

The Impact of Taxpayers' Attitude Toward the Effectiveness of Land and Building Tax Implementation

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Abstract

As has been widely known, tax is still the main source to meet financing need of urban and rural development in developing countries. This fact has made tax compliance rate serves as an important measure that can be used to predict the continuation of the on-going development projects. Hence, achieving full compliance rate has become major concern of Indonesian Government particularly in supporting the development of rural area such as in Garut Regency Indonesia. However, in contrast to urban citizen, the attitude of most taxpayers in rural area is presumed to show lower compliance due to several factors such as level of knowledge. In response to that phenomenon, this research aims to obtain knowledge regarding the effect of taxpayers' attitude toward the effectiveness of land and building tax implementation in Garut Regency. Quantitative data was acquired by using survey that involves 96 respondents that were selected by using simple random sampling. This study also employs qualitative data by means of interview and soliciting relevant documents. The findings show that there is significant impact of taxpayer's attitude toward the effectiveness of land and building tax implementation. Surprisingly, the attitude of taxpayers in Garut Regency found to be favorable. The same result is also found for the effectiveness of land and building tax implementation. The opportunity for future studies is also being discussed in response to the findings.

Keywords: Tax; Taxpayer; Attitude; Tax implementation; Indonesia.

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1. Introduction

Taxes on land and property are at best minor revenue sources in all countries. For the developing countries, for example, such taxes accounted for only about 0.4% of GDP and about 2% of total tax revenues in the 1990s. It was slightly decreased from earlier decades. Nevertheless, the equivalent share for the OECD countries remained at a little bit more than 1% of GDP and about 4% of all tax revenues throughout the period (Bird and Slack, 2002). Bird and Slack (2002) state that dependence on property taxes as a source of local government revenue varies across jurisdictions depending upon many factors, such as the expenditure responsibilities assigned to local governments, the other revenues available to them (such as intergovernmental transfers, user fees, and other taxes), the degree of freedom local governments have with respect to property taxation, the size and growth of the tax base available to them, and their willingness and ability to enforce such taxes.

Although significant improvement has been achieved in 2016, there are seven out of ten hamlets that are still unable to show full compliance toward Indonesian taxation regulation. According to public officer in Garut, several common causes of this phenomenon are tax payers' lack of information, concern, and trust regarding the benefits of Land and Building Tax. Another less common cause of this phenomenon is the temperamental behaviors shown by taxpayers that put tax officials in distress whenever they try to collect the tax. To support local government to continuously develop rural area especially in Garut Regency, this condition cannot be left alone. A set of programs must be formulated in response to the suboptimum compliance rate.

This research aims to measure taxpayers' attitude in Garut Regency, Indonesia, the effectiveness of land and building tax implementation in Garut Regency, Indonesia. The findings of this research can provide valuable data to formulate the corresponding programs for Garut Regency in managing Land and Building tax.

2. Literature Review

Ramdhani *et al.* (2012) said that as one of the internal environmental factors, attitude can affect a person's decision to purchase a product. Glaeser (1995) states that the resident attitude to payment of property tax is a function of the amount of property tax paid and the level of infrastructure being provided within a locality. According to Brown and Mazur (2003), tax compliance is multi-faceted measure and theoretically it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. In relation to taxation, taxpayers' attitudes may be defined as positive or negative views of tax

compliance behaviour. The outcome of positive views is tax compliance and negative views is tax noncompliance (Marti *et al.*, 2010).

Some form of awareness to pay taxes that encourage taxpayers to pay taxes (Gashi and Kukaj, 2016). Tax evasion affected by the attitude of awareness of the taxpayer and tax morale is present in every taxpayer (Sumartaya and Hafidiah 2014). Irianto and Jurdi (2005) outlines some form of awareness to pay taxes that encourage taxpayers to pay taxes. Moreover, Irianto and Jurdi (2005) states that taxpayers will pay for tax as long as they have realized that tax set foot upon strong legal foundation and is the absolute duty of every citizen. Duncan (1985) explains that effectiveness can be measured by the basis of the followings.

2.1. Achievement of Purpose

The achievement of purpose must be seen as a process that involves a set of correlated activities and events. As a process, the achievement of purpose needs two essential elements. Firstly, it needs milestones in the form of specific objective that must be achieved in sequence. Secondly, it needs a timeline that is the period of which those objectives must be met.

2.2. Integration

Integration can be defined as organizational ability to conduct socialization, consensus building, and communication with other surrounding organizations since no organizations are operated in a vacuum. Hence in order to achieve its objectives, any organization must be able to obtain support from its surrounding environment.

