The Effect of Awareness and Knowledge on Taxpayer Compliance in Paying Building Land Tax

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ARTICLE INFO

ABSTRACT

The research was conducted in Maron Village, Probolinggo Regency with the aim to test the effect of taxpayer awareness on taxpayer compliance to pay land and building tax, and to test the effect of taxpayer knowledge on taxpayer compliance to pay land and building tax. The type of research used is quantitative descriptive with a causal associative approach. Data sources in the form of primary data were collected using questionnaires measured on a Likert scale, this study used a sample of 394 land and building tax taxpayers in Maron Village. Descriptive analysis methods and statistical analysis are used in the form of Partial Least Square (PLS) analysis data, namely outer model analysis, inner model analysis, and hypothesis testing. The results showed that awareness has a significant effect on taxpayer compliance to pay land and building tax in Maron Village, Probolinggo Regency, and knowledge has a significant effect on taxpayer compliance to pay land and building tax in Maron Village, Probolinggo Regency.

Keywords: Awareness, Knowledge, Compliance, Land and Building Tax

1. Introduction

Every resident of Indonesia will enjoy facilities or services from the government sourced from taxes, increased tax revenue from Land and Building Tax (PBB) in a region related to the level of taxpayer compliance in paying taxes. Based on Law Number 28 of 2009 concerning Regional Taxes and Regional Levies, where the Land and Rural and Urban Building Tax (PBB P-2) becomes a regional tax, this type of tax will be calculated as local original revenue and increase the ability of regions to finance their own regional needs (Nafiah et al., 2021).

According to the General Provisions and Tax Procedures, that Tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on the law, with no direct compensation and used for state purposes for the greatest prosperity of the people (Ibramsyah & Juitania, 2021).Land and building taxes received by the region are one of the important sources of revenue for the region in the current era of autonomy. For this reason, it is necessary for the government to increase the role of PBB as a source of revenue through increasing taxpayer awareness (Mete et al., 2020).

In addition, taxpayer compliance in fulfilling tax obligations and exercising tax rights is also required. Good taxpayer compliance will be seen from his regularity to deposit taxes. The existence of compliance from Taxpayers is expected by Taxpayers to strive to comply with applicable tax law regulations, either fulfilling obligations or exercising their tax rights. The advantages of taxpayer compliance include compliance in registering, timely filing tax returns for all types of taxes, calculating and paying taxes owed and paying tax arrears. Land and Building Tax is considered as a potential source of funds for state financing, but in its realization tax collection is still difficult for the state. This is due to the low level of taxpayer compliance and public trust in the tax management administration (Khayati, 2021).

The Regional Government annually establishes a plan for Land and Building Tax (PBB) revenue as a source of Local Original Revenue (PAD), but the plan is not realized optimally, this is because there are still many taxpayers who do

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not comply with fulfilling their obligations. Similarly, what happened in one of the sub-districts in Probolinggo Regency, namely Maron District, that PBB revenue did not meet the initial target. The obstacles faced by regional movers to increase state revenue from the land and building tax sector include the low level of taxpayer compliance so that taxpayers try not to pay land and building taxes that are their dependents.

The realization of Land and Building Tax revenue from Maron District from 2017 to 2019 as Table 1 is as follows:

Table 1. Realization of Tax Revenue in 2017 – 2019

No	Year	Target (Amount) Initial		Acceptance		%
		WP	IDR 000	WP	IDR 000	
1	2017	24.009	688.501	22.285	641.909	93%
2	2018	24.174	642.739	20.780	570.500	89%
3	2018	24.481	643.910	17.717	121.537	81%

Data source: Maron sub-district, 2022

From the table, it can be seen that Land and Building Tax (PBB) revenue in 2017 amounted to IDR 641,909,363, - reached 93%, in 2018 amounted to IDR 570,500,470, - reached 89%, and in 2019 amounted to IDR 121,536,788, - reached 81% of the set target. In those three years, the realization of revenue has decreased, this is partly due to taxpayers reluctant to pay, and do not realize the important role of land and building taxes to delay paying according to taxpayers' wishes. The level of compliance of taxpayers in the Maron sub-district area to fulfill their tax payment obligations is still low. The lack of knowledge and awareness of Taxpayers on Taxpayer compliance in paying Land and Building Tax can be the cause of non-optimal tax revenue.

