



JIATIS

Journal of International Accounting, Taxation
and Information Systems

<https://jiatis.com/index.php/journal>

Online ISSN - | Print ISSN -

The Influence of Taxpayer Awareness and Tax Sanctions on Compliance with Land and Building Tax (PBB) Payments During the COVID-19 Pandemic in Surabaya

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ARTICLE INFO

Article History

Received : 05.02.2024

Revised : 29.02.2024

Accepted : 02.03.2024

Article Type: Research
Article

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ABSTRACT

The motivation behind this research stems from the need to compare the Regional Original Income (PAD) of Surabaya before and during the COVID-19 pandemic. It has been observed that there has been a decline in PAD gains during this period. The main objective of this study is to examine and analyze the impact of taxpayer awareness and tax sanctions on compliance with land and building tax payments. Non-compliance among taxpayers can be attributed to a lack of awareness and understanding of their tax obligations, as well as the consequences they may face. To gather data, the purposive sampling method was employed, which involved selecting participants based on specific criteria relevant to the study. The study analyzed questionnaires from 100 land and building taxpayers in Surabaya, collecting primary data. Hypothesis testing was conducted using multiple linear regression analysis with the SPSS program version 26. The findings revealed that both taxpayer awareness and tax sanctions had a significant positive influence on compliance with land and building tax payments when examined individually. Furthermore, when tested together, they also demonstrated a significant positive impact on compliance with these tax payments. Overall, this research provides valuable insights into the factors influencing taxpayer compliance with land and building tax payments in Surabaya. The findings highlight the importance of taxpayer awareness and the effectiveness of tax sanctions in promoting compliance. This information can be used by policymakers and tax authorities to develop strategies and interventions aimed at improving taxpayer compliance and increasing PAD gains.

Keywords: Taxpayer Awareness, Tax Sanctions, Land and Building Tax Payment Compliance

1. Introduction

Taxation serves as a source of funding for the government's responsibilities and development in a country, such as providing education, healthcare, and other public services. Property and Building Tax (PBB) is considered to be one of the important types of taxes in financing development. According to Budiarto & Napitupulu (2015), PBB tax is largely returned to the regions because it is able to increase Regional Original Revenue (PAD) and restore the structural income and expenditure of the regions. It is expected that the community, as taxpayers, will comply with tax payment in order for these matters to be implemented. Especially in Indonesia, which has recently been hit by the COVID-19 pandemic in 2020 (Rejeki, 2022).

The COVID-19 pandemic has significantly impacted the economic stability in Indonesia. This has led to a rise in job layoffs in companies, also known as PHK (Sugianti & Anwar, 2021). Consequently, the income of

the people has decreased while expenses continue to rise. As reported by Liputan6.com, the vice chairman of the Surabaya Regional People's Representative Council (DPRD), Reni Astuti, stated that the Local Original Revenue (PAD) of Surabaya city in East Java province for the first semester of the Fiscal Year 2021 reached around 40.93% or Rp 2.2 trillion, compared to the initial target of Rp 5.5 trillion.

The achievement is believed to be due to the Covid-19 pandemic which has had a negative impact on the Indonesian society. This difference can be seen in the Regional Revenue (PAD) in the city of Surabaya before and during the Covid-19 event, namely in the years 2018 to 2019 as the years before the Covid-19 event took place and in the years 2020 to 2021.

The primary goal of the research is to examine and analyze the impact of taxpayer awareness and tax sanctions on compliance with land and building tax (PBB) payments in Surabaya, particularly in the context of the COVID-19 pandemic. This investigation is motivated by the observed decline in Regional Original Income (PAD) during the pandemic and aims to identify the factors influencing taxpayer compliance to develop strategies that could improve it.

2. Literature Review

2.1. Land and Building Tax (PBB)

The Land and Building Tax (PBB) plays a crucial role in Indonesia, encompassing both individuals and legal entities benefiting from properties or holding rights to land (Hardjodibroto, 2014). It serves as a vital instrument in tax policy, aiming to optimize resource utilization and promote sustainable regional development.

