

GAP ANALYSIS (TAX GAP) OF LAND AND BUILDING TAX OF URBAN AND RURAL SECTOR (PBB P2) REVENUES IN KEDIRI CITY

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Abstract

This study will reveal what makes the gap on the Land and Building Tax of Urban and Rural Sector (PBB P2) revenues in Kediri. PBB P2 is one kind of local taxes which was regulated in Law No. 28 of 2009 on Regional Taxes and Retribution. Kediri is one of cities that had been collecting PBB P2 through Regional Financial Management Body of Kediri (Dispenda Kediri) since the beginning of 2013. This research used descriptive research with qualitative approach. Study's result shows that tax gap phenomenon is happening in PBB P2 revenues at Kediri. Tax gap itself consists of three variables, they are non-filling gap, underreporting gap, and underpayment gap. All these variables are detected in the PBB P2 revenues in Kediri with different percentage of its variables. Research's result also shows how Dispenda Kediri didn't use the tax gap theory to analyze the element of PBB P2 revenues. By knowing the variables contained in tax gap, Dispenda Kediri will be easier to set proper strategies to reduce the amount of tax gap in PBB P2 revenues.

Keywords: Tax Gap, PBB P2, Non-filling Gap, Underreporting Gap, Underpayment Gap

INTRODUCTION

Since the beginning of 1980, government had a strong willing to set revenues from tax sector as the main sources of development fund. In order to make this aim into reality, government implemented Tax Reform in the year of 1983 by issuing 3 kind of laws ruling tax collection in Indonesia (Nurmantu, 2003: 15). Those laws are consists of Law No. 6 of 1983 on General Provisions and Taxation Procedures, Law No. 7 of 1983 on Income Tax, and Law No. 8 of 1983 on The Value Added Tax of Goods and Services and Tax of Luxury Goods Sale. Meanwhile, in the year of 1985, government had just issued Law No. 12 of 1985 on Land and Building Tax. In the history of Indonesia's tax collection, the land tax has been implemented since the British colonial era. The land tax collection was implemented during 5 years, started in 1811 until 1816 which was known as landrent. Land Rent is the rent which is levied by the government of British colonial towards land in Indonesia.

The centralization of power in Indonesia in the New Order regime is indispensable in order to enhance the spirit of unity and economic growth (Shah, 2000: 163). Taxation at New Order regime was influenced by centralized system that has become the culture of the government. The whole tax revenues was become national revenues which was noted in the State Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Negara - APBN). Since the regional governments did not have a right to

collect the tax by themselves, they did not have tax revenues in the Regional Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Daerah - APBD) which is important to fund the regional governments spending. Regional government only arranged Regional Revenue and Expenditure Budget Plan (Rencana Anggaran Pendapatan dan Belanja Daerah - RAPBD) based on the needs of their regions and proposed it to the central government. This condition made the regional governments around Indonesia having high dependency towards central government regarding development fund. There is exemption for Land and Building Tax collection system where central government could not receive all the revenues from it because the revenues from Land and Building Tax has to be distributed partially to the regional governments. This mechanism called Revenue Sharing Fund because this fund sourced from APBN and allocated to a region at a percentage to finance the need of the regions in implementation of decentralization. As the power of the New Order regime was overthrown by the reform spirit of the society, there was a perception in the society the highly centralized fiscal structure will lead to the high costs of politic and economic (Shah, 2000: 163-164).

Land and Building Tax is one of the state revenues levied on land and buildings. Land and Building Tax's taxpayers are private persons or entities that actually own rights on Land and/or acquire right on benefits on land, and/or own,

control and/or acquire right on benefits on building (Article 78 of Law No. 28 of 2009 on Regional Taxes and Retribution). Based on the collector, Land and Building Tax is included as the central tax. Law No. 33 of 2004 on Fiscal Balance Between The Central Government And The Regional Governments stated that 90% of Land and Building Tax revenues will be distributed to the local governments. 5 years later, central governments issued Law No. 28 of 2009 on Regional Taxes and Retribution. This law is describe about decentralization on regional taxes and retribution. Not only describe the kind of regional taxes and retribution, but also stated the name changing of Land and Building Tax into Land and Building Tax of Urban and Rural Sector (PBB P2). This made the Minister of Finance and the Minister of Internal Affairs should set the stage of PBB P2 diversion to be regional taxes at the latest on December 31, 2012 (Subekan and Hartoyo, 2012:51).

