Effectiveness and Contribution of Land and Building Tax to Local Revenue

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Abstract—This study aims to analyze the achievement of land and building tax targets in Bandung city during 2014-2018 and to find out how much the effectiveness and contribution of land. Also, building tax revenues to the total revenue of the Bandung municipal government for five years. The research method used was descriptive. Data sources obtained in this study are secondary data sources in the form of reports on the realization of land and building tax and regional income for 2014-2018 in Bandung city. The analysis technique used was the analysis of effectiveness and contribution, namely by measuring the level of effectiveness and contribution of land and building tax to local revenue. From the results of research on Bandung's government shows that land and building has good effectiveness can be seen from the average percentage from 2014-2018 which is equal to 94% but had less contribution to the increase in local revenue which can be seen from the average percentage from 2014-2018 which is equal to 20%. It is recommended that the Bandung's government can increase the potential of other regional taxes to increase local revenue.

Keyword—Effectiveness, Contribution Land, and Building Tax, Local Revenue

I. Introduction

The amount of development carried out by a country is one indicator that the country is a developed country. National development is one of the activities for the welfare of society in terms of material as well as spiritual. To be able to realize this development, the government requires state revenues derived from domestic revenues and foreign revenues. The state will be said to be independent if the amount of domestic revenue has a large amount without making loans abroad. One of the government's efforts to realize an Indonesian state as an independent country, as well as national-scale development, is by collecting taxes on the community [2].

Regional Original Income is one indicator in measuring the level of independence of an autonomous region in the administration of government administration and development. In line with this, autonomous regions must have the authority and ability to explore their financial resources, manage and use their finances, which are sufficient to finance the administration of their regional government. Dependence on central assistance must be as minimal as possible so that Regional Original Revenue must be part of the largest financial source, supported by a policy of central and regional financial balance as a basic prerequisite in the country's governance system [2].

The income of a country is obtained in various sources; one source of income that has a significant contribution is in the tax sector. Sources of income in the tax sector include various types of taxes, including from land and building taxes. Land and building tax is one source of income that has great potential and a good contribution to increasing local revenue. Strategic Land and Building Tax are not due to objects covering the entire earth and buildings within the territory of the Republic of Indonesia. The existence of land and building tax as a type of tax can be understood considering that land and buildings have benefits and a better socio-economic position for people or entities that have rights over them or benefit from buildings and land [1].

The lack of optimal excavation of Local Revenue has mainly been due to the inability of the regions to estimate the potential tax that they have, the magnitude of the potential tax, which then becomes the basis for determining the revenue target for types of taxes for regions, although theoretically the potential is calculated by simply multiplying the amount the rate is based on taxation [3].

Land and Building Tax has been a source of regional revenue. Although Land and Building Tax is central tax revenue, the region gets a Revenue Sharing Fund, which in the regional government budget structure is grouped into regional revenue from tax sharing. Local governments need to be careful in determining these rates because each region is given the freedom to set the rates so that in the future there will likely be variations in the rates of land and building taxes between regions and other regions [3].

Fiscal and non-fiscal impacts are owned by land and building taxes. Land and building tax is a significant financial source for local governments. The government has control over land and building taxes which are often the determinants for making autonomous expenditure decisions. Land and building taxes must be considered in terms of a more general policy perspective. The effectiveness of land and building tax is significant for increasing regional income [4].

The Head of the Regional Revenue Management Agency of Bandung City, Ema Sumarna, revealed that Bandung City's 2017 tax revenues reached Rp. 2.175 trillion. However, the number is considered not to meet the target. With this problem, the various aspects can cause regional taxes not to reach the target. Land and building tax is one of the factors that can increase local taxes [5].

The effectiveness and contribution of land and building tax to local taxes are one of the things that we must pay attention to in increasing regional development. Many

previous researchers have examined the effectiveness and contribution of land and building taxes on local taxes. Land and building tax has very good effectiveness and less contribution to local taxes [6]. The effectiveness of the overall land and building tax shows that the interpretation value criteria are very effective, with an average percentage of 110.46%. The contribution of land and building tax revenues to local revenue as a whole shows that the criteria for interpreting values are very poor, with an average percentage of 9.97% [7]. Land and building tax still have a poor effect on the revenues of the city of Medan [1].

