

THE EFFECT OF TAX EXTENSIFICATION ON INCOME TAX REVENUE (STUDY ON ONE KPP IN BANDUNG CITY)

Agistina Suryani¹, Siti Mialasmaya², Djadjun Juhara³, R. Deni Purana⁴
Sekolah Tinggi Ilmu Ekonomi Pasundan Bandung 1,2,3,4
E-mail: agistinasuryani@gmail.com¹, mia@stiepas.ac.id², djajun@stiepas.ac.id³,
deni@stiepas.ac.id⁴

ABSTRACT

This research is to determine the effect of tax extensification on income tax receipts at one of the Tax Offices in Bandung. This research method uses quantitative research methods with descriptive and verification approaches. First, obtain the questionnaire results from the respondents, then process them through SPSS 20 to be tested, and then present the output results. After conducting analysis and discussion, the authors conclude that tax extensification positively influences income tax receipts at one of the tax offices in the city of Bandung. Therefore, to increase the magnitude of the effect of Tax Extensification on Income Tax Revenue, one of the Tax Offices in the City of Bandung should carry out Extensification activities consistently to be able to continue to increase the number of Taxpayers, establish cooperation with related external parties to improve the Tax Extensification strategy, such as employment agencies/treasurers government. The government agency in question is the Regional Government. In order to find out the number of Taxpayers and to know more about Taxpayers, as well as cooperate with the private sector, namely cooperation with employers in companies registered at the Bandung Cibeunying Primary Tax Service Office to make it easier for their employees who have not registered in enroll en masse.

Keywords: Tax Extensification, Income Tax Receipt.

INTRODUCTION

Indonesia's state revenue originates from three sectors: tax revenue, non-tax revenue, and grants (Alimin, 2018). These three sources support the state's cash receipts. Taxes dominate over 80% of Indonesia's state revenue (Apriliani & Asalam, 2021). One of the ways the

government obtains significant tax revenue is through Income Tax (PPh) (Windariyanti, 2021). Income Tax (PPh) is a tax imposed on taxpayers for the income they receive or obtain in a tax year (Effendi et al., 2016). Since more than 82% of state revenue relies on tax receipts, particularly Income Tax, the government's failure

to meet tax revenue targets will impact the overall State Budget (Effendi et al., 2016). Taxation is the primary source of revenue that has the potential to finance government activities and development (Haryadi, 2022). The tax sector experiences annual increases in revenue, with Income Tax (PPH) contributing the most to tax receipts (William, 2022). Income Tax (PPH) is a tax imposed on taxpayers for the income they receive or obtain in a tax year (Komara et al., 2012). In this study, the measurement of Income Tax revenue compares Actual Income Tax and Planned Income Tax (Marcya & Hanum, 2021). Regarding its budgetary function (revenue), the government consistently strives to enhance state revenue through tax collection expansion and intensification. The expansion entails enlarging the taxpayer base and tax objects, while intensification focuses on increasing taxpayer compliance. Implementing these measures will optimize tax revenue (Ngadiman & Felicia, 2017). The government continually endeavors to increase state revenue through tax collection expansion and intensification. The expansion involves broadening the taxpayer base and tax objects, while intensification aims to improve compliance among existing taxpayers. Efficiently executing these measures will optimize tax revenue (Novasari & Ratnawati, 2020). Taxpayers who meet the criteria must fulfill their duties as taxpayers by meeting their tax obligations (Rahmawati et al., 2022). Including

more taxpayers in this expansion, activity will consequently impact tax revenue, especially the income tax paid by new taxpayers (Edi Tri Wibowo, 2020; Ghina, 2020; Sidharta & Wati, 2015).

METHOD

This research utilizes a quantitative research method with a descriptive and verificative approach. The researchers base the quantitative research method on the positivism philosophy and apply it to examine specific populations or samples. They generally employ random sampling techniques and use research instruments for data collection. The researchers conduct data analysis quantitatively or statistically to test predetermined hypotheses.

The descriptive method offers a systematic, factual, and accurate description, portrayal, or depiction of the facts, characteristics, and relationships among the investigated phenomena. It explains the facts in the Tax Expansion and Income Tax Revenue variables. It gains an understanding of the relationship between two or more variables by observing relevant aspects to gather data about the problem.

The verificative method represents a research approach aimed at testing the causal relationships between variables through hypothesis testing using statistical calculations. This method enables the researchers to validate

or reject the hypotheses. The researchers employ the verificative approach to address research questions regarding the impact of tax expansion on the level of income tax revenue.