2.2. Taxpayer Awareness

Taxpayer awareness, as articulated by Susilawati & Budhiarta (2013), reflects the genuine commitment of individuals or entities to fulfill their tax obligations with sincerity. This emphasizes the importance of not only adhering to tax requirements formally but also comprehending and valuing individual contributions to national progress through tax payments.

2.3. Tax Sanctions

Tax sanctions, defined by Mardiasmo (2019), act as measures to enforce tax regulations, either through legislative provisions or as a means to ensure compliance with tax standards. They serve as preventive measures, affirming that taxpayers must adhere to tax laws. These sanctions encompass both administrative and criminal measures within the tax framework.

2.4. Tax Payment Compliance

Tax compliance is widely acknowledged as essential for the effective implementation of tax policies and procedures. Furthermore, the success of tax systems hinges on the compliance of individual taxpayers with their tax responsibilities (Alhempri et al., 2020). Tax compliance serves as the bedrock for a well-functioning tax system, ensuring consistent tax revenue projection and enabling the efficient allocation of state resources to support economic and social development.

3. Methodology

Utilizing a quantitative approach, this study tests the hypotheses formulated in the preceding discussion. According to Sugiyono (2017), quantitative methods are grounded in concrete data (positivistic), involving numerical data subjected to statistical analysis, which are relevant to the researched issues to generate conclusions (interpretation). The identified population for this study comprises taxpayers of land and buildings registered in Surabaya. As per records from the Regional Revenue Agency (*Badan Pendapatan Daerah - Bapenda*) Surabaya cited in JawaPos (2023), the total number of registered PBB taxpayers in Surabaya is 802,199 individuals.

The sample selected for this research must meet certain criteria, including ownership of land or buildings, registration as a PBB taxpayer, a minimum age of 20 years, occupation, gender, and educational level. The Slovin formula will be utilized to determine the sample size for this study.

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{802.199}{1 + 802.199 (0,1)^2}$$

$$n = \frac{802.199}{8.022,99}$$

n = 99,98 rounded to 100 samples

Hence, the respondents selected for this study amount to 100 PBB taxpayers. The collected questionnaires will undergo scrutiny to ensure the completeness of their data.

This methodology employs a Likert scale ranging from five to seven points, aligning with participants' levels of agreement or disagreement with the given items. A series of questions regarding participants' actions concerning the investigation subject are presented in the Likert scale. Additionally, each respondent's answer carries a value of five points on a scale from agree to disagree.

The data sources utilized in this research consist of both primary and secondary data. Primary data is obtained through questionnaire surveys, while secondary data is derived from scientific journals cited in previous research, literature books, and relevant websites.

4. Results and Discussion

4.1. Research Results

4.1.1. Validity Test

For the taxpayer awareness variable (X1), tax sanctions variable (X2), and compliance with PBB payments variable (Y), the r-value exceeds the r-table (0.195). This leads to the conclusion that all items in the questionnaire are deemed valid.

4.1.2. Reliability Test

The taxpayer awareness variable (X1), tax sanctions variable (X2), and compliance with PBB payments variable (Y) all exhibit a Cronbach's Alpha value exceeding 0.60. Thus, all items in the questionnaire are considered reliable.

4.1.3. Classical Assumption Test

1) Normality Test

The normality test results using Kolmogorov-Smirnov in this study indicate that the taxpayer awareness variable (X1), tax sanctions variable (X2), and compliance with PBB payments variable (Y) all have values > 0.05, specifically 0.291. Therefore, all items in the questionnaire are considered normally distributed.

2) Multicollinearity Test

The tolerance values for the taxpayer awareness variable (X1), tax sanctions variable (X2), and compliance with PBB payments variable (Y) are 0.250 each, exceeding 0.01. The VIF values for all variables are less than 10.00. Thus, overall, the questionnaire data distribution is free from multicollinearity assumptions.

3) Heteroscedasticity Test

The scatter plot data for the taxpayer awareness variable (X1), tax sanctions variable (X2), and compliance with PBB payments variable (Y) exhibit randomly scattered points, indicating no specific pattern. This suggests the absence of heteroskedasticity indications.