Taxpayer knowledge about tax regulations and processes, taxpayers need to determine tax behavior appropriately, while another important thing in taxation is taxpayer awareness. Taxpayer awareness is the willingness to fulfill their obligations, including being willing to contribute funds to the implementation of government functions by paying taxes. Taxpayer awareness in paying tax obligations will increase if there is a positive impression/response to taxes in the community (Abdullah et al., 2022).

Based on the concept and research results of Nafiah et al. (2021), Herlyastuti (2018), and Abdullah et al. (2022), the first hypothesis was determined that taxpayer awareness has a significant effect on taxpayer compliance to pay land and building tax,

Taxation knowledge is the extent to which the level of knowledge possessed by taxpayers in knowing and understanding taxation, namely General Provisions and Tax Procedures and Laws governing taxes (Herlyastuti, 2018). Increasing public taxation knowledge through tax education, both formal and non-formal, will have a positive impact on taxpayers' awareness to pay taxes. Taxpayer awareness to pay taxes on time will affect the high and low compliance of Taxpayers. Taxpayer compliance is a condition in which the taxpayer fulfills all tax obligations and exercises his tax rights (Khayati, 2021). However,

tax knowledge itself is generally related in one's education level, people who have higher tax knowledge will have higher compliance, because in addition to knowing the tax rate charged to them, they also know that if they do not carry out their obligations as taxpayers they will be subject to sanctions or fines. Taxation knowledge can be the right action for tax socialization in influencing individual taxpayer compliance. The existence of good tax knowledge can help improve taxpayer compliance with the importance of paying taxes and taxpayers can do in accordance with tax laws and regulations.

Based on the concept and research results of Wulandari & Wahyudi (2022) and Nafiah & Warno (2018), a second hypothesis was established that taxpayer knowledge has a significant effect on taxpayer compliance to pay land and building tax.

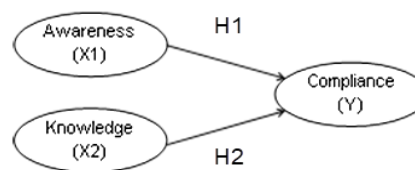The conceptual framework built in this research is as follows:

Figure 1 : Conceptual Framework
(Source: Research development, 2022)

2. Method

The type of research used is quantitative descriptive with a causal associative approach. Causal associative is research that asks the relationship between two or more variables, causal relationships (Sugiyono, 2020). The data source is primary data, with a sample of 394 taxpayers PBB in Maron Village, Maron District. Data obtained by distributing questionnaires to respondents measured by Likert scale. Data analysis techniques include:
a. Descriptive Statistics
   Descriptive statistics is a statistic used to analyze data by describing or describing the data that has been collected as it is without intending to make generalized conclusions or generalizations (Sugiyono, 2020).
b. Statistical Analysis
   Partial Least Square (PLS) Analysis data aims to help researchers to obtain latent variables for prediction purposes (Ghozali, 2015). The data in smartPLS analysis does not have to have a normal distribution because SmartPLS uses bootstrapping methods or random duplication. Therefore, the assumption of normality will not be a problem for PLS (Harahap, 2018).
The research was conducted in three stages, namely:
a. Outer Model Analysis.
   Evaluation of the measurement model or outer model is carried out to assess the validity or reliability of the model. Outer models with reflexive indicators are evaluated through convergent and discriminant validity of latent construct-forming indicators and composite

reliability as well as cronbach alpha for their indicator blocks (Ghozali, 2015). Validity criteria are seen from the reliability value of a construct and the Average Variance Extracted (AVE) value of each construct. The construct is said to have high validity if the value is 0.70 and AVE is more than 0.50 (Aisyah et al., 2019). The research instrument is said to be reliable if the Cronbach alpha value is greater than 0.70, and this research indicator is said to be reliable if the composite reliability value is more than 0.70 (Andini and Surya, 2020).

b. Inner Model Analysis.