RESULT AND DISCUSSION

From 2013 to 2019, the Tax Office (KPP) in Bandung City witnessed fluctuations in the number of taxpayers added due to tax expansion. On average, 2,104 taxpayers were added as a result of tax expansion. However, in 2013, particularly from April to June, the lowest taxpayer increase resulted from tax expansion, with only 1,558 taxpayers. This figure falls below the average and can be attributed to the uncertainty surrounding the number of taxpayers who met the tax expansion criteria each year.

In contrast, the highest addition of taxpayers resulting from tax expansion occurred in 2016, from July to September, with 2,799 taxpayers. This increase was made possible by the modernization of tax administration, including implementing e-registration, e-billing, and e-filing systems, which facilitated taxpayers in fulfilling their tax obligations.

The verificative analysis revealed that Tax Expansion significantly impacted Income Tax revenue, accounting for 51% of the total revenue. This condition indicates that Tax Expansion is crucial in increasing Income Tax revenue in one of the KPPs in Bandung City. This KPP's average Income Tax revenue from

2013 to 2019 amounted to Rp361,821,825,586. On the other hand, the lowest revenue occurred in 2013, from April to June, with a total of Rp161,117,389,293. This figure is considerably lower than the overall Income Tax revenue during the period. Several factors contributed to this, such as the increase in the non-taxable income threshold (PTKP), the global economic crisis impacting Indonesia's economic growth, ineffective tax incentives, high practices of tax avoidance and tax evasion by corporate and individual taxpayers, as well as low public awareness in paying taxes. Consequently, additional efforts from the government are needed to enhance public awareness of tax compliance.

Conversely, the highest revenue occurred in 2016 from October to December, amounting to Rp712,633,745,054, twice the average Income Tax revenue from 2013 to 2019. This increase can be attributed to expanding the tax base, taxpayer compliance through tax amnesty policies, tax extension, strengthening of the tax database, tax regulation improvements, and tax incentives.

The verificative analysis confirmed that Tax Expansion positively and significantly impacts tax revenue. The positive correlation coefficient of 0.714 indicates a strong and direct relationship between Tax Expansion and Income Tax revenue.

The Simple Linear Regression analysis resulted in the equation:

$$Y = 3.161 + 3.053X + \varepsilon$$

This equation indicates that when Tax Expansion is 0, the Income Tax revenue will be 3.161. Moreover, a one-unit increase in Tax Expansion leads to a 3.053 increase in Income Tax revenue, as indicated by the positive coefficient value of Tax Expansion.

According to the Coefficient of Determination analysis, Tax Expansion accounts for 51% of the influence on Income Tax revenue. This result implies that Tax Expansion significantly influences Income Tax revenue. In contrast, the remaining 49% is influenced by other factors not examined in this study, such as taxpayer compliance, tax collection, tax audits, and others.

In conclusion, the statistical tests confirm that the number of new taxpayers resulting from Tax Expansion significantly affects the ability to generate Income Tax revenue in one of the KPPs in Bandung City.

CONCLUSION

Based on the analysis and discussion previously described, Tax Extensification at one KPP in the City of Bandung is quite good because the growth of registered taxpayers through Tax Extensification tends to increase

from year to year. However, we evaluate the revenue from Income Tax in one of the Tax Offices in Bandung City as suboptimal because it has yet to reach the target. We also find that Tax Extensification has a positive influence of 51% on the revenue from Income Tax in one of the Tax Offices in Bandung City. The remaining 49% consists of other factors not examined in this study, such as taxpayer compliance, tax collection, tax audits, and other factors.

To increase tax extensification at one of the Tax Offices in Bandung, researchers suggest developing a Triple One program (111) to allow SMS and telephone calls. We also suggest that efforts to optimize the revenue from Income Tax in one of the Tax Offices in Bandung City should be more intensive in conducting counseling and integrated tax guidance to provide a broader understanding to taxpayers and create two-way communication between taxpayers and tax officers or the tax authorities. Additionally, the Tax Service Office should be more consistent in law enforcement by imposing sanctions such as fines, interest, and penalties, particularly for non-cooperative taxpayers who neglect their tax obligations. In addition, it must implement strict law enforcement against tax officers and officials involved in tax evasion and tax corruption by imposing fines and criminal penalties for their actions. As a result, taxpayers will be more compliant in reporting and paying their taxes,

increasing tax revenue for the Tax Service Office.

To increase the effectiveness of tax extensification on income tax receipts at one of the tax service offices in Bandung, researchers suggest consistently carrying out extensification activities to increase the number of taxpayers continuously. Furthermore, collaborating with relevant external parties to enhance Tax Extensification strategies, such as government employers/treasurers, including the Local Government, can better understand taxpayers and establish stronger cooperation. In addition, collaboration with private sector entities, specifically with employers in companies registered with one of the Tax Offices in Bandung City, should also be pursued to facilitate mass registration of their employees who still need to be registered.

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