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Analysis Of Taxation Motivation, Income Level, Tax Payment System, and Tax Sanctions On Compliance Of Land And Building Tax (PBB) Taxpayers (A Case Study In Waru District)

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Abstract: This study aims to analyze the influence of taxation motivation, income level, tax payment system, and tax sanctions on the compliance of Land and Building Tax (PBB) taxpayers in Waru District. Tax compliance is a critical factor in optimizing local revenue, and understanding the determinants that influence taxpayer behavior is essential for effective tax administration. The research employs a quantitative approach with data collected through questionnaires distributed to PBB taxpayers in Waru District. The data were analyzed using Smart PLS. The results of the study indicate that taxation motivation and tax sanctions have a significant positive effect on taxpayer compliance, while income level and the effectiveness of the tax payment system do not have an impact on Land and Building Tax (PBB) compliance. These findings suggest that increasing taxpayer awareness, simplifying payment procedures, and implementing consistent sanctions can enhance compliance with PBB payments. This study provides valuable insights for local governments in formulating strategies to encourage voluntary tax compliance.

Keywords: Tax Motivation; Taxpayer Income Level; Tax Payment System; Tax Sanctions; & Tax Compliance

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1. Introduction

Taxes are a mandatory contribution from the public to the state, which are coercive in nature, based on laws and regulations, without direct compensation, and are used to finance state expenditures [1]. In the context of regional autonomy, taxes serve as a primary source of Regional Original Revenue (Pendapatan Asli Daerah or PAD). With the enactment of Law Number 32 of 2004 and Law Number 33 of 2004, regions have been granted the authority to manage their finances and revenue sources, including the Land and Building Tax (Pajak Bumi dan Bangunan or PBB).

PBB is a tax imposed on the ownership, control, or utilization of land and/or buildings that possess economic value. It plays a vital role in supporting national development and community welfare. As fiscal needs and economic dynamics evolve, Law Number 12 of 1985 concerning PBB was amended by Law Number 12 of 1994 to enhance fairness and efficiency in its administration [2]

However, in Waru District, the realization of PBB-P2 revenue from 2020 to 2024 has consistently fallen short of the target. Data from the Regional Tax Service Agency of Sidoarjo Regency shows that actual tax revenues have remained below the target, despite year-on-year increases. For instance, in 2024, the target was IDR 40.56 billion, but only IDR 31.97 billion (78.84%) was realized.

This low realization rate indicates significant challenges related to taxpayer compliance. Data on the number of active taxpayers and those who have paid the PBB also reveals a substantial gap, with the number of actual PBB payments far below the number of active taxpayers. Several factors are suspected to influence the level of compliance, including low motivation to pay taxes, income levels, inefficient payment systems, and the effectiveness of tax sanctions.

Previous studies have shown mixed results. Some suggest that motivation, income level, payment systems, and tax sanctions influence compliance, while others show contradictory findings. These inconsistencies highlight the need for further investigation, especially in local contexts such as Waru District, Sidoarjo, which has a relatively low PBB realization rate.

The government has undertaken various efforts, such as data digitalization, online payment systems, and tax education campaigns to improve compliance. However, the effectiveness of these initiatives still needs to be evaluated further at the sub-regional level.

Therefore, this study is crucial to empirically re-examine the influence of tax motivation, taxpayer income level, payment systems, and tax sanctions on the compliance of PBB taxpayers in Waru District. By gaining a deeper understanding of the factors that affect compliance, local governments can formulate more targeted policies to increase PBB revenue and support sustainable regional development.

2. Literature Review

2.1 Compliance Theory

The compliance theory introduced by Stanley Milgram (1963) explains that compliance occurs when individuals follow established rules or orders. In sociology, compliance is viewed from two perspectives: instrumental, which is driven by personal interests and influenced by incentives or sanctions, and normative, which is based on moral values and social responsibility (Yunia., 2021). In organizations, compliance is essential to support system effectiveness and the achievement of goals. There are three forms of compliance: compliance (due to fear of sanctions), identification (to maintain relationships), and internalization (because the rules align with personal values), with internalization considered the strongest and most sustainable form.

2.2 Tax

Tax is a mandatory contribution from individuals or business entities to the state, imposed by law and without direct compensation [4]. Taxes are used to finance government expenditures, such as development, public services, education, and healthcare. In addition to being a primary source of state revenue, taxes also function as a tool of economic policy to regulate income distribution and promote economic growth.

2.3 Land and Building Tax

Land and Building Tax is a tax imposed on land and/or buildings owned, controlled, or utilized by individuals or entities [5]. This tax is material in nature and is collected annually, either by the central government or local governments, depending on the sector and location of the taxable object.

