

Difference Test of Formal Compliance and Material Compliance in PBB-P2 Payment by Taxpayers in Bondowoso Regency

Nova Rofikah¹, Diyah Probowulan², Achmad Syahfrudin Zulkarnaeni³

^{1,2,3}University of Muhammadiyah Jember

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ABSTRACT

Compliance in paying taxes is indispensable. Taxpayer compliance is an obligation or act of compliance in its obligation to pay taxes where taxpayers must fulfill all their tax obligations and rights. Formal compliance and material compliance are the two categories into which compliance is separated. This research sought to ascertain and evaluate whether PBB-2 payments in Bondowoso District differed in terms of formal and material compliance. This study used comparative research using a quantitative technique as its research methodology. In this research, the distinction between formal and material compliance in Bondowoso District will be examined. A sample of 3544 taxpayers in the Bondowoso Regency were utilized in this research. Purposive sampling and technical data analysis were used in this work. The SPSS Software program (Statistical Package For The Social Sciences) Version 21 was utilized to conduct tests such as the independent t-test (Mann-Whitney test), homogeneity test, and homogeneity test. The study's findings demonstrate that there is no difference in PBB-P2 payments between formal and material compliance in the Bondowoso District.

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Corresponding Author:

Name: Nova Rofikah

Institution Address: Jl. Karimata 49, Jember, Jawa Timur, Indonesia 68124

e-mail: novarfk08@gmail.com

1. INTRODUCTION

Tax payment compliance is essential. Taxpayer compliance refers to the duty or act of a taxpayer fulfilling all of their rights and duties with regard to paying taxes. The Director General of Taxes (DGT) has been actively addressing taxpayer compliance by issuing rules that inspire and incentivize taxpayers to comply at all times.

Formal and material compliance are the two categories into which compliance theory is separated. When a taxpayer complies with tax law regulations by fulfilling his responsibilities in a formal manner, this is known as formal compliance. While

substantial compliance is the state in which the taxpayer satisfies all material tax requirements, i.e., in conformity with the terms of the tax legislation. If a taxpayer pays the taxes due on time, even if the payment does not match the amount owed—which is the criteria of material compliance—he is said to be officially obedient [1]. Throughout the results of research themed on building land taxpayer compliance mostly using variables of tax knowledge, taxpayer awareness, and tax sanctions, conducted by several researchers, The impact of tax penalties, taxpayer knowledge, and the caliber of tax services on taxpayer compliance with regard

to paying land and building taxes was investigated by Warno [18].

Leni [8], who conducted study on the impact of fiscal services, tax penalties, and taxpayer knowledge on taxpayer compliance with KPP Pratama Bogor. Erawati [2] on the impact of fiscal services, tax expertise, tax sanctions, and taxpayer awareness on taxpayer compliance with regard to property and buildings. The impact of taxpayer knowledge, comprehension, and fiscal services on land and building taxpayer compliance is examined by Oktafiyanto [9]. Regarding the impact of taxpayer awareness and knowledge on taxpayer compliance with regard to paying land and building tax (PBB), see Khayati [7]. The impact of taxpayer awareness, tax knowledge, and tax penalties on individual taxpayer compliance in paying land and building tax in Kalidengen Village, Temon District, Kulon Progo Regency in 2014 was examined by Setyowati [13]. Isawati [6] examined how taxpayer compliance with paying land and construction tax was affected by income level, tax knowledge, tax services, and tax punishments (case study in Teluk Lerong Ilir Village, Samarinda Ulu District). Herlina [5] examined the impact of penalties, tax knowledge, and service quality on Kerinci Regency taxpayers' compliance with land and construction laws.

From some of these studies, not many have conducted analyses on formal aspects and material aspects, this is a novelty in this study. This study also captures the phenomenon that occurs in Bondowoso Regency, namely the level of compliance with land and building tax payments which is still quite low. This general problem occurs in Bondowoso Regency, resulting in less-than-optimal realization of PBB revenues for the last 3 years, namely 2020, 2021 and 2022. Based on data obtained from the Regional Revenue Agency (Bapenda) of Bondowoso Regency, as of December 31, 2020, there were a total of 22 sub-districts in Bondowoso that had paid off 100% PBB, namely Jambesari DS, Sumber Wringin, Wonosari, Binakal, Pakem, Tegalampel, Taman Krocok, and Botolinggo sub-districts while the other 14 sub-districts

were still not 100% paying off PBB-P2 in their respective regions.