Kediri is a small city which is located in the Province of East Java that not spared from the changing of taxation law which was described before. Most of economical activities in Kediri is dominated by farming activities and small-medium enterprises which is handed down inside the family. The existence of big cigarette industry in Kediri, Gudang Garam, has already recruited many of human resources in Kediri as their employee. This condition made a great impact towards the increasing of the economic growth in Kediri gradually. The great economic growth should be followed by the better public facilities development. This aimed to keep the economic growth that has already increased to not to be blocked by the inadequate public facilities. For example, the damaged road would disrupt the disribution process from producers to consumers. If the government let this condition without a real solution, then all trading activities would run slower than what expected before. Tax is one manifestation of regional self-reliance in financing development in an era of regional autonomy. Through taxes received by the regency or city, the regional government did allocate funds to finance public interests in the development of the regency or the city.

Kediri is one of the cities in Indonesia which has been preparing for the shift of PBB P2 as the regional tax. This is evidenced by the establishment of the Kediri Regional Financial Management Body (Dinas Pendapatan Daerah Kediri - Dispenda Kediri). Since the last 3 years, which are 2010, 2011 and 2012, the tax revenue of

Kediri from PBB P2 is fluctuating. At that time, PBB P2 remains as central taxes, therefore, the implementation is still based on the old PBB P2 regulation. Kediri as regional government can only rely on the Revenue Sharing Fund from PBB P2 revenue which is distributed by the provincial government. It can be seen from the following table,

Table 1. Target and Realization of Kediri's PBB P2 Revenues In The Year of 2010-2012

Year	Target (IDR)	Real Amount (IDR)	Percentage (%)
2010	19.449.932.963	21.452.302.161	110,29
2011	23.429.176.864	23.716.347.989	101,23
2012	13.439.853.174	17.259.587.153	128,42

Source: *Regional Financial Management Body of Kediri, 2015*

Table 1 shows that during the last 3 years of realization of PBB P2 revenue has always exceeded the targets set by the Government of Kediri. Nevertheless, the realization of the PBB P2 revenue tends to fluctuate from year 2010 to 2012. In 2011, the realization of PBB P2 revenue increased by Rp 2.264.045.828,- from 2010, but in 2012, the realization of PBB P2 revenue decreased by Rp 6.456.760.836,-. Publication of Law No. 28 of 2009 on Regional Taxes and Retribution gives hope to regional governments, not to mention the city of Kediri. Start in the beginning of 2013, the whole PBB P2 revenues has became a right of Kediri government. This is the target and realization of PBB P2 revenue in 2013,

Table 2 Target and Real Amount of Kediri's PBB P2 Revenues In The Year of 2013

Year	Target (IDR)	Real Amount (IDR)	Percentage (%)
2013	17.176.212.546	16.770.450.027	97,64

Source: *Regional Financial Management Body of Kediri, 2015*

The 2013 target of PBB P2 revenues set by Dispenda Kediri is Rp 17.176.212.546,-, increased by Rp 3.736.359.372,-. The fact is, the realization of PBB P2 revenue in 2013 did not exceed the predetermined target which is Rp 405.762.519,- lower from the target. The uncertainty realization of PBB P2 revenue will cause the gap between the target and the actual revenues. If the gap is exist in the tax revenues, it indicates that there are various problems associated with the process of collecting the tax. Since the process of collecting PBB P2 in Kediri is still new, absolutely there are

still many obstacles and problems that occur in the process. Gaps in tax revenue also indicates the inability of the government to improve their performance to solve the main problem inside the process of collecting the tax.