2.4 Tax Motivation

The motivation to pay taxes is influenced by two main types of factors: external and internal. External factors include tax policies, imposed sanctions, and government oversight. Meanwhile, internal factors relate to taxpayers' level of awareness, understanding of tax obligations, and their perception of fairness within the tax system. These two factors directly affect taxpayers' attitudes and behavior in fulfilling their tax responsibilities [6].

2.5 Taxpayer Income Level

A taxpayer's income is closely linked to the fiscal capacity of an individual or legal entity. The higher the income, the greater the ability to fulfill tax obligations. Therefore, the level of income influences the applicable tax rate, which is generally structured progressivelymeaning the tax rate increases as income rises [7].

2.6 Tax Payment System

The tax payment system plays a crucial role in influencing compliance among Land and Building Tax (PBB) taxpayers. High accessibility such as the availability of services through digital banking, mobile applications, and e-wallets can enhance compliance by reducing administrative barriers and offering convenience to taxpayers [8]. System transparency, such as automated notifications and digital proof of payment, also strengthens public trust in the government, thereby encouraging greater compliance.

2.7 Tax Sanctions

Tax sanctions are penalties or consequences imposed on taxpayers who fail to fulfill their tax obligations in accordance with applicable regulations. These sanctions aim to create a deterrent effect and encourage taxpayers to comply more diligently with their tax responsibilities [9]

2.8 Tax Compliance

Tax compliance is an essential element in the taxation system, covering the reporting, calculation, and payment of taxes in accordance with regulations. According to [10]. Compliance is divided into formal compliance (procedural) and material compliance (accuracy). The level of compliance is influenced by tax knowledge, awareness, and the quality of tax authority services [11]. Identifies compliance indicators including registration, tax calculation, filing of tax returns (SPT), and settlement of tax arrears. Add understanding of tax regulations, correct form filling, accurate calculation, and timely tax payment as indicators of compliance.

2.9 Research Framework

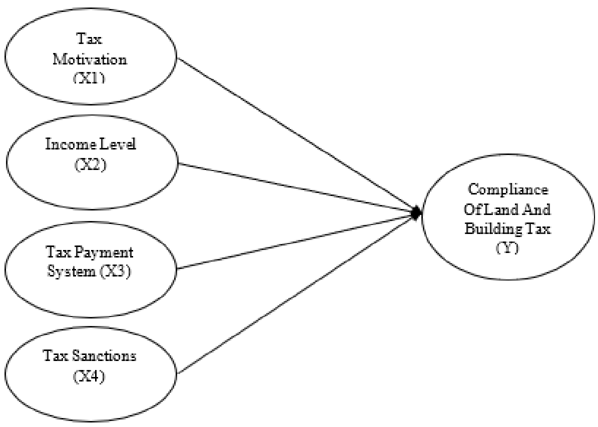

Figure 2 Research Framework

H_1 = There is an influence of tax motivation on the compliance of land and building taxpayers.

H_2 = There is an influence of taxpayer income level on the compliance of land and building taxpayers.

H_3 = There is an influence of the tax payment system on the compliance of land and building taxpayers.

H_4 = There is an influence of tax sanctions on the compliance of land and building taxpayers.

3. Research Methodology

Data analysis method is a stage in the research process where the collected data is processed to address the research problems. This process aims to produce valid and useful information, as well as to provide recommendations for solving the issues identified in the research.

Partial Least Square (PLS) is a variance-based statistical method used to analyze the relationships between latent variables in complex models by combining regression and principal component analysis (Purwanti & Chasanah, 2022). PLS analysis consists of two main stages:

a. Outer Model Analysis

This stage evaluates the validity and reliability of indicators measuring latent constructs. It includes reflective models (indicators reflect the construct) and formative models (indicators form the construct). The assessment involves convergent validity (loading factor, AVE), discriminant validity, internal reliability (composite reliability, Cronbach's alpha), and multicollinearity (VIF)

b. Inner Model Analysis

This stage assesses the structural relationships between latent variables. It includes:

1) R^2 to measure explanatory power,

2) t-statistics and p-values (via bootstrapping) to test significance,

3) Q^2 for predictive relevance, and

4) VIF to ensure no multicollinearity among independent variables

Hypotheses are tested using t-statistics and p-values. At a 5% significance level, $t > 1.96$; at 10%, $t > 1.65$. Hypotheses are accepted if the p-value is less than 0.05 (Santoso et al., 2022).