4) Linearity Test

The linearity test results, with F-values compared to F-table, indicate a linear relationship between the variables. Since the F-table for 100 respondents is 3.940 and the F-values for the first and second deviation linearity tables are 1.658 and 2.888 respectively, it can be concluded that there is a linear relationship between variables X1, X2, and Y.

4.1.4. Multiple Linear Regression Analysis

Presents the multiple linear regression equation, which is as follows:

$$Y = 2,301 + 0,333 X1 + 0,574 X2 + e$$

Based on the equation above, here is the explanation :

1. $\alpha = 2,301$

The constant value of the equation above shows a value of 2.301, this value indicates that if taxpayer awareness (X1) is 0.333 and tax sanctions (X2) is 0.574, the value is fixed or there is no influence at all, then the compliance to pay PBB (Y) is 2.301.

2. $\beta_1 = 0,333$

The regression coefficient of taxpayer awareness (X1) of 0.333 is positive, this means that if taxpayer awareness (X1) increases by one unit, the PBB payment compliance variable (Y) will increase by 0.333.

3. $\beta_2 = 0,574$

The regression coefficient of tax sanctions (X2) of 0.574 is positive, this means that if the tax sanctions (X2) increase by one unit, the PBB payment compliance variable (Y) will increase by 0.574.

4.1.5. Hypothesis Testing

1) t test (Partial)

Table 1. T-test (Partial)

Research Variables	Significant	Description
Taxpayer Awareness (X ₁)	0,000	Supported Hypothesis
Tax Sanctions (X ₂)	0,000	Supported Hypothesis

Source: SPSS 26 output processed, 2023.

Based on the presentation of table 1 above, it can be interpreted:

- 1) On the taxpayer awareness variable (X1) has a significance number of 0.000 < 0.05 so that Ho is rejected and Ha is accepted. It is concluded that the taxpayer awareness variable (X1) has a significant effect on compliance to pay PBB (Y).
- 2) The tax sanction variable (X2) has a significance of 0.000 < 0.05 so that Ho is rejected and Ha is accepted. It is concluded that the tax sanction variable (X2) has a significant effect on compliance to pay PBB (Y).

2) F Test (Simultaneous)

Table 2. F Test (Simultaneous)

F value	Significant	Description
231,667	0,000	Supported Hypothesis

Source: SPSS 26 output processed, 2023.

The presentation of table 2 highlight that the significance value is $0.000 < 0.05$ so that H_0 is rejected and H_a is accepted. It is concluded that the variables of taxpayer awareness (X1) and tax sanctions (X2) have a positive and significant effect on compliance with paying PBB (Y).

3) Coefficient of Determination (R^2)

Table 3. Test Results of the Coefficient of Determination (R^2)

R	R Square	Adjusted R Square
0.909	0,827	0,823

Source: SPSS 26 output processed, 2023.

The presentation of table 3 above, concluded that the value of $R = 0.909$ means that the relationship that includes the independent variable, namely taxpayer awareness (X1), tax sanctions (X2) on the dependent variable, namely compliance to pay PBB (Y) is very strong because it is close to 1, while the coefficient of determination (R^2) obtained a value of 0.827 means that the influence of taxpayer awareness (X1) and tax sanctions (X2) on compliance to pay PBB is 82.7%. Therefore, for a percentage of 17.3% will be influenced by other factors or it could be other variables.

4.2. Discussion

4.2.1. The Partial Influence of Taxpayer Awareness on Compliance with PBB Payments During the COVID-19 Pandemic in Surabaya

The research highlights a compelling connection between taxpayer awareness and compliance with Land and Building Tax (PBB) payments during the COVID-19 pandemic in Surabaya. The analysis reveals a highly significant correlation, with a p-value of 0.000, far below the conventional threshold of 0.05. This statistical evidence supports the alternative hypothesis, indicating that taxpayer awareness significantly influences PBB payment compliance on an individual basis.