Based on the background above, the formulation of the problem that the author formulates is whether there is a difference between formal compliance and material compliance. Finding and analyzing the differences between formal and material compliance in PBB-P2 payments made by taxpayers in Bondowoso Regency is the aim of this research.

2. LITERATURE REVIEW

2.1 *Compliance Theory*

Tax compliance, as stated by Nurmantu, cited by Dewi [15], is contingent upon taxpayers fulfilling their tax duties and exercising their tax entitlements. Taxpayers do not have to figure out how much they must pay on their own when it comes to the land and building tax, which is administered via the Official Assessment System. The sole requirement for taxpayers is compliance with regard to paying land and building taxes as specified in the Tax Return Payable (SPPT) on time and in the right amount. Compliance as a taxpayer is to carry out various tax provisions that have been set by the government. If there are taxpayers who are disobedient, submissive, and comply with tax regulations, this can cause tax revenue to decrease.

2.2 *Formal Compliance*

Formal compliance is the state in which taxpayers legally comply with the Tax Law by fulfilling their tax responsibilities. Some taxpayers exhibit poor compliance by failing to accurately, fully, and clearly complete and submit periodic business activity reports—whether they are monthly, term, or yearly reports. Some factors that cause low compliance of taxpayers include public dissatisfaction with public services, uneven infrastructure development, and many cases of corruption committed by high-ranking officials [14].

2.3 *Material Compliance*

Complying with tax requirements, such as computing taxes due in line with tax legislation, is known as material compliance.

When a taxpayer's circumstances substantially comply with all tax provisions—that is, with the spirit and letter of tax law—this is referred to as material compliance. Formal compliance is another aspect of material compliance.

2.4 PBB-P2

PBB is a material tax in that the condition of the object—that is, the ground or soil and/or buildings—determines the amount of tax due. As per reference [4], the PBB qualifies as a material tax as the earth/land and buildings' respective states dictate the tax amount that needs to be paid. The subject's circumstances (i.e., who pays) do not dictate the tax amount.

Law Number 12 of 1994 established the Land and Building Tax (PBB), a governmental tax levied on land and structures. The amount of Land and Building Tax (PBB) is governed by strict government regulations, which follow the Official Assessment procedure collecting procedure.

3. METHODS

The difference test between formal and material compliance in PBB-P2 payments made by taxpayers in Bondowoso Regency is examined in this research. The author's quantitative method to comparative research is applied to the kind of data in this study. In this research, taxpayers in Bondowoso

District will be asked to assess whether formal compliance and material compliance in PBB-P2 payments vary from one another. The study's population consists of the 781,417 taxpayers in the Bondowoso Regency. Samples include the quantity and qualities that the population has. With a total sample size of 3544 respondents, cluster random sampling was employed for sample determination in this research. The data collection technique used by researchers in this study is to use the survey method with questionnaire distribution techniques through google forms.

Test Classical Assumptions using the Normality Test, Homogeneity Test. To test the hypothesis, the tool used is the difference test or commonly called the independent t-test (Mann-Whitney Test).

4. RESULTS AND DISCUSSION

4.1 Research Results

4.1.1 Description of the object of study

This study used quantitative data obtained from the distribution of questionnaires through google form to taxpayers in Bondowoso Regency. The questionnaire was distributed to 3544 respondents, with a total of 1336 male respondents and 2208 female respondents.

Table 1. Respondent Data Results (Gender)

	L	P	Total	
Frequency	1336	2208	3544	
Percent	37.7	62.2	100.0	Valid
Valid Percent	37.7	62.3	100.0	
Cumulative Percent	37.7	100.0		

Source: Data processed, 2023

Table 2. Results of Respondents' Statements

	Formal Compliance	Material Compliance	Taxpayer Compliance
N	3544	3544	3544
Range	12,00	14,00	18,00
Min.	3,00	3,00	5,00
Max.	15,00	15,00	23,00
Sum	22257,00	22249,00	37828,00
Mean	6.2802	6.2779	10.6738

Std. Deviation	2.17163	2.16789	2.80311
Var.	4.716	4.700	7.857
Skewness	067	563	439
Kurtosis	1.282	1.245	739