Inner model analysis is also known as structural model analysis, which aims to predict relationships between latent variables (Ghozali, 2015). This test can be known through the R-Square value for the dependent variable.

c. Hypothesis Testing.

After conducting various evaluations, both outer model and inner model, the next step is to test the hypothesis. The t-test (partially), the significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight (Aisyah et al., 2019)

3. Results and Discussion

3.1 Results

a. Description of Respondents

The description of the respondent is presented to provide an overview of the respondent's self-condition in terms of the respondent's gender and education level, as follows:
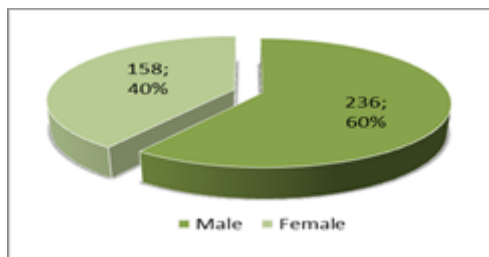

Figure 2. Respondent Gender Data
(Source: data processed 2022)

From Figure 2 shows that the respondents are 236 (60%) men and 158 (40% women), ha this shows that the taxpayer PBB in Maron sub-district, most of them are male.
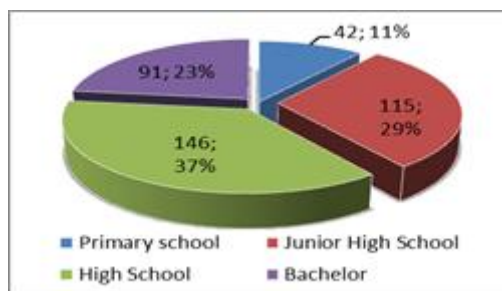

Figure 3. Respondent Education Data
(Source: data processed 2022)

In Figure 3 of the respondents' education group, taxpayers with elementary school education levels were obtained as many as 42 (11%), junior high school 115 (29%), high school 146 (37%) and bachelor 91 (23%), this shows that the most respondents are from high school circles.

b. Data Analysis

The structure of the research model can be seen in the following figure:
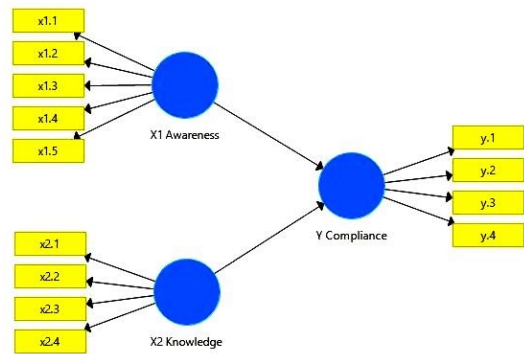

Figure 4. The structure of the research model
(Source: data processed 2022)

Convergent Validity

Convergent validity measures whether a set of indicators represents one latent variable and underlies that latent variable. Convergent validity is obtained by looking at the average variance extracted (AVE) value and outer loading value of each indicator.

1) The minimum outer loading value is 0.70.
2) The minimum AVE value that must be met is more than 0.50.

Table 2. Convergent Validity Test (OuterLoading)

	X1 Aware-ness	X2 Knowledge	Y Com-pliance	Crit.
x1.1	0,838			Valid
x1.2	0,844			Valid
x1.3	0,859			Valid
x1.4	0,806			Valid
x1.5	0,804			Valid
x2.1		0,872		Valid
x2.2		0,871		Valid
x2.3		0,901		Valid
x2.4		0,875		Valid
y.1			0,852	Valid
y.2			0,857	Valid
y.3			0,842	Valid
y.4			0,859	Valid

Source: data processed 2022

Based on Table 2 shows that the outer loading values for each indicator (X1.1, X1.2....... Y.4) i.e. more than 0.7, thus can be declared valid to measure its construct.

