of Medan, and the number of taxpayers who make PBB payments that affect fluctuations in land and building tax revenues in Medan.

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Amalia Dwi Syahputri Lubis" An Analysis on Land and Building Tax Revenue in Urban Sector, Medan" IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 9, 2019, pp. - .69-73.