



Factors Inhibiting Land And Building Taxpayer Compliance In Sei Sikambing B Village, Medan Sunggal

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Abstract: *The Land and Building Tax (PBB) serves as a vital source of regional revenue, supporting essential government initiatives such as infrastructure development, education, healthcare, and various public services. Despite its importance, community compliance with PBB payments in Sei Sikambing B Sub-district remains low. This raises the need to identify the factors hindering compliance and explore strategies to address them. This study aims to uncover the challenges affecting PBB payment compliance and assess the effectiveness of government measures in raising public awareness. A qualitative approach was employed, involving data collection through interviews with residents and staff from the Sei Sikambing B Village office. The findings reveal several key obstacles to taxpayer compliance, including limited public awareness, inadequate enforcement of tax regulations, financial constraints, insufficient dissemination of tax-related information, and inefficiencies in the tax collection system.*

Keywords: *Land and building tax, taxpayer compliance, payment obstacles.*

1. INTRODUCTION

The Land and Building Tax (PBB) is a state-imposed tax regulated under Law No. 12 of 1985 on Land and Building Tax, later amended by Law No. 12 of 1994. This tax plays a crucial role in generating Regional Income (PD), which is instrumental in funding essential government programs, including infrastructure development, education, healthcare, and various public services.

The payment of PBB holds significant importance as it directly contributes to the realization of these programs. However, in practice, various challenges affect taxpayer compliance, impacting the efficiency of revenue collection and the subsequent implementation of public initiatives.

This research seeks to address the following key issues:

- a. What are the inhibiting factors that prevent community members from paying the Land and Building Tax (PBB)?
- b. What policies has the Sei Sikambing B Village government implemented to enhance public awareness and compliance in paying PBB?
- c. How can the supporting factors for taxpayers be evaluated to improve compliance and payment efficiency?

This study was conducted in Sei Sikambing B Sub-district with the primary objectives of identifying the factors that hinder residents from paying taxes, examining the efforts made by the local government to raise public awareness of Land and Building Tax (PBB) obligations, evaluating the effectiveness of existing tax policies and systems, and reducing non-compliance in PBB payments.

According to data reports from the Sei Sikambing B Sub-district, PBB payments for the 2024 period from January to September only reached 55% of the annual target. If this trend continues in subsequent years, it could lead to a decline in the sub-district's economic stability and hinder the funding of essential public services and development programs.

Table 1

Land and Building Tax Revenue and Realization Targets in Sei Sikambing B Subdistrict in 2024

Year 2024	PBB Revenue Target	PBB Revenue Realization	Percentage %
January - September	Rp.13,541,342,239	Rp.7,461,229,165	55%

2. THEORETICAL STUDY

This research draws on several theoretical perspectives related to tax administration, taxpayer behavior, and public awareness in taxation.

Sasmita (2019) highlights the importance of tax administration development programs implemented by relevant agencies to maximize state tax revenues. These programs leverage technological advancements to enhance administrative performance, both collectively and individually, ensuring efficiency in tax collection processes. Fitriandi (2021) emphasizes the role of taxpayers in fulfilling their obligations and exercising their rights within the taxation system. This underscores the need for clear communication and accessible procedures to encourage compliance.

Maxuel and Primastiwi (2021) stress the significance of socialization efforts in taxation. They define socialization as the process of providing understanding, insights, and guidance to the public, enabling individuals to grasp all aspects related to taxes and their obligations. Ni Made Dwi AY, Rai G.A., and Putu Aristy AW (2022) found that taxpayer awareness has a significant and positive influence on corporate income tax revenues under Article 25. Their study reinforces the critical role of public awareness in ensuring the effectiveness of tax collection.

3. METHODOLOGY

This study employs a qualitative research approach, utilizing interviews as the primary data collection technique. Primary data were gathered through direct interviews with community members and staff from the Sei Sikambing B Sub-district office. The qualitative approach was selected to enable researchers to gain in-depth insights directly from the participants, allowing for a richer understanding of the issues surrounding Land and Building Tax (PBB) compliance. In addition to interviews, observational data were also collected to further support and validate the findings.

4. RESULTS AND DISCUSSION

Inhibiting Factors for the Community in Sei Sikambing B Sub-district in Making Land and Building Tax (PBB) Payments

According to Law No. 12 of 1985, later amended by Law No. 12 of 1994, individuals or communities that possess rights to land and buildings are obligated to pay Land and Building Tax (PBB). This regulation emphasizes that the tax is levied on objects such as land and buildings. However, in practice, several factors hinder the community in Sei Sikambing B Sub-district from fulfilling this obligation:

a. Lack of Public Awareness

Despite the legal obligation, many community members neglect their responsibility to pay PBB due to insufficient awareness about its importance. This lack of awareness stems from limited education on the functions and benefits of taxes. While taxes contribute significantly to public services and development, the community often fails to connect these benefits to their tax payments.

Awareness, as defined by the *Kamus Besar Bahasa Indonesia* (KBBI), refers to a sense of responsibility, obligation, and understanding of one's rights and duties. Without adequate outreach or educational programs, this awareness remains low, resulting in non-compliance.

b. Weak Law Enforcement

Ineffective enforcement of tax regulations significantly undermines compliance. The absence of strict and consistent law enforcement allows many taxpayers to evade their obligations without consequence. This leniency diminishes the community's sense of accountability and reduces their willingness to fulfill tax obligations, including PBB payments.

c. Economic Burden

Economic challenges such as high unemployment rates and inflation create additional barriers to PBB compliance. Many residents struggle to meet basic needs, leaving little to no funds available for tax payments. With low-income levels and rising living costs, setting aside money for taxes becomes an overwhelming burden for many households.

