

UDC 332

DETERMINANT OF WILLINGNESS TO PAY LAND AND BUILDING TAXES IN MALANG, INDONESIA

Widiastari Wahyu Sadriana*, Nurpratiwi Ratih, Hidayati Firda

Master's Program in Public Administration, Faculty of Administrative Sciences,
University of Brawijaya, Indonesia

*E-mail: pnewtari@gmail.com

ABSTRACT

This study is conducted to determine the factors associated with the willingness to pay land and building taxes in Malang, Indonesia. This research used quantitative approach and data collection technique of questionnaire. The data analysis is performed by using Multiple Linear Regression. The factors related to the willingness to pay taxes that are examined in this study are a sanction, the perception of the on-the-spot service, and the reputation of the tax officers. The results of this research show that the three variables are related to the willingness to pay the land and building taxes in Malang. The variable of sanction has the highest coefficient value that is equal to 0,493. Subsequently, it is followed by the variable of perception of the on-the-spot service with a coefficient of 0,100 and then the variable of the reputation of tax officers by 0,084. Simultaneously, these three variables contributed 88,3% and the other 11,7% is influenced by other variables which are not examined in this study.

KEY WORDS

Willingness to pay, land, buildings, taxes, sanction, reputation, tax officers.

One of the principles of regional finance contained in Law Number 23 of 2014 on Regional Government is the need of authority and ability to utilize its own financial resources supported by a financial balance between central and local government. This regional finance is needed to maintain the regional development in order to achieve community welfare. Based on Law Number 33 of 2004 on Fiscal Balance between Central Government and Local Government, the source of regional revenue consists of Regional Income and Financing. Regional Revenue is sourced from Regional Own-source Revenue, Balancing Funds, and Other Income. On the other hand, the financing comes from the rest of the local budgets calculation, local loan receipts, regional reserve funds, and the sale of the separated local property. Regional Own-source Revenue is the most important component for local governments in an effort to increase regional independence. The Regional Own-source Revenue consists of Regional Taxes, Regional Retributions, Separated Regional Wealth Outcomes, and Another Legitimate Regional Own-source Revenue.

One of the objectives of implementing regional autonomy and fiscal decentralization is to increase regional self-reliance and reduce dependence on central government. The independence of the region is closely related to the region capability in managing Regional Own-source Revenue (PAD or *Pendapatan Asli Daerah*). According to Mahmudi (2010: 18) "The higher the ability of a region to generate Regional Own-source Revenue, the greater the regional discretion in using the revenue in accordance with aspirations, needs, and priorities of regional development". This means that with the increase of Regional Own-source Revenue, the greater the chance of local government to improve the welfare of the communities.

Based on Law No.28 of 2009 on Regional Taxes and Levies, regional taxation has been strengthened by making Land and Building Taxes of Rural and Urban Areas as a component in Regional Own-source Revenue. Unfortunately, the Land and Building Taxes in Malang urban areas have the largest number of accounts compared with other types of local taxes in Malang. Therefore, it is necessary to know the factors related to the willingness to pay Land and Building Taxes in Malang such as sanction, on-the-spot service, and the

reputation of tax officers. This is done in an effort to make a plan or policy that can reduce the receivables of Land and Building Taxes of urban areas.

METHODS OF RESEARCH

This research uses a quantitative approach and a data collection technique of questionnaires. The research method of this study is survey which according to Singarimbun and Efendi (1989) is "a research which takes a sample from one population and uses the questionnaire as a basic data collection".

Population and sample. The population of the sampling is the whole Land and Building Taxes Taxpayer in Malang and the targeted population is the Land and Building Taxes Taxpayer of Malang who pay the taxes at Bank Jatim in 5 (five) sub-districts in Malang. The determination of the sample in this research is probability sampling technique, a technique of taking samples by giving equal opportunity to every element (members) of the population to be the member of the samples. The total sample of this study is 100 in accordance with the opinion of Sukmadinata (2015).

Variable. The variables of this study are sanctions (X1), perceptions of on-the-spot service (X2), the reputation of tax officer (X3), and the willingness to pay land and building taxes (y). X1, X2, and X3 are called independent variables while Y is called dependent variable.

The steps taken are carried out to test the reliability and validity of the research. Then, a classical assumption test is performed and followed by a t-test to find the relationship between the independent and partially bound variables. An f-test also performed to test the relationship between independent and simultaneously bound variables.