A good management in overcoming tax gap phenomenon can only be done if fiscus fully understand what variables that make up the phenomenon itself. Tax gap analysis will reveal the variables that cause the gap, they are non-filing gap, underreporting gap and underpayment gap (Gemmell and Hasseldine, 2012:4-5). Once fiscus understand these variables, it will be easier for them to capture income that is earned but is hidden or missed from fiscus (Gemmell and Hasseldine, 2012:5).

Based on the description above, researcher interested in conducting research on the gap analysis of PBB P2 revenue in Kediri. The aims of this research is to know and describe the cause of tax gap in PBB P2 revenue and find the appropriate solutions to minimize the gap. Therefore, this research is under the title "**Gap Analysis (Tax Gap) of Land and Building Tax of Urban and Rural Sector (PBB P2) Revenues in Kediri City**".

THEORITICAL FRAMEWORK

Definition of Tax

Sommerfeld et al. defined tax as any nonpenal yet compulsory transfer of resources from the private to the public sector, levied on the basis of predetermined criteria and without receipt of a specific benefit of equal value, in order to accomplish some of a nation's economic and social objectives (Nurmantu, 2003:13). According to Article 1 General Provison and Taxation Procedures, "Tax is mandatory contribution to the state that owed by individuals or entity which may be enforced based on laws, by not receiving direct reciprocity and it is used for state purposes for the greatest welfare of people" (Law No. 16 of 2009).

Land and Building Tax of Urban and Rural Sector

Land and Building Tax of Urban and Rural Sector defined as fees levied againsts the owners, authorities, tenants and those who get benefit from the land and building (Diana and Setiawati, 2009:749). The amount of tax payable is depend on the condition of the land and the building. Although it has been determined to be one of regional taxes, as long as the region have not yet settled the regulation about Land and Building Tax of Urban Rural Sector, the collection of it is

still under the authority of the central government at least until the end of 2013 (Siahaan, 2013:554). This condition makes the collection of Land and Building Tax of Urban and Rural Sector may not in unison, at least until the end of 2013.

Tax Gap

The issue of tax revenue gap has been become a main topic in various international forums. This makes many economists took the initiative to investigate deeper. Tax gap is the difference between the taxes paid voluntarily and the taxes that would be collected if taxpayers accurately reported and paid their taxes (Hasseldine, 2002:125). The tax gap is the difference between the tax that would be have been assessed and paid if all taxable citizens and businesses had registered with the tax authority, had reported all their activities, transactions, assets and liabilities correctly and had paid all taxes due, and the tax assessed and paid in practice (Alink and Kommer, 2011:188). The tax gap is generally defined by Nasution (2015:159) as the difference between, on the one hand, the amount of tax revenue that would have been collected had all taxpayers fully complied with their obligations under the tax laws and, on the other hand, the amount of tax revenue that was actually collected by the tax administration.

Non-filing Gap

Toder (2007:1) defined non-filing gap as follows: "the tax not paid on time by taxpayers who have a legal requirement to file a tax return, but do not file on time." Meanwhile Dubin (2012:6) defined non-filing gap as : "the amount of tax revenue lost from returns that were never filed." Based on the explanations of those non-filing gap definitions, researcher defined non-filing gap as apotential tax which is lostdue totaxpayerswhohave an obligation topay taxes but did notimmediately returnTax Return(Surat Pemberitahuan/SPT) on time. Researchersadjustthedefinition withthethemes ofthis thesis, PBBP2, therefore theTax Return is as equal as Tax ObjectNotification Letter(Surat Pemberitahuan Objek Pajak/SPOP) by its function andwhat is meant bytaxisPBB P2.

Non-filing gap also can occur on an object which is included as exemptions based on the tax laws and regulations. The researchers concluded this based on the definition given by the Dubin, "... returns that were never filed." It means SPOP which the data never be filed due to the objects are included as exemptions. PBB P2 has written

provisions in the tax law which states that some objects will be free from PBB P2 based on several considerations.