Previous studies have identified similar obstacles that hinder tax compliance. These include lack of public understanding and education on taxation policies; inefficiencies in the tax collection system; social and economic disparities that reduce the ability to comply with tax obligations. These findings align with the situation in Sei Sikambing B Sub-district, emphasizing the need for targeted strategies to address these issues.

Research on factors affecting taxpayer compliance reveals several additional obstacles faced by communities in meeting their PBB obligations:

a. Lack of Information

A significant barrier is the inadequate dissemination of information by the government regarding PBB. Taxpayers often lack a clear understanding of the purpose, benefits, and procedures for paying PBB due to the absence of targeted and accessible communication efforts.

b. Personal Economic Environment

Economic hardships play a critical role in tax non-compliance. Taxpayers facing financial difficulties or unemployment often delay PBB payments. Additionally, increases in PBB rates further burden taxpayers, making compliance less feasible for those with limited or irregular income.

c. Cultural Norms and Awareness

Tax compliance is influenced by cultural attitudes and public awareness. For many, paying taxes is not a priority compared to fulfilling immediate needs. Furthermore, misconceptions about taxes—such as the belief that they are a form of extortion—persist among some taxpayers. A lack of understanding about how the government utilizes tax revenue exacerbates these negative perceptions.

d. **Leaked Tax Collection and Weak Oversight**

Public trust in the tax system is undermined by weak government supervision and control over tax authorities. Instances of mismanagement or perceived misuse of tax revenues create doubts and foster negative assumptions about the integrity of the system, further discouraging compliance.

Efforts by the Sei Sikambing B Sub-district Government to Increase Land and Building Tax (PBB) Payments

The Sei Sikambing B Sub-district government, through its Regional Revenue Agency, has implemented various strategies to boost Land and Building Tax (PBB) payments. The steps taken include:

- a. **Waiving Fines for Tax Arrears**, the government provides relief to taxpayers by temporarily waiving fines for those with overdue PBB payments.
- b. **Public Awareness Campaigns**. leaflets and brochures are distributed to educate residents about the critical role of PBB payments in funding infrastructure development for the city of Medan.
- c. **Incentives for Timely Payments**, feedback and recognition are given to individuals who consistently pay their PBB obligations on time each year.
- d. **Direct Community Engagement**, PBB revenues are visibly reinvested in local infrastructure, education, and healthcare facilities, demonstrating tangible benefits to the community.
- e. **Consistent Tax Collection Efforts**, daily follow-ups are conducted with residents who have not yet settled their tax payments to ensure compliance.

Expert Recommendations for Increasing Tax Awareness and Compliance

Several approaches suggested by experts to improve tax payment systems include:

- a. According to Sri Mulyani (Minister of Finance), adopting digital payment systems simplifies the tax process, allowing taxpayers to pay online without visiting tax offices or banks.
- b. Faisal Basri (economist) suggests offering discounts and waiving penalties to encourage timely payments and boost compliance rates.
- c. Waluyo (2020) emphasizes the importance of using digital technology to make tax payments more transparent, secure, and convenient for taxpayers.

Impact of Delayed Land and Building Tax Payments on Economic Growth

Collecting taxes poses significant challenges, particularly when regulations frequently change, and taxpayer awareness remains low. In Sei Sikambing B Sub-district, delays in PBB payments contribute to slower economic growth and increasing regional debt.

The lack of taxpayer compliance has a direct impact on the sub-district's economic development, as taxes play a vital role in funding public projects. These roles include:

- a. Budget Function, taxes act as a source of regional revenue, financing government expenditures and development programs.
- b. Regulatory Function, taxes help manage state finances by balancing income, expenditure, and funding allocations.
- c. Stability Function, tax revenues support economic stability by fostering growth and preventing inflation.
- d. Redistribution Function, tax funds are used to create economic equity, such as through job creation programs that stimulate money circulation and reduce inequality.

5. CONCLUSION

Tax collection is a challenging task due to frequent changes in government regulations and the need for strong public awareness to achieve tax compliance. In Sei Sikambing B Sub-district, the level of tax compliance remains suboptimal, influenced by several key factors. The primary obstacles to paying Land and Building Tax (PBB) in Sei Sikambing B Sub-district include lack of public awareness where many residents are unaware of the importance of paying taxes and how PBB contributions benefit the community; a weak local economy, coupled with high living costs, limits the ability of residents to fulfill their tax obligations; and inconsistent enforcement of tax regulations diminishes accountability and compliance.

Despite these challenges, infrastructure development in Sei Sikambing B Sub-district has progressed, although there is room for further improvement to meet community needs and ensure sustainable growth. To enhance tax compliance, the community must develop a stronger understanding of the significance of paying PBB as a civic duty. As responsible citizens, individuals should not only adhere to government regulations but also encourage others to fulfill their tax obligations. Through collective effort and improved awareness, Sei Sikambing B Sub-district can achieve greater economic stability and development.

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