Based on phenomena and previous research, this study aims to find out more about the effectiveness and contribution of land and building tax to local revenue. Hopefully, with this research, the Bandung's government can see how much effectiveness and contributions made by land and building taxes on local revenue so that the Bandung's government can maximize the potential of land and building tax to increase local revenue.

II. METHOD

Research variables, in this case, are Effectiveness and Contribution of Land and Building Taxes to regional income. The research method used a descriptive method. Data sources obtained in this study are secondary data sources in the form of reports on the realization of land and building tax and regional income for 2014-2018 in Bandung city. The analysis technique used the analysis of effectiveness and contribution, namely by measuring the level of effectiveness and contribution of land and building tax to local revenue.

The formula used in measuring the effectiveness of land and building tax is:

$$Effectiveness\ of\ land\ and\ building\ tax = \frac{Realization\ of\ land\ and\ building\ tax\ receipts}{Land\ and\ building\ tax\ targets}\ x\ 100\%$$

[8]

To assess whether or not effective can be seen in table 1:

TABLE I.   EFFECTIVENESS VALUE INTERPRETATION TABLES

PERCENTAGE	CRITERIA
>100%	Very Effective
90-100%	Effective
80-90%	Effective Enough
60-80%	Less Effective
<60%	Ineffective

[8]

The formula used in measuring the Contribution of land and building tax is:

$$Contribution\ of\ land\ and\ building\ tax = \frac{Realization\ of\ land\ and\ building\ tax\ receipts}{Realization\ of\ Local\ Revenue}\ x\ 100\%$$

[8]

To find out how much the contribution of land and building tax to Local Revenue can be seen in table 2 :

TABLE II.   CLASSIFICATION OF CONTRIBUTION CRITERIA

PERCENTAGE	CRITERIA
0-10%	Very Less
10,10-20%	Less
20,10-30%	Enough
30,10-40%	Good Enough
40,10-50%	Good
>50%	Very Good

[8]

III. RESULTS

This study aims to determine the effectiveness and contribution of land and building tax to regional income. The calculation of the effectiveness and contribution of land and building tax can be seen in tables 3 and 4.
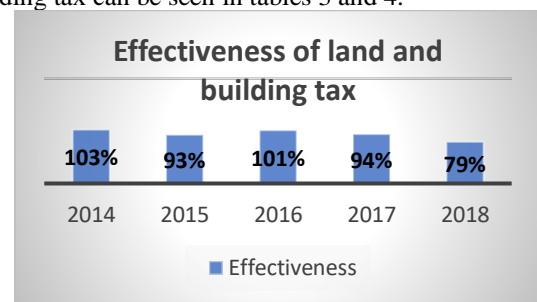

Fig 1. Effectiveness of Land and Building Tax

Figure 1 shows that there are an increase and decrease in the percentage of land and building tax receipts seen in 2018. The rate of revenue is at the lowest compared to other years, which is 79%. Furthermore, land and building tax revenues increased in 2014 with a percentage of 103% and in 2016 amounted to 101%.

TABLE III.   EFFECTIVENESS OF LAND AND BUILDING TAX

Year	Target	Realization	Effectiveness
2014	360.000.000.000	372.206.543.770	103%
2015	422.000.000.000	90.800.914.079	93%
2016	415.000.000.000	417.134.044.862	101%
2017	578.500.000.000	542.756.111.321	94%
2018	700.500.000.000	552.686.400.078	79%
		Average	94%
		Category	Effective

From the data in table 3 shows that the receipt of land and building tax has an excellent level of effectiveness on local revenue in Bandung City. The average effectiveness of land and building tax shows 94%.
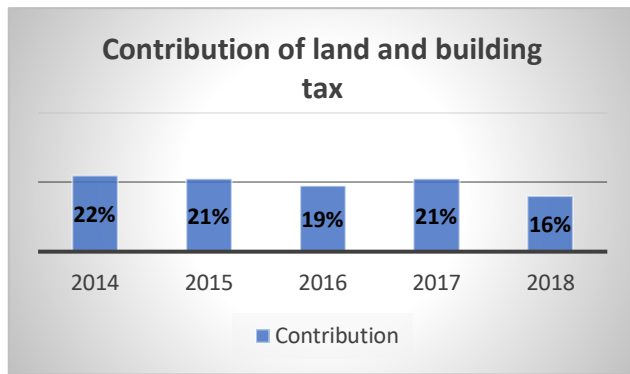
Fig 2. Effectiveness of Land And Building Tax

Figure 2 shows that there are an increase and decrease in the percentage of land and building tax Contribution seen in 2018. The rate of revenue is at the lowest compared to other years, which is 16%. Furthermore, land and building tax revenues contribution increased in 2014 with a percentage of 22% and in 2017 amounted to 21%.