Underreporting Gap

Toder (2007:1) defined underreporting gap as : “the tax owed by taxpayers who file returns on time, but underreport the amount of tax owe.” The amounts of tax payable of the tax payer, who has already filed and returned the SPOP on time, but do not reports all tax object that belonged to theirs in the SPOP. This statement is reinforced by the idea of underreporting gap as the amount of lost revenue from filed Tax Returns that underreport the amount of taxes owed (Dubin, 2012: 6).

Both of these statements indicate that violations of the rules are done by the taxpayer due to not reporting all the tax object data correctly. By not reporting all the tax object data will reduce the amount of tax payable that is actually borne by the taxpayer. Underreporting gap also can occur in the implementation of PBB P2 collection. Taxpayers who do not report all their tax object data when filling SPOP deemed to have committed underreporting gap.

Underpayment Gap

According Toder (2007: 6) underpayment gap is the loss in revenue from Taxpayers who have filed timely returns, but have not fully paid their reported tax on time. The potential loss of tax revenue from taxpayers who had completed and returned SPOP yet not immediately paid the amount of tax payable in a timely manner. This statement is reinforced by the definition which states that underpayment gap occurs when the taxpayers filed their tax return but failed to remit the amount due by the payment due date (Everett et al., 2008: 18-5). Another opinion also stated definition is consistent with both the previous opinion, namely: The underpayment gap is the amount of foregone revenue the resulting from taxpayers who fail to fully pay on time the amount of tax owed. (Nasution, 2015: 159). Underpayment gap is the amount of tax revenue lost as a result of the taxpayer who failed to pay off the tax payable on time.

All the opinions explained that underpayment gap occurs because the taxpayers intentionally or unintentionally, do not pay the tax payable to Dispenda until the specified time limit. All the opinions expressed that in this tax gap, taxpayers have actually completed and returned the SPOP, therefore Dispenda determined the amount of tax revenue owed by issuing Tax Due Notification Form (Surat Pemberitahuan Pajak

Terutang/SPPT). After all the SPPTs had issued by Dispenda, then the obligation of taxpayers are pay the payable tax before the due date. It should be noted that administrative sanctions such as fines resulting from late payment could not be categorized as part of the tax gap. This is because the fine is not included in the tax payable which has been determined by Dispenda (Toder, 2007: 1 & 6).

RESEARCH METHOD

The current research is using descriptive research. According to Wirartha (2006:154), descriptive research is related with data collection to describe or affirmation of a concept or phenomenon. Descriptive study is limited to an effort of revealing the problem, situation or event as it is. The research result is providing an objective outline of the true condition of the object. Descriptive study aimed to describe, summarize a variety of conditions, situations, or various variables that arise in the community which is become the object of research as it is (Wirartha, 2006: 154).

Meanwhile another definition based on (Moleong, 2014: 6), a qualitative approach is an approach that aims to “understand the phenomenon of what is experienced by the subject of the study such as behavior, perception, motivation, action, etc, holistically, and by way of description in the form of words and language, in a specific context that isnaturally and by using various scientific methods.” Based on the explanation above, descriptive research with qualitative approach supported by quantitative data is appropriate to be used in this research. This research used a secondary data which is collected from Dispenda Kediri. All of information that can support this research is taken by documentation method. In accordance to the previous explanation, the focus of this research is determined as follows:

1. PBB P2 Revenues in Kediri City
 - a. Implementation of PBB P2 Collecting by Dispenda of Kediri City
 - b. Potential Revenues of PBB P2 in Kediri City
 - 1) Use of Land in Kediri City
 - 2) Taxpayers Compliance in Kediri City
 - 3) Targetand Real Amount of PBB P2 Revenues in 2013-2014
 - 4) Indication of Tax Gap Phenomenon
2. Tax Gap on PBB P2 Revenues in Kota Kediri

- a. Analysis of Non-filing Gap on PBB P2 Revenues 2013-2014
- b. Analysis of Underreporting Gap on PBB P2 Revenues 2013-2014
- c. Analysis of Underpayment Gap on PBB P2 Revenues 2013-2014
- d. The Efforts of Dispenda of Kediri City to Overcome Tax Gap on PBB P2 Revenues

DATA ANALYSIS

Researcher used tax gap analysis in this research. Tax gap model analysis divided into 3 kinds of analysis, which are non-filing gap analysis, underreporting gap analysis, and underpayment gap analysis. These analyses are adjusted with 3 variables that create tax gap, they are non-filing gap, underreporting gap, and underpayment gap (Toder, 2007:1-2). Tax gap model analysis will give the details explanation about the components that contained on revenue tax gap.