Table 3. Convergent Validity Test (AVE)

Research Variables	Average Variance Extracted (AVE)	Crit.
X1 Awareness	0,690	Valid
X2 Knowledge	0,774	Valid
Y Compliance	0,727	Valid

Source: data processed 2022

From the results of the analysis shows that all Average Variance Extracted (AVE) values are more than 0.50, it can be interpreted that the instrument used in the study is "Valid".

Reliability

The reliability test in this study used Cronbach alpha and composite reliability.

Table 4. Reliability Test

Research Variablesn	Cronbach's Alpha	Composite Reliability	Crit.
X1 Awareness	0,888	0,917	Reliable
X2 Knowledge	0,903	0,932	Reliable
Y Compliance	0,875	0,914	Reliable

Source: data processed 2022

Based on the results of Table 4, shows that the Cronbach alpha value is greater than 0.70, thus the instrument used is called reliable.

Coefficient of Determination

The inner model test is performed to test the relationship between exogenous and endogenous constructs that have been hypothesized. This test can be known through the R-Square value for the dependent variable. Changes in R-Square values can be used to assess the magnitude of the influence of a particular independent latent variable on the dependent latent variable.

Table 5. Coefficient of Determination Test

	R Square	R Square Adjusted
Y Compliance	0,436	0,434

Source: data processed 2022

From the results of the coefficient of determination test, it showed that the variables Awareness (X1) and Knowledge (X2) affected Compliance (Y) by 0.436 (43.6%), while the remaining 56.4% was influenced by other variables that were not included in the research.

c. Hypothesis Testing

Structural Model Testing (Inner Model)

Testing of the inner model or structural model is carried out to see the relationship between the construct, significance value and R-square of the research model. The structural model was evaluated using R-square for the dependent construct of the t-test as well as the significance of the parameter coefficients of the structural path.
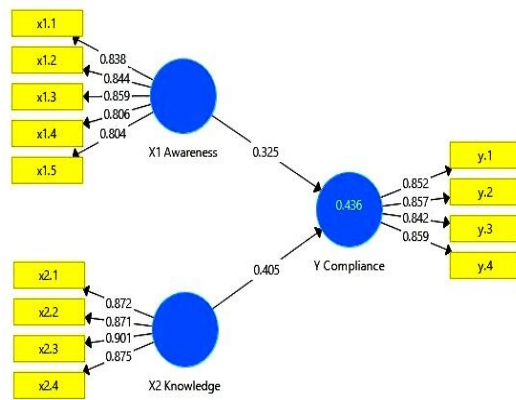

Figure 5. The structure of the research model
(Source: data processed 2022)

Based on Figure 5, the results of the hypothesis test using the Smart PLS application are presented in the following table:

Table 6. Test Research Hypothesis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1 Awareness -> Y Compliance	0,325	0,328	0,056	5,818	**0,000**
X2 Knowledge -> Y Compliance	0,405	0,401	0,053	7,662	**0,000**

Source: data processed 2022

Test Hypothesis 1 (effect of Awareness on Compliance)

The results of testing the first hypothesis (Table 6) found that the relationship between the Consciousness and Compliance variables showed a path coefficient value of 0.325 with a t value of 5.818. The value is greater than the table t (2.250). These results prove that Consciousness has a positive and significant relationship to Compliance, thus meaning the first hypothesis is acceptable.

Test Hypothesis 2 Testing (effect of Knowledge on Compliance)

The results of testing the second hypothesis (Table 6) obtained that the relationship of the Knowledge variable with Compliance showed a path coefficient value of 0.405 with a t value of 7.662. The value is greater than the table t (2.250). These results prove that Knowledge has a positive and significant relationship to Compliance, thus meaning the second hypothesis is acceptable.