2.3. Adaptation

Adaptation is organizational ability to adjust its behaviour, in the form of policies, procedures, and structures, to deal with its environment in order to achieve its objectives. Adaptation indicates organizational resilience to deal with unexpected challenges posed by the change in its environment, internal and external. This ability is essential in determining the sustainability of the organization.

According to Salman and Farid (2007), there is a positive impact of taxpayers' attitude and morale toward tax collection rate in Surabaya, Indonesia. Imaniyah and Handayani (2008) states that taxpayers' knowledge is dramatically affect tax payment behaviour in Pekalongan, Indonesia. Budihartama and Jati (2016) states that there is a positive correlation between taxpayer's attitude, awareness, and knowledge towards tax collection rate in Denpasar, Indonesia.

3. Methodology

Quantitative method was chosen and simple linear regression was adopted to determine the effect of taxpayers' attitude as independent variable (X) toward the effectiveness of land and building tax implementation as dependent variable (Y). The survey conducted by using paper-based questionnaire as the instrument with 96 taxpayers in Garut Regency are involved as respondents. The respondents are selected by means of simple random sampling. This research also used descriptive analysis in order to provide answers toward the following questions: (i) how is the attitude of taxpayers in Garut Regency? and (ii) how is the effectiveness of tax implementation in Garut Regency?

The respondents are dominated by 41 to 50 years old group of age by 32,9%. The proportion of male respondents is outnumbered by female respondents by more than twofold which is 63,5% and 24,5% consecutively. The majority of respondents (67,71%) have education level that are equal to elementary school. Moreover, significant proportion of the respondents are working as a farmer for a living (34,4%).

4. Results

From the calculation to test the hypothesis by using error rate (α) = 0,05, this study obtains $t_{\text{calc}} = 15,5313065$ that is higher than $t_{\text{table}} = 1,985523442$. Hence, based on the aforementioned decision rule, it can be stated in confident that there is an impact of taxpayers' attitude toward the effectiveness of land and building tax implementation in Garut Regency.

The regression equation that explains the relationship between taxpayers' attitude (X) and the effectiveness of land and building tax implementation (Y) in Garut Regency is $Y = 10,65 + 0,79 X$. This equation can be interpreted that, without any interference of other factors, the magnitude of the effectiveness of land and building tax implementation is 10,65 point. However, when another factor put into effect, the increase of taxpayers' attitude by a single point will increase the effectiveness of the land and building tax implementation by 0,79 point.

The magnitude of impact of taxpayers' attitude (X) toward the effectiveness of land and building tax implementation (Y) can be determined by using the coefficient of determination (r^2). The value of r^2 between the studied variables is 71,96%. This value shows that the impact of taxpayers' attitude toward the effectiveness of land and building tax implementation in Garut regency can be categorize as "High". The value of r^2 also indicate that there is 28,04% of the change on the effectiveness of land and building tax implementation that are left unexplained by the model.

The average response toward the independent variable, i.e. taxpayers' attitude, in the implementation of land and building tax implementation in Garut Regency is fell under "Good" category with the value of 73,28%. This is a strong indication that the respondents, in average, provide positive response toward the items although in reality some problems regarding the attitude of taxpayers are still arise. One conspicuous problem is the awareness of taxpayers regarding the time limit of land and building tax payment. In general, the effectiveness of land and

building tax implementation in Garut can be categorized as “Good” with 75,82% as the average value. This is an indication that respondents, in average, provide positive response toward the items of this variable (i.e. dependent variable).

It is interesting to found that, although the education level of major part of respondents are only equal to elementary school graduate, they manage to display a good attitude toward land and building tax implementation. The research also found that the land and building tax implementation in Garut Regency is highly effective. These findings provide some challenge toward the common presumption that education level might limit taxpayer’s awareness and knowledge toward tax paying behavior. Hence, for future studies, it is suggested that various factors that influence tax-paying attitude and behavior must be revisited and further explored.

5. Conclusion

In the attempt to improve the effectiveness of land and building tax implementation, this research manages to obtain several interesting findings that can provide meaningful contribution to craft corresponding programs to enhance tax compliance rate especially in Garut regency, Indonesia. The taxpayers’ attitude and the effectiveness of land and building tax implementation variables both can be categorized as “Good”. And based on the regression equation that is found in this study, there is a significant impact of taxpayer’s attitude toward land and building tax implementation in Garut regency, Indonesia. Based on the findings, this paper also suggests further studies to revisit and explore various factors that influence tax-paying attitude and behavior. Hopefully, further enhancement on the understanding toward the determinants of tax-paying attitude and behavior will improve tax compliance rate through the formulation of more cost-effective policies and programs.

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