TABLE IV. CONTRIBUTION OF LAND AND BUILDING TAX

Year	Realization Land and Building Tax	Realization Local Revenue	Contribution
2014	372.206.543.770	1.716.057.298.378	22%
2015	90.800.914.079	1.859.694.643.505	21%
2016	417.134.044.862	2.152.755.704.962	19%
2017	542.756.111.321	2.578.457.420.885	21%
2018	552.686.400.078	3.397.309.517.811	16%
		Average	20%
		Category	Less

From the data in table 4 shows that the receipt of land and building tax has a less level of contribution to local revenue in Bandung City. The average contribution of land and building tax shows 20%.
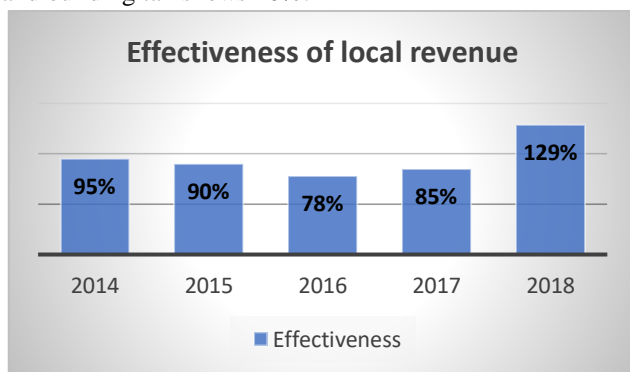

Fig 3. Effectiveness Of Land And Building Tax

Figure 3 shows that there are an increase and decrease in the percentage of local revenue receipts seen in 2016. The percentage of revenue is at the lowest compared to other years, which is 78%. Furthermore, local revenue increased in 2018, with a rate of 129%.

TABLE V. EFFECTIVENESS OF LOCAL REVENUE

Year	Target	Realization	Effectiveness
2014	1.808.509.055.075	1.716.057.298.378	95%
2015	2.066.246.830.526	1.859.694.643.505	90%
2016	2.767.404.903.364	2.152.755.704.962	78%
2017	3.015.836.590.302	2.578.457.420.885	85%
2018	2.640.000.000.000	3.397.309.517.811	129%
		Average	95%
		Category	Effective

From the data in table 5 shows that the receipt of local revenue has a very good level of effectiveness in Bandung City. The average effectiveness of local revenue shows 95%.

IV. DISCUSSION

Based on research data it can be seen that land and building has good effectiveness can be seen from the average percentage from 2014-2018 which is equal to 94% but has less contribution to the increase in local revenue which can be seen from the average percentage from 2014-2018 which is equal to 20%. can be seen from the data in 2018, the effectiveness and contribution of land and building taxes decreased but the local revenue experienced a very significant increase of 129%. From these data, it can be proven that the contribution of land and building tax to local revenue is not too significant, because many other factors can increase local revenue such as advertisement tax, restaurant tax, hotel tax, etc. It is recommended that the city government of Bandung can increase the potential of other regional taxes to increase local revenue.

The results of this study are following the results of previous studies. Land and building tax has very good effectiveness and less contribution to local taxes [6]. The effectiveness of the overall land and building tax shows that the interpretation value criteria are very effective, with an average percentage of 110.46%. The contribution of land and building tax revenues to local revenue as a whole shows that the criteria for interpreting values are very poor, with an average percentage of 9.97% [7]. Land and building tax still have a poor effect on the revenues of the city of Medan [1]. The results of this study are in accordance with the theory stating that land and building taxes are central taxes and are listed in the state budget expenditure budget but the results of all revenues have been allocated to local governments through a mechanism for tax returns. The results of this revenue by the regional government are used for various needs of the regional government, especially for development in the region [9]. Land and building tax is a central tax; however, almost all realization of land and building tax receipts are handed over to regional governments, both provincial and district or city [10]. The theory explains that land and building tax contributes to local revenue.

V. CONCLUSION

Based on research data it can be seen that land and building has a good effect. It can be seen from the average percentage from 2014-2018 which is equal to 94% but has less contribution to the increase in local revenue which can

be seen from the average percentage from 2014-2018 which is equal to 20%.

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