

# The Influence of Tax Socialization, Tax Incentive Policies, and Tax Service Digitalization on the Compliance Rate of Land and Building Tax (PBB-P2) Taxpayers in DKI Jakarta Province

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This study investigates the impact of tax socialization, tax incentive policies, and digitalization of tax services on the compliance level of Property Tax (PBB-P2) payers in DKI Jakarta Province. Tax compliance is crucial for sustaining local government revenue, and understanding factors influencing compliance behavior is essential for effective tax administration. The research employs a quantitative approach, utilizing survey data collected from a sample of PBB-P2 taxpayers. Structural equation modeling (SEM) is applied to analyze the relationships between tax socialization, tax incentive policies, digital tax services, and taxpayer compliance. The findings suggest that effective tax socialization strategies and well-designed tax incentive policies significantly enhance taxpayer compliance. Additionally, digitalization of tax services plays a pivotal role in improving compliance by enhancing transparency and efficiency in tax administration. The study contributes to both theoretical and practical insights into enhancing taxpayer compliance through informed tax policies and digital transformation strategies.

**Keywords:** tax compliance, tax socialization, tax incentive policies, digitalization, Property Tax (PBB-P2), DKI Jakarta Province.

## 1. Introduction

Land and Building Tax (PBB-P2) is one of the significant sources of local revenue for regional governments in Indonesia. The compliance level of taxpayers in paying PBB-P2 significantly affects the effectiveness and efficiency of tax collection. Tax education, tax knowledge,

economic status, and service quality are crucial factors influencing taxpayer compliance. Additionally, the utilization of information technology as an intervening variable also plays a crucial role in strengthening the relationship between these factors and taxpayer compliance.

Tax compliance is a key element in creating an effective and efficient tax system. According to Alm and Torgler (2011), high tax compliance can increase state revenue and support the provision of better public services. In Jakarta Province, PBB-P2 is a major source of local revenue heavily dependent on taxpayer compliance. However, compliance is often influenced by various factors that need to be analyzed and deeply understood.

One of the factors influencing taxpayer compliance is tax education. Effective tax education can enhance taxpayers' understanding of the importance of paying taxes and their obligations as citizens. Richardson and Sawyer (2001) indicate that good tax education can reduce errors in tax reporting and increase compliance. Additionally, tax incentive policies also play a significant role. Tax incentives, such as penalty reductions for timely taxpayers, can encourage taxpayers to be more compliant. Alm (2019) suggests that tax incentives can serve as motivators for taxpayers to fulfill their obligations on time.

Digitalization of tax services is another equally important factor. By leveraging information technology, such as e-filing and online payments, the tax administration process becomes easier and more efficient for taxpayers. Azmi and Bee (2010) found that taxpayer acceptance of e-filing systems can improve efficiency and accuracy in tax reporting, thereby increasing compliance.

This research aims to analyze the impact of tax education, tax incentive policies, and digitalization of tax services on the compliance level of PBB-P2 taxpayers in Jakarta Province. By using the Theory of Planned Behavior (TPB) and the Slippery Slope Framework, along with spatial approaches to data analysis, this study is expected to provide new insights into the factors influencing tax compliance and how to enhance tax revenue at the regional level. Additionally, this research offers a new perspective by integrating spatial analysis and two theoretical frameworks (TPB and Slippery Slope Framework) to analyze the factors influencing taxpayer compliance. This approach provides a more comprehensive understanding of how various factors affect taxpayer compliance in urban and spatial contexts.

## **2. Research Objectives:**

In efforts to increase local tax revenue, the compliance level of PBB-P2 taxpayers is a primary focus for the Jakarta Provincial government. Taxpayer compliance is influenced by various factors, including tax education, tax incentive policies, and digitalization of tax services. Despite efforts in these three areas, significant variations in taxpayer compliance levels exist across different regions in Jakarta. Therefore, the issues addressed in this research are:

1. How does tax education affect taxpayer understanding and awareness across various regions in Jakarta Province?
  2. Are tax incentive policies effective in promoting taxpayer compliance in Jakarta Province?
  3. To what extent does digitalization of tax services influence taxpayer compliance in
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4. How do these factors interact and spatially influence taxpayer compliance levels in Jakarta Province?

By answering these questions, this research aims to provide a more comprehensive understanding of the factors influencing PBB-P2 taxpayer compliance in Jakarta Province. The findings from this research are expected to provide more targeted recommendations in efforts to increase local tax revenue through improved taxpayer compliance.

### **3. Literature Review**

Theory of Planned Behavior (TPB): TPB states that the intention to perform a behavior is influenced by attitudes toward the behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). In the context of tax compliance, taxpayers' attitudes toward tax payment, social influence, and their ability to comply with tax regulations will influence their intention to pay taxes on time.

Slippery Slope Framework: This framework suggests that tax compliance is influenced by the power of tax authorities and taxpayers' trust in tax authorities (Kirchler, Hoelzl, & Wahl, 2008). Authority power includes law enforcement and sanctions, while trust includes perceptions of fairness and transparency of tax authorities.

### **4. Research Methodology**

This research uses a mixed-method and spatial approach. Data were collected through surveys distributed to PBB-P2 taxpayers in Jakarta Province. The questionnaire measured variables such as tax education, tax incentive policies, digitalization of tax services, and taxpayer compliance levels.