4. Results And Dicussion

a. Outer Model Analysis

1) Discriminant Validity Test

Table 2 Discriminant Validity Test Results

	Tax Motivation	Income Level	Tax Payment System	Tax Sanctions	Compliance Of Land And

					Building Tax
MP 4	0,986	0,719	0,542	0,046	0,15
MP 5	0,742	0,764	0,715	-0,001	0,039
MP 6	0,988	0,705	0,55	0,026	0,162
TP 2	0,674	0,92	0,783	0,144	0,164
TP 3	0,503	0,795	0,601	0,036	0,061
TP 4	0,672	0,76	0,548	-0,027	0,052
TP 5	0,615	0,757	0,509	-0,019	0,051
SP 4	0,583	0,633	0,826	0,029	0,053
SP 5	0,543	0,69	0,938	0,085	0,159
SP 6	0,523	0,795	0,931	0,114	0,158
P 4	0,033	0,084	0,097	1	0,852
KP 1	0,135	0,101	0,134	0,734	0,886
KP 2	0,219	0,195	0,176	0,774	0,922
KP 3	0,13	0,12	0,146	0,582	0,748
KP 4	0,054	0,074	0,103	0,911	0,906
KP 5	0,13	0,083	0,136	0,674	0,911

Based on the results shown in Table 2 it shows that the outer loading scores of each indicator on the variable exceed the cross-loading values, with scores > 0.70, indicating discriminant validity. This condition suggests that the indicator statements in the study can be considered valid and meet the requirements for discriminant validity. Another method used to assess discriminant validity is by comparing the square root of the Average Variance Extracted (AVE). The test is considered valid if the AVE score is greater than 0.5.

2) Reliability Test

Table 3 Results of Composite Reliability Testing

	Cronbach's alpha	Composite reliability
Tax Motivation	0,911	1,060
Income Level	0,853	1,274
Tax Payment System	0,892	0,986
Tax Payment System	1,000	1,000
Compliance Of Land And Building Tax	0,924	0,940

Based on Table 3, Based on Table 4.10, it can be concluded that all variables are considered reliable and can be used for further analysis, as each variable has a composite reliability score exceeding 0.7.

b. Inner Model Analysis

1) R-Square Test

Table 4. R-Square Test Results

	R-square	R-square adjusted
Compliance Of Land And Building Tax	0,744	0,734

Base on Table 4, the R-Square value is 0.744, indicating that the research model is able to explain approximately 74.4% of the variation or changes in the dependent variable, namely tax compliance. Furthermore, the adjusted R-Square value is slightly lower at 0.734, reflecting the model's adjustment for the number of independent variables involved. Although there is a slight decrease from the initial R-Square, the adjusted R-Square value of 0.734 still indicates a strong model. This means that the dependent variable, tax compliance (Y), can be explained by the independent variables, which include tax motivation (X1), taxpayer income level (X2), tax payment system (X3), and tax sanctions (X4).

2) F-Square Test

Table 5. F-Square Test Results

	Compliance Of Land And Building Tax
Tax Motivation	0,054
Income Level	0,018
Tax Payment System	0,008
Tax Sanctions	2,793

According to Table 5, the F^2 value of 0.054 indicates that tax motivation has a moderate influence on the compliance of land and building taxpayers An F^2 value of 0.018 indicates that the taxpayer income level has a very weak influence on tax compliance. An F^2 value of 0.008 indicates that the tax payment system has a very weak influence on tax compliance, An F^2 value of 2.793 indicates that tax sanctions have a very strong influence on tax compliance.

3) Q-Square Test

Table 6. Q-Square Test Results

	Q^2 predict
Compliance Of Land And Building Tax	0,734

Table 6 It is known that the Q-Square value for the tax compliance variable is 0.734, indicating good predictive relevance. The research results show that the model is able to accurately predict the observed values of the endogenous variable.

c. Hypothesis Testing

Table 7. Hypothesis Testing Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Tax Motivation -> Compliance Of Land And Building Tax	0,178	0,137	0,091	1,945	0,026

Income Level -> Compliance Of Land And Building Tax	-0,135	-0,057	0,088	1,525	0,064
Tax Payment System -> Compliance Of Land And Building Tax	0,075	0,041	0,081	0,929	0,177
Tax Sanctions -> Compliance Of Land And Building Tax	0,850	0,843	0,036	23,844	0,000

The hypothesis testing results are interpreted as follows:

a. The Effect of Tax Motivation on Taxpayer Compliance

Based on the hypothesis testing results, the parameter coefficient value is 0.178, with a t-statistic of 1.945, which is greater than 1.96, and a p-value of 0.026, which is less than 0.05. This indicates that the hypothesis is accepted.