RESULT AND ANALYSIS

Implementation of PBB P2 Collecting by Dispenda of Kediri City

Since PDRD Law was officially implemented, local governments are competing to perform thorough preparation before the authority of the PBB P2 collecting will be fully delegated to the local governments. The ability of local governments to collect PBB P2 becomes one of the biggest challenges in this transition period. The time given for preparation is from January 1st, 2010 to December 31st, 2013. During the preparation period, the region is expected to establish Regional Regulation of PBB P2 as the legal basis to collect the tax as mentioned before. Kediri has already a Regional Regulation No. 6 of 2010 on Local Taxes of Kediri City as the legal basis for PBB P2 collecting. Central government gave time until December 31, 2013, to establish regional regulations regarding PBB P2. For those areas that have not yet established regional regulation on the PBB P2, then the area is not allowed to handle out the PBB P2 collection. This condition makes the entire society in the area has no obligation to pay for the PBB P2 (Widodo, 2014: 2).

The procedures of PBB P2 collecting in Kediri has been written in the Mayor Regulation No. 38 of 2012 on Procedures for The Collection of PBB P2 as already amended by Mayor Regulation No. 24 of 2013 on Procedures for The Collection of PBB P2. The first thing that must be done by the taxpayer is register all the taxable objects

owned, controlled and/or used, by filling SPOP completely and return it to Dispenda of Kediri City. The SPOP must be filled clearly, correctly, completely and signed by the taxpayer. SPOP must be returned to Dispenda no later than 30 working days after the SPOP has been received by the tax subjects. SPOP that has been returned to the Dispenda is being verified by recording data. Recording data activities include monitoring the return of SPOP, verification of taxable objects and measurement of the taxable objects. Verification of taxable objects is comparing object and / or the subject data of the PBB P2 listed in SPOP with the actual conditions. The results of this process will generate Taxable Object Number (Nomor Objek Pajak/NOP).

The amount of PBB P2 payable is determined through appraisal activities. Appraisal is an activity in order to establish Sale Value of Tax Object (Nilai Jual Objek Pajak/NJOP). Appraisal can be done in two ways, by using public appraisal and individual appraisal. As the NJOP has been determined, it would ease Dispenda for determining the amount of PBB P2 payable of the taxpayers. The amount of PBB P2 payable is stipulated on every January 1st in each year. The next step to do is stipulate SPPT in the beginning of the year no later than February 28th in each year. SPPT which has been printed shall be delivered to taxpayers through tax district office where the taxable object is located or can be picked up personally by the taxpayer. The taxpayer must pay the amount owed PBB P2 after receiving SPPT through Bank Jatim or other place designated by the Mayor's approval. A taxpayer who has paid PBB P2 will get Letter of Deposit Receipt (Surat Tanda Terima Setoran/STTS). STTS is the proof of payment of PBB P2.

Use of Land in Kediri City

Kediri region has an area of 63.40 km² or 63.400.000 m² wide. Kediri City area can be considered quite a potential to obtain local revenue by collecting PBB P2. PBB P2 is tax on land and / or buildings owned, controlled and / or used by individuals or bodies in the rural and urban sectors, except areas used for plantation, forestry and mining businesses. The larger an area of the city, the greater revenues that can be obtained through PBB P2.