RESULTS AND DISCUSSION

Hypothesis Test Result:

First Hypothesis. The basic decision-making is if the significance value is less than 0,05, there is a relationship and influence between the sanction and the willingness to pay taxes.

The hypothesis is:

H₀: the variable of sanction (X1) does not correlate significantly with the willingness to pay Land and Building Taxes of urban areas (Y).

H₁: the variable of sanction (X1) correlated significantly with the willingness to pay Land and Building Taxes of urban areas (Y).

From table 1, it is known that the Sig of t-value is 0,000 so that it can be concluded that H₀ is rejected and H₁ is accepted or that the sanction (X1) is partially related to the willingness to pay taxes (Y). The regression coefficient of the sanction (X1) is 0,493 means that if the sanction (X1) increases by 1 unit, the willingness to pay Land and Building Taxes of urban areas (Y) will increase by 0,493 units.

Second Hypothesis. The basic decision-making is if the significance value is less than 0,05, there is a relationship and influence between the perception of the on-the-spot service and the willingness to pay taxes.

The hypothesis is:

H₀: the variable of the perception of the on-the-spot service (X2) has no significant correlation with the willingness to pay Land and Building Taxes of urban areas (Y).

H₁: the variable of the perception of the on-the-spot service (X2) has significant correlation with the willingness to pay Land and Building Taxes of urban areas (Y).

Table 1 shows that the Sig of t-value is 0,031, by that, it can be concluded that H₀ is rejected and H₁ is accepted or that the perception of the on-the-spot service (X2) is partially associated to the willingness to pay land and building taxes of urban areas (Y). The regression coefficient of the perception of the on-the-spot service (X2) is 0,100. This means that if the perception of the on-the-spot service (X2) increases by 1 unit, the willingness to pay Land and Building Taxes of urban areas (Y) will increase by 0,100 units.

Third Hypothesis. The basic decision-making is if the significance value is less than 0,05, there is a relationship and influence between the reputation of tax officers and the willingness to pay taxes.

The hypothesis is:

H₀: the variable of the reputation of tax officers (X3) does not associate significantly with the willingness to pay Land and Building Taxes of urban areas (Y).

H₁: the variable of the reputation of tax officers (X3) associated significantly with the willingness to pay Land and Building Taxes of urban areas (Y).

From table 1, it is known that the Sig of t-value is 0,001, thus, it can be said that H₀ is rejected and H₁ is accepted or that the reputation of tax officers (X3) is partially correlated to the willingness to pay land and building taxes of urban areas (Y). The regression coefficient of the reputation of tax officers (X3) is 0,084 meaning that if t the reputation of tax officers (X3) increases by 1 unit, the willingness to pay Land and Building Taxes of urban areas (Y) will increase by 0,084 unit.

Fourth Hypothesis. The basic decision-making is if the significance value is less than 0,05, there is a relationship between sanction, the perception of the on-the-spot service, and reputation of tax officers and the willingness to pay Land and Building Taxes of Malang urban areas.

H₀: the variable of sanction (X1), perception of the on-the-spot service (X2), and reputation of tax officers (X3) have no simultaneous influence on the willingness to pay Land and Building Taxes of urban areas (Y).

H₁: the variable of sanction (X1), perception of the on-the-spot service (X2), and reputation of tax officers (X3) have simultaneous influence on the willingness to pay Land and Building Taxes of urban areas (Y).

Based on table 1 above, with a significance of 0,000 or much smaller than 0,05, it can be concluded that H₀ is rejected and H₁ is accepted. In other words, the independent variables of sanction, the perception of the on-the-spot service, and reputation of tax officers have significant association on the willingness to pay Land and Building Taxes of urban areas.