b. The Effect of Taxpayer Income Level on Tax Compliance

Based on the hypothesis testing results, the parameter coefficient is -0.135, with a t-statistic of 1.525, which is less than 1.96, and a p-value of 0.064, which is greater than 0.05. This indicates that the hypothesis is rejected.

c. The Effect of the Tax Payment System on Tax Compliance

Based on the hypothesis testing results, the parameter coefficient is 0.075, with a t-statistic of 0.929, which is less than 1.96, and a p-value of 0.177, which is greater than 0.05. This indicates that the hypothesis is rejected.

d. The Effect of Tax Sanctions on Tax Compliance

Based on the hypothesis testing results, the parameter coefficient is 0.850, with a t-statistic of 23.844, which is greater than 1.96, and a p-value of 0.000, which is less than 0.05. This indicates that the hypothesis is accepted.

4.1 The Effect of Tax Motivation on Taxpayer Compliance

Based on the results of the outer model evaluation, inner model, and hypothesis testing, tax motivation has a significant positive effect on firm value, thus H1 is accepted. This indicates that changes or increases in tax motivation will have a direct impact on improving tax compliance. According to compliance theory, taxpayer compliance is influenced by various factors, one of which is tax motivation. Both intrinsic and extrinsic motivation encourage voluntary and timely compliance. Research shows that stronger motivation leads to higher compliance, positively impacting state tax revenues. In line with crowding theory, external interventions such as incentives or sanctions can strengthen or weaken this motivation. Therefore, tax motivation is a key variable linking compliance theory with actual taxpayer behavior. The results of this study are in line with the research conducted by [12] which states that tax motivation has a significant influence on tax compliance. Similarly, the study by [13] also found that tax motivation affects tax compliance.

4.2 The Effect of Taxpayer Income Level on Tax Compliance

Based on the results of the outer model evaluation, inner model, and hypothesis testing, it can be concluded that income level does not have an effect on tax compliance, therefore

H2 is rejected. High income does not guarantee that a taxpayer will comply with tax reporting and payment. Therefore, the understanding of compliance theory should include intention, attitude, social norms, and behavioral control, not merely based on the amount of income. The results of this study are in line with the research conducted by [14], which stated that income level has no effect on tax compliance. This is also consistent with the study by [15], which found that income level does not affect tax compliance.

4.3 The Effect of the Tax Payment System on Tax Compliance

Based on the evaluation of the outer model, inner model, and hypothesis testing, it can be concluded that the tax payment system has no effect on tax compliance, thus H3 is rejected. The existence of a tax payment system does not directly guarantee compliance, as psychological factors, social norms, and trust in tax authorities also play a role. Without strong internal motivation and public trust, even a well-designed system may not lead to tax compliance. The results of this study are in line with the research conducted by [16] ,which stated that the tax payment system has no effect on tax compliance.

4.4 The Effect of Tax Sanctions on Tax Compliance

Based on the evaluation of the outer model, inner model, and hypothesis testing, it is concluded that tax sanctions have a significant positive effect on tax compliance, thus H4 is accepted. The tax compliance theory emphasizes that strict and consistent sanctions serve as a deterrent mechanism, encouraging taxpayers to comply with their tax obligations. Sanctions perceived as harmful when violated motivate taxpayers to avoid them by adhering to applicable regulations. Empirical studies show that the higher the level of sanctions imposed, the greater the level of compliance, as sanctions increase taxpayers' awareness and caution in fulfilling their obligations. However, the effectiveness of sanctions depends on how well taxpayers understand the rules and whether the sanctions are applied fairly and consistently. Therefore, tax sanctions are a key factor in compliance theory that helps promote taxpayer compliance behavior. The results of this study are in line with the research conducted by [17]), which stated that tax sanctions have a significant effect on tax compliance. Similarly, the study by [18] also found that tax sanctions affect tax compliance.

5. Kesimpulan

This study aims to analyze the influence of tax motivation, income level, tax payment system, and tax sanctions on the compliance of Land and Building Tax (PBB) taxpayers in Waru District. The results can be summarized as follows:

a. Tax motivation has a significant positive effect on taxpayer compliance, indicating that the higher the motivation to pay taxes, the higher the level of compliance achieved.

b. Income level does not have an effect on taxpayer compliance.

c. The tax payment system also does not affect compliance, as the effectiveness of the system alone does not guarantee compliance without strong internal motivation and public trust in tax authorities.

d. Tax sanctions have a significant positive effect on taxpayer compliance, as higher sanctions increase awareness and caution among taxpayers. However, their effectiveness depends on how well taxpayers understand the rules and the fair and consistent enforcement of the sanctions.

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