Of the entire area in Kediri, only 58.8176 million m² of land that can be categorize as taxable objects according to PBB P2 law. Those taxable objects consists of neighborhoods, trade and services, offices, industrial and warehousing,

tourism, non-green belt, allotment of the informal sector, agriculture, fields and gardens, and military areas. NJOP of all those taxable objects as mentioned above are different. Of the entire area in Kediri, 3.388.200 m² wide can't be categorized as taxable objects because several areas are excluded as taxable areas according to PBB P2 Law. Those exemptions are public services, green belt, forests, stations and terminals. What is meant by the public service is the use of land used for worship, health, and education. Meanwhile the green belt consists of graveyard, city parks, and ancient relics. This is in accordance with Article 77 (3) of Law No. 28 Year 2009 on Regional Taxes and Retribution for example in the Land and Building Tax. This article explains that the objects of taxation in the form of a place of worship, social, education and national culture are not intended to make profit, such as mosques, churches, state-owned hospitals, state-owned schools, orphanages, temples, cemetery, ancient heritage, protected forests, national parks are excluded from PBB P2.

Taxpayers Compliance in Kediri City

The researchers compared the number of SPPT and STTS that had already issued to find out the percentage of tax compliance or it could be called the collection rate. Researchers compared the number of SPPT and STTS there in 2013 and 2014, because Kediri started collecting up the PBB P2 in 2013 through Dispenda. Based on these calculations, the area of Kediri have high levels of taxpayer compliance is quite satisfying. This indicates that the payment of PBB P2 in the area of Kediri has been running pretty well.

Table 3 Percentage of Taxpayer Compliance

Year	SPPT	STTS	Collection Rate (%)
2013	85.775	59.627	69,52
2014	86.699	61.470	70,90

Source: Regional Financial Management Body of Kediri, data processed 2015

Table 3 shows that the percentage of collection rate in 2013 is 69.52% and the percentage collection rate in 2014 is 70.90%. The results can't be categorized as high or low percentage, because it already exceeds 50% but not close to 100%. Both of the percentage collection rates show the same thing, the taxpayer in Kediri had not shown a good compliance since there were many of taxpayers who do not immediately pay their PBB P2 payable before the due date, August 31st. That is

what causes the percentage collection rate can't approach or even reach 100%.

Target and Real Amount of PBB P2 Revenues in 2013-2014

As discussed in the previous section, that only 58.817.600 m² wide which can be included as taxable objects in PBB P2. Meanwhile the rest of the region is excluded from PBB P2 or it can be called as the exemptions. If the amounts of exemptions are increasing every year, it will reduce the potential of PBB P2 revenues in Kediri. The potential of PBB P2 can be determined by checking at the amount of SPPT which is printed annually to know all the taxable objects that have been reported. When the potential has been reflected on SPPT, then Dispenda will set the target of PBB P2 revenues as real as the reflected data in SPPT. This is in accordance with Hasseldine's opinion (2002: 125) that stated that tax gap is the difference between the amount of taxes paid voluntarily and the amount of tax that may be collected if the taxpayer to report and pay taxes properly. This argument implies that the tax potential can be determined if the taxpayer reported the all their taxable objects along with current tax laws and regulations.

Table 4 Percentage of Achievement of PBB P2 Revenues Target in Kediri City

Year	Target (IDR)	Real Amount (IDR)	Percentage (%)
2013	17.176.212.546	16.770.450.027	97,64
2014	17.500.000.000	19.818.082.194	113,24

Source: Regional Financial Mangemnet Body of Kediri, data processed 2015

2013 was the first year for Dispenda of Kediri to collect PBB P2 by them self. Dispenda set a target of PBB P2 Rp 17.176.212.546,- in 2013. Meanwhile the real amount of PBB P2 revenues that successfully collected by Dispenda is Rp 16.770.450.027,-. In other words, Dispenda had managed to collect 97.64% of the target. In 2014 Dispenda set the target as much as Rp 17.500.000.000,-, the amount is not much different from the real amount of PBB P2 revenues in 2013. The unsatisfying result of PBB P2 collection in 2013 had paid off in 2014. Dispenda managed to achieve PBB P2 exceeds from the 2014 target. Real amount of PBB P2 revenues in 2014 is up to Rp 19.818.082.194,- or 13,24% over the target. Therefore, Dispenda managed to collect PBB P2 as much as 113,24% of the target has been set at the beginning of the 2014. The achievement of the

PBB P2 revenues target in 2014 was supported by success of Dispenda in charges all of the PPB P2 receivables.