Population and Sample: The study population includes all PBB-P2 taxpayers in Jakarta Province. A random sample was taken to obtain an accurate representation.

Research Instrument: The questionnaire used a 5-point Likert scale to measure respondents' responses regarding the research variables.

Data Analysis:

Data were analyzed using Structural Equation Modeling (SEM) to test relationships between variables. Spatial analysis was conducted using Geographic Information System (GIS) to identify the distribution and patterns of taxpayer compliance.

### **5. Results and Discussion**

In the study on the influence of tax education, tax incentive policies, and digitalization of tax services on the compliance level of PBB-P2 taxpayers in Jakarta Province, Structural Equation Modeling (SEM) was used to analyze the relationships between variables. Here is a brief summary of the analysis:

1. **Tax Education: Influence on Taxpayer Awareness and Understanding:** Tax education showed a positive and significant influence on taxpayer awareness and understanding ( $p < 0.05$ ). This indicates that increased tax education directly enhances taxpayers' understanding of the importance of paying taxes (Richardson & Sawyer, 2001).
2. **Tax Incentive Policies: Influence on Taxpayer Compliance:** Tax incentive policies have a significant positive influence on taxpayer compliance ( $p < 0.05$ ). This indicates that incentives such as penalty reductions and tax relief are effective in motivating taxpayers to pay taxes on time (Alm, 2019).
3. **Digitalization of Tax Services: Influence on Tax Reporting Efficiency and Ease:** Digitalization of tax services also showed a significant positive influence on the efficiency and ease of tax reporting ( $p < 0.05$ ). This means that the use of information technology, such as e-filing and online payment systems, facilitates taxpayers in fulfilling their tax obligations (Azmi & Bee, 2010).
4. **Interaction Between Variables:** a) **Influence of Interaction between Tax Education and Digitalization:** There is a positive interaction between tax education and digitalization of tax services, indicating that regions with effective tax education programs and access to digital services have higher tax compliance rates. b) **Influence of Interaction between Tax Incentive Policies and Digitalization:** The interaction between tax incentive policies and digitalization is also significant, showing that incentives applied in conjunction with digital services enhance taxpayer compliance more effectively.
5. **Direct and Indirect Relationships: Indirect Influence of Tax Education through Digitalization:** Tax education not only directly influences taxpayer compliance but also through increased use of digital services, thereby enhancing taxpayer compliance.

SEM results indicate that tax education, tax incentive policies, and digitalization of tax services individually and collectively have a significant influence on the compliance level of PBB-P2 taxpayers in Jakarta Province. This analysis helps understand how the combination of these three factors can be used to effectively improve taxpayer compliance. The study found that tax education, tax incentive policies, and digitalization of tax services significantly influence the compliance level of PBB-P2 taxpayers in Jakarta Province. The results of the analysis using Structural Equation Modeling (SEM) show that tax education positively influences taxpayers' understanding and awareness, thereby increasing their compliance (Richardson & Sawyer, 2001). Tax incentive policies, such as penalty reductions and tax relief, are effective in encouraging taxpayers to fulfill their obligations on time (Alm, 2019). Additionally, digitalization of tax services through the use of information technology, such as e-filing and online payment systems, facilitates the tax administration process and improves efficiency, significantly enhancing taxpayer compliance (Azmi & Bee, 2010). These findings underscore the importance of holistic and integrated strategies in efforts to improve taxpayer compliance, as well as the need for technology to support more efficient and transparent tax administration.

1. **Tax Education: Effective education is expected to increase taxpayer awareness and understanding of the importance of paying taxes.** However, it needs to be further explored whether the intensity and methods of education used have successfully reached all segments

of society equally and how this contributes to tax compliance (Richardson & Sawyer, 2001).

2. Tax Incentive Policies: Policies such as penalty reduction or waiver for timely taxpayers can enhance compliance (Alm, 2019).

3. Digitalization of Tax Services: The use of information technology, such as e-filing and online payment systems, facilitates taxpayers in fulfilling their obligations and improves tax administration efficiency (Azmi & Bee, 2010).

4. Factors interacting and spatially influencing taxpayer compliance levels in Jakarta Province, such as tax education, tax incentive policies, and digitalization of tax services, interact and influence taxpayer compliance levels spatially in Jakarta Province through several mechanisms. Effective education increases taxpayer awareness and understanding, leading to more taxpayers complying with their obligations in areas with effective education programs (Richardson & Sawyer, 2001). Tax incentive policies motivate taxpayers to pay on time and take advantage of the incentives offered, which are more effective in areas with optimal incentive implementation (Alm, 2019). Digitalization of tax services facilitates payment and tax reporting processes, enhancing compliance, especially in areas with high access to information technology and online services (Azmi & Bee, 2010). Spatial analysis shows that regions combining these factors have higher compliance rates than less-served areas.

## **6. Conclusion**

This research demonstrates that tax education, tax incentive policies, and digitalization of tax services play crucial roles in enhancing the compliance level of PBB-P2 taxpayers in Jakarta Province. Spatial analysis in this research confirms that factors such as tax education, tax incentive policies, and digitalization of tax services significantly influence taxpayer compliance levels in Jakarta Province. By understanding the spatial distribution of taxpayer compliance, governments can develop more effective and targeted strategies to improve tax compliance and local revenue. Thus, based on the findings of this research, it can serve as a basis for tax authorities to design.

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