Source: Data processed, 2023

Based on the results of the Descriptive Statistical Test of Respondents' Statements in table 2, it can be seen that the descriptive statistics for the Formal Compliance variable show a range value of 12, a minimum value of 3, a maximum value of 15, a sum value of 22257, a mean or average value of 6.2802, a standard deviation value of 2.17163, a variance value of 4.716, a skewness value of 67, and a kurtosis value of 1.282. Then for the Material Compliance variable, it shows that the range value is 14, the minimum value is 3, the maximum value is 15, the sum value is

22249, the average value is 6.2779, the standard deviation value is 2.16789, the variance value is 4.700, the skewness value is 563, and the kurtosis value is 1.245. Meanwhile, the Taxpayer Compliance variable shows that the range value is 18, the minimum value is 5, the maximum value is 23, the sum value is 37828, the average value is 10.6738, the standard deviation value is 2.80311, the variance value is 7.857, the skewness value is 439, and the kurtosis value is 739.

Table 3. Test Validity

Variable	Indicators	r calculate	r table	Information
Formal Compliance	1	0,810	0,201	Valid
	2	0,770	0,201	Valid
	3	0,753	0,201	Valid
Material Compliance	1	0,818	0,201	Valid
	2	0,760	0,201	Valid
	3	0,761	0,201	Valid
Taxpayer Compliance	1	0,596	0,201	Valid
	2	0,554	0,201	Valid
	3	0,650	0,201	Valid
	4	0,579	0,201	Valid
	5	0,569	0,201	Valid

Source: Data processed, 2023

Based on the results of validity testing in table 3, it can be concluded that the r value of the table is 0.201. The results of the SPSS output show that the r value of each variable

is greater than the r table, it can be concluded that the questionnaire in this study is declared valid.

Table 4. Reliability Test

Variable	Cronbach Alpha Value	Standart Alpha	Information
Formal Compliance	0,677	0,70	Reliable
Material Compliance	0,681	0,70	Reliable
Taxpayer Compliance	0,531	0,70	Reliable

Source: Data processed, 2023

Based on the reliability test results in table 4, the Cronbach Alpha value for the formal compliance variable is 0.677, the material compliance variable is 0.681, and the

taxpayer compliance variable is 0.531. All of these variables have a Cronbach Alpha value that is greater than the standard alpha value of 0.70, so it can be concluded that the

variables used in this study are declared reliable.

Table 5. Normality Test Results

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statis.	df	Sig.	Statis.	df	Sig.
X1	.169	3544	.000	.921	3544	.000
X2	.184	3544	.000	.918	3544	.000
Y	.100	3544	.000	.973	3544	.000

Source: Data processed, 2023

Based on table 5 shows that the results of the normality test, known Asmp values. Sig. (2-tailed) on the Kolmogorov-Smirnov column has a value of < 0.05 . So, from these results it can be stated that the

data is not normally distributed. Analyze the data if it is not normally distributed as the table above, then henceforth use non-parametrics.

Table 6. Homogeneity Test Results

Levene Statistic	df1	df2	Sig.
.102	1	7086	.749

Source: Data processed, 2023

Table 6 indicates that the homogeneity test results are more than the significance value of > 0.05 , or 0.749.

Consequently, it may be claimed that the data are homogenous.

Table 7. Independent t-test (Mann-Whitney test)

Mann-Whitney U	6260884.500
Wilcoxon W	12542624.50
Z	-.227
Asymp. Sig. (2-tailed)	.820

Source: Data processed, 2023

Based on the results of the independent difference test analysis of the non-parametric t-test, the man-whitney test can be seen in table 6 there is a data homogeneity test, so before having to do a levene test. Based on the results of the levene test, it was found that the levene test value was 0.102 and the significance value was obtained 0.749, meaning that the data had the same variance or the data were more likely to

be homogeneous than heterogeneous. Then it can be concluded that the results of the mann-whitney test of formal compliance variables and material compliance have Asymp values. Sig. (2-tailed) $0.820 > \text{Sig } 0.05$ which means there is no difference between formal compliance and material compliance in PBB-P2 payments by taxpayers in Bondowoso Regency.