This finding underscores the importance of taxpayer education and outreach programs. By increasing awareness about tax obligations and the benefits of tax compliance, the government can foster a more responsible and cooperative taxpayer base (Susilawati & Budhiarta, 2013). Educational initiatives that inform taxpayers about the critical role of taxes in funding public services and national development can significantly enhance voluntary compliance. Additionally, integrating effective sanctions with these educational efforts can reinforce the importance of fulfilling tax obligations. As taxpayers become more aware of their responsibilities and the consequences of non-compliance, their willingness to pay taxes is likely to increase, leading to higher compliance rates and more efficient tax collection.

4.2.2. The Partial Influence of Tax Sanctions on Compliance with PBB Payments During the COVID-19 Pandemic in Surabaya

The study also examines the impact of tax sanctions on compliance with PBB payments, revealing a significant positive effect. The statistical analysis shows a p-value of 0.000, indicating that tax sanctions are a crucial factor in ensuring taxpayer compliance during the pandemic. This finding validates the hypothesis that imposing penalties for non-compliance can effectively encourage taxpayers to meet their obligations.

However, the research emphasizes that reliance solely on punitive measures may not be the most effective strategy. While sanctions are essential for enforcing compliance, they should be complemented by educational efforts and improvements in the tax administration system (Siregar, 2017). An overemphasis on penalties can lead to distrust and adversarial relationships between taxpayers and the government. Therefore, a balanced approach that combines fair and proportionate sanctions with comprehensive taxpayer education can create a more positive compliance environment. Educating taxpayers about their obligations and the benefits of compliance, while also enforcing penalties for non-compliance, can help build a culture of voluntary and cooperative tax payment.

4.2.3. The Simultaneous Influence of Taxpayer Awareness and Tax Sanctions on Compliance with PBB Payments During the COVID-19 Pandemic in Surabaya

The research further investigates the combined effect of taxpayer awareness and tax sanctions on PBB payment compliance during the COVID-19 pandemic. The findings demonstrate that both variables significantly influence compliance when considered together, with a p-value of 0.000. This simultaneous impact suggests that a multifaceted approach, incorporating both awareness and enforcement, is essential for enhancing tax compliance.

Achieving a balance between preventive and enforcement strategies is crucial. Preventive measures, such as educational programs and awareness campaigns, can foster a sense of responsibility and voluntary compliance among taxpayers. These initiatives help taxpayers understand the importance of paying taxes and the role of taxes in supporting public services and infrastructure (Abdulle, 2020). On the other hand, enforcement measures, such as sanctions and penalties, ensure that non-compliance is addressed and deterred. Applying sanctions proportionally and fairly ensures that taxpayers understand the consequences of non-compliance without feeling unfairly targeted or punished.

In summary, the research underscores the importance of integrating taxpayer awareness and sanctions to improve compliance with PBB payments. By combining education, outreach, and fair enforcement, the government can create a more effective and cooperative tax environment. This balanced approach not only enhances compliance but also fosters trust and cooperation between taxpayers and the government, ultimately supporting the goal of efficient tax collection and national development.

5. Conclusion

Based on the data analysis and discussion that have been conducted, several conclusions can be drawn. First, the variable of taxpayer awareness has a positive and significant effect on compliance with paying PBB (Land and Building Tax) during the Covid-19 pandemic in Surabaya, partially. Second, the tax sanction variable also shows a positive and significant effect on compliance with paying PBB in the same conditions. Third, simultaneously, taxpayer awareness and tax sanctions have a positive and significant effect on compliance with paying PBB during the pandemic in Surabaya.

However, this study has several limitations. First, the independent variables, namely taxpayer awareness and tax sanctions, only briefly describe the factors that influence the dependent variable, which is tax payment compliance. This indicates that there are other variables that may affect compliance. Second, the sample measurement was carried out using the Slovin method with a limited error margin of 10%.

Based on the research findings and existing limitations, several recommendations can be made to improve compliance with paying PBB in Surabaya. First, the already good taxpayer awareness of the obligation to pay PBB needs to be further enhanced to support increased compliance and efficiency in tax collection. Second, the effective implementation of tax sanctions should be maintained and improved to achieve its objectives without compromising fairness and taxpayer compliance. Third, for future research, these findings can serve as a basis for measuring taxpayer awareness and tax sanctions in reducing and increasing compliance with paying PBB.

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