Table 1 – Summary of Multiple Regression Analysis Results

Variable	B	B	T	Sig	Description
Constants	9.167		8.457	.000	
Sanction	.493	.678	11.064	.000	Significant
Perception of the On-the-Spot Service	.100	.128	2.194	.031	Significant
Reputation of the Tax Officer	.084	.193	3.323	.001	Significant
R	R Square			Adjusted R Square	
.942	.887			.883	
F	250.252			Sig	0.,000

DISCUSSION OF RESULTS

The Relationship between Sanction and the Willingness to Pay Land and Building Taxes in Malang Urban Areas. From the results of the study, it is known that the variable of sanction has a significant correlation with the willingness to pay Land and Building Taxes in Malang. If the sanction is increased or enforced, then the willingness to pay Land and Building Taxes in Malang will increase. This is because the taxpayers still worried or afraid to get sanction if they do not pay the tax in accordance with the applicable regulations. In addition, taxpayers are deterred by the sanctions they receive if they do not realize their obligations to pay taxes. From the explanation, it can be said that the variable of sanction is related to the willingness of the taxpayer to pay its tax debt. In the opinion of Richard Burton (2002), he said that "The rule of law (tax law) in the form of criminal sanctions and administrative sanctions are basically intended for the community to be obedient and willing to pay its obligation of tax debt properly and correctly". Zain (2007) also suggested that "no effort is required if the fear and threat of punishment already comply the taxpayers with its

obligations". The description points out that the study was supported by Richard Burton and Zain.

The Relationship between the Perception of the On-the-Spot Service and the Willingness to Pay Land and Building Taxes in Malang Urban Areas. From the questionnaires, it is obtained that each indicator, from the total score of 5 (five), has an average score of 4 which means that the taxpayer perceives a good quality towards the on-the-spot service. However, the 5 indicators of Zeithaml (tangible, reliability, responsiveness, assurance, and empathy) show the lowest value in the indicator of tangible. This tangible indicator is related to the physical medium of the on-the-spot service. Although the score is good, when it is compared to the values from other indicators, the physical facilities of the on-the-spot service still need more attention from the Government of Malang. This might happen because the on-the-spot service is a service which uses a mobile tax car where there is no convenient waiting room for the taxpayers.

The Relationship between Reputation and the Willingness to Pay Land and Building Taxes in Malang Urban Areas. The reputation of the tax officers in this study is the deed of the tax officers to get a good name. According to Bentham (1789) (in Pasolong, 2016: 194), "the ethical and unethical principles of an action depend on the tendency to produce happiness or to reduce happiness." This opinion is supported by John Stuart Mill (1861) (in Pasolong, 2016: 195) that "an activity is considered ethically good if it can increase happiness, while in contrast, it is considered unethical if it does not bring happiness or pleasure".

From the results of the questionnaires, the average score of the tax officers is 4. This indicates that the reputation of tax officers in Malang is good. Based on the opinion of Bentham, it is mentioned that if the reputation of the tax officers is good, the taxpayers will be happy and the services provided are ethical or good.

The Simultaneous Relationship between Sanction, the Perception of the On-the-Spot Service, and the Reputation of Tax Officers to the Willingness to Pay Land and Building Taxes in Malang Urban Areas. The results show that sanction, the perception of the on-the-spot service, and the reputation of tax officers are significantly and simultaneously correlated with the willingness to pay land and building taxes in Malang. Simultaneously, these three independent variables contribute 88,3% to the willingness to pay Land and Building Taxes in Malang. Whereas, the other 11,7% is influenced by other variables which are not examined in this research.

CONCLUSION

The results of this study indicate that, partially, there is a positive relationship between sanction, the perception of the on-the-spot service, the reputation of tax officers, and the willingness to pay land and building taxes of urban areas. Similarly, there is a simultaneous positive relationship between sanction, the perception of the on-the-spot service, the reputation of tax officers, and the willingness to pay land and building taxes of urban areas. Simultaneously, the three independent variables contribute 88,3% to the willingness to pay Land and Building Taxes in Malang while the other 11,7% is influenced by other variables which are not examined in this research.

REFERENCES

1. Burton, R. (2009). *Kajian Aktual Perpajakan*. Jakarta: Salemba Empat.
2. Mahmudi. (2010). *Manajemen Keuangan Daerah*. Jakarta: Erlangga.
3. Pasolong, H. (2016). *Teori Administrasi Publik*. Bandung: Alfabeta.
4. Singarimbun, M., and Sofian, E. (1989). *Metode Penelitian Survei*. Jakarta: LP3ES
5. Sukmadinata, N.S. (2015). *Metode Penelitian Pendidikan*. PT Remaja Rosdakarya.
6. Zain, M. (2007). *Manajemen Perpajakan*. Jakarta: Salemba Empat.
7. Zeithaml, V. A., Parasuraman, A., and Berry, L.L. (1990). *Delivering Service Quality: Balancing Customer Perceptions and Expectations*. New York: The Free Press.