4.2 Discussion

4.2.1 Formal Compliance and Material Compliance

Tax compliance is a condition where a taxpayer fulfills all tax obligations and exercises his tax rights. Compliance as a taxpayer is to carry out various tax provisions that have been set by the government. If there

are taxpayers who are disobedient, submissive, and comply with tax regulations, this can cause tax revenue to decrease. In the implementation of tax regulations, there are two related copy parties, namely the government as the tax regulator and the public (taxpayers) who carry out the implementation of taxation. To achieve the tax

target, it is necessary to grow public awareness and compliance to fulfill their tax obligations. One of them is by not having arrears or delays in depositing taxes. Formal compliance and material compliance are the two categories of compliance.

The compliance, according to Amin [1], is the state in which taxpayers officially satisfy their tax responsibilities in line with the terms of the tax code. Meanwhile, material compliance is a condition where the taxpayer substantively/essentially meets all material provisions of taxation, namely in accordance with the content and soul of the tax law. A taxpayer is said to be formally compliant if he pays the tax owed on time, but the payment of the tax does not necessarily match the amount of tax owed, which is the definition of material compliance.

The study's hypothesis—that there is no difference between formal and material compliance in PBB-P2 payments made by taxpayers in Bondowoso Regency—was based on the findings of the independent t-test. Given that the study's significant value is 0.820, which indicates that the value is higher than the probability of 0.05, H_a is accepted. It is possible to take this as meaning that there is no distinction between formal and material compliance since both require the taxpayer to carry out or perform their tax duties in line with the rules and regulations of tax law. The study that has been done indicates that formal compliance and material compliance are identical. This is also in line with Syarty's [17] assertion that formal and material compliance are interchangeable.

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5. CONCLUSION









Based on the results of the analysis that has been carried out and the discussion that has been put forward in chapter four, the conclusions in this study that can be drawn are as follows: The difference test shows that there is no difference between Formal Compliance and Material Compliance in PBB-P2 payments by taxpayers in Bondowoso District. Where the significance value in the study is $0.820 > 0.05$ which means H_a is accepted as can be seen table 7 data of independent t-test results using the Mann-Whitney Test. This is because formal compliance and material compliance are conditions where the taxpayer itself equally carries out or fulfills its tax obligations in accordance with the law and the provisions of tax law.





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BIOGRAPHIES OF AUTHORS

	<p>   Nova Rofikah is the name of the author of this journal. The writer was born in Bondowoso Regency on October 08, 2000. The author studied from elementary school at SDN Kembang 2 (graduated in 2013), continued to SMP Negeri 5 Bondowoso (graduated in 2016) and SMA Negeri 1 Bondowoso (graduated in 2019) until finally the author was able to study at the Faculty of Economics and Business, University of Muhammadiyah Jember. In addition, the author gained internship experience at the Regional Revenue Agency of Bondowoso Regency. Email: novarfk08@gmail.com</p>
	<p>   Diyah Probowulan is the name of the author of this journal. The author was born in Kudus Regency on November 30, 1974. The author took education starting from SDN Al-Islam II Kudus (graduated in 1988) continued to SMP Negeri 1 Kudus (graduated in 1991) and SMA Negeri 3 Kudus (graduated in 1994) then became a Bachelor of Accounting at Muhammadiyah University of Jember (graduated in 1999) until finally the author took the Master of Management degree at the University of Jember (graduated in 2001). The author is active in training, research and community service activities that are closely related to accounting, management and entrepreneurship. In addition, the author also has experience in several positions,</p>

	<p>namely being the Head of the Accounting Study Program at Muhammadiyah Jember University (2009-2017), being the Secretary of SPI at Muhammadiyah Jember University (2018-2021) and being the Deputy Dean of the Faculty of Economics at Muhammadiyah Jember University (2020-present). Orcid: https://orcid.org/0000-0002-9743-4395 . Email: norita@unmuhjember.ac.id</p>
	<p>   Achmad Syahfrudin Zulkarnaeni is the name of the author of this journal. The writer was born in Kediri on December 7, 1976. The Writer's Work Unit is at the University of Muhammadiyah Jember. The author's position as Head of the Accounting Study Program Laboratory/FEB. Last education Strata Two (Master of Management). The training that has been attended is Assessment/Competency Test. In addition, the author also has several work experiences in several positions, namely RSKIA Ummi Khasanah Bantul, Yogyakarta, Multindo Auto Finance Jember Branch, University of Muhammadiyah Jember (Now). Email: syahfrudin@unmuhjember.ac.id</p>