3.2 Discussion

a. The Effect of Awareness on Compliance

The test results obtained that the statistical t value of the consciousness variable of 5.818 with a p value of 0.000 means that awareness has a significant effect on the compliance of paying PB in Maron Village. This shows that most Maron

Village realize that paying PBB is an obligation as taxpayers and good citizens, they understand the purpose and importance of paying PBB, some are also happy and voluntary to pay PBB and are willing to provide updated information to government officials regarding land/building ownership. The results of this study are in line with the results of research by Nafiah et al. (2021) showing that taxpayer awareness has a significant effect on taxpayer compliance, and is also in line with Herlyastuti (2018), Abdullah et al. (2022) research that taxpayer awareness has a significant positive effect on taxpayer compliance in paying PBB. Thus, if the Taxpayer has high individual awareness, it will have an impact on their compliance in paying taxes on time, as well as if the Taxpayer does not have awareness about taxes, it will have an impact on the amount of tax burden that will be borne and sanctions from the government. Tax awareness can be interpreted as a willingness made by Taxpayers in fulfilling their tax obligations, including a willing attitude to contribute to assisting the implementation of government functions by fulfilling and paying their tax obligations as a form of Taxpayer compliance in paying Land and Building Tax on time. The higher the awareness of the Taxpayer, the higher the level of compliance of the Taxpayer in carrying out the obligations of the Land and Building Tax (PBB).

b. The Effect of Knowledge on Compliance

The results of the second hypothesis test obtained that the statistical t value of the knowledge variable of 7.662 with a p value of 0.000 means that knowledge has a significant effect on the compliance of taxpayers paying PBB in Maron Village. This gives an understanding that if the Taxpayer has extensive knowledge and gets a lot of knowledge, the Taxpayer will comply with government regulations regarding taxes and try to fulfill his dependents on time. A person with a high level of knowledge and understanding of taxation will be used as a basis for consideration of tax payments and compliance. Knowledge and understanding of the meaning and benefits of taxes can improve compliance in paying taxes. The results of this study are in line with the research of Wulandari and Wahyudi (2022), Nafiah and Warno (2018) that taxpayer knowledge has a positive and significant effect on the compliance of land and building taxpayers. In this case, knowledge does not only focus on education pursued by taxpayers, but knowledge is gained from government counseling and socialization about the importance of PBB. In contrast to Suharyono (2019) research that taxpayer knowledge does not affect taxpayer compliance in paying PBB in Bengkalis Regency. This means that increased tax knowledge both through socialization and ease of obtaining PBB information through the internet does not guarantee that taxpayer compliance in paying PBB will increase. Taxation knowledge is knowledge of general provisions of taxation, tax procedures, tax systems and tax functions, while taxpayer compliance is obedience, submission and compliance and implementing tax provisions.

4. Conclusions and Suggestions

4.1 Conclusions and Suggestions

From the results of the analysis and discussion, the research conclusions are: 1) Taxpayer awareness has a significant effect on taxpayer compliance in paying land and building tax in Maron Village, Probolinggo Regency, the increasing awareness of taxpayers on their obligations as citizens by complying with applicable tax rules can increase taxpayer compliance in paying land and building tax. 2) Taxpayer knowledge has a significant effect on taxpayer compliance in paying land and building tax in Maron Village, Probolinggo Regency, the increasing taxpayer knowledge of applicable tax rules can increase taxpayer compliance in paying land and building tax.

4.2 Suggestions

Suggestions that can be given are as follows: 1) Taxpayer awareness about tax regulations is good, but education from the government is still needed so that it can increase awareness about taxes, especially in paying PB on time. 2) Taxpayer knowledge about taxation is good, but the local government through the village apparatus continues to provide socialization to further increase taxpayer knowledge in line with tax objectives and better understand tax regulations. 3) Taxpayers in Maron Village are expected to be active in seeking information related to taxation so as to better understand their rights and obligations as taxpayers and to avoid tax sanctions.

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