Indication of Tax Gap Phenomenon

If researcher use table 4 as a reference, it can be said that tax gap phenomenon does not exist in PBB P2 collection in Kediri since the achievement of PBB P2 revenues in 2013 and 2014 were very good. It should be noted that what is presented in table 4 turned out to be inversely proportional to the table 3 which is show the percentage of collection rate. The result of both of collection rates in 2013 and 2014 did not along with the achievement of PBB P2 collection.

In 2013, the collection rate is only as much as 69,52%, however, the achievement of PBB P2 revenues reached up to 97,64%. Meanwhile in 2014, the percentage of collection rate is as much as 70.90% and the achievement of PBB P2 reached up to 113.24%. Both in 2013 and 2014, the collection rate did not show a high percentage, however, the achievement of PBB P2 collection in 2013 was close to the target and even surpassed the target in 2014. The researcher concluded that a low percentage of collection rates do not give an effect to the PBB P2 revenues in Kediri. Instead, the high achievement of PBB P2 collection does not always indicate the high percentage of collection rate. By knowing that the collection rate is highly inversely proportional to the achievement of PBB P2 collection during 2013 and 2014, the researcher took the preliminary conclusion that the phenomenon of tax gap is exist in the PBB P2 collection in Kediri.

Analysis of Non-filing Gap

Non-filing gap is a potential tax which is lost as a result of the taxpayer who has an obligation to pay PBB P2, however, did not immediately return SPOP on time. The taxpayers' delay in the return of SPOP is not the only thing that is contained in the definition of non-filing gap. Exemptions in several PBB P2 objects can be categorized into non-filing gap.

In accordance with article 77 of Law No. 28 Year 2009 on Regional Taxes and Retribution, there are some criteria of land and building which are not included as taxable objects. The first criterion is the object is used by the regional government to run government. The second criterion is the object is used merely to serve public interests in religious service, social, health, educational and national cultural fields not to make profit. Basically, those lands and buildings which are included as exemptions are included in

the jurisdiction of the Regional Government of Kediri. The whole area of Kediri with all the development that occurs annually is the potential of the PBB P2 revenues owned by the Regional Government of Kediri. However, not all the construction in this area is commercial, so that Dispenda can't arbitrarily determine the amount of PBB P2 payable towards the non-commercial development. It can be concluded that Kediri lost some potential PBB P2 revenues of its territory because of the exemptions.

Table 5 Percentage of Exemption Area in Kediri City during 2013-2014

Year	Exemption Area (m ²)	Kediri Area (m ²)	Percentage (%)
2013	3.388.200	63.400.000	5,34
2014	5.903.259	63.400.000	9,31

Source: Regional Financial Management Body of Kediri, data processed 2015

Analysis of Underreporting Gap

Violations of the tax laws by not reporting their taxable objects are categorized as underreporting gap. Underreporting gap is the amount of tax payable of the taxpayer who has to fill and return the SPOP on time, but did not report all taxable objects that belonged to him in the SPOP. Kediri taxpayers are preferred to pay PBB P2 payable less than it should be. The reluctance of taxpayers to report all taxable objects that belonged to them was causing a potential revenue loss of PBB P2 that should be paid.

There is no certain way to calculate how much tax potential which is lost due to underreporting action, however, researcher calculated the amount of potential losses in the following way,

Table 6 Estimated Amount of PBB P2 Which Is Paid per Taxpayer

Year	PBB P2 Revenues Target (IDR)	Issued SPPT	Estimated Amount of PBB P2 (IDR)
2013	19.017.463.503	85.775	221.713
2014	22.004.267.284	86.699	253.800

Source: Regional Financial Management Body of Kediri, data processed 2015

The second column in table 6 shows the target of PBB P2 revenues in each year. The reason why researcher used the target of PBB P2 revenues as the elements of the calculation is because the target itself is the expected result that wants to be achieved by Dispenda through issued SPPTs.

Therefore, if researcher using the real amount of PBB P2 revenues as a component of the calculation, the final result will not show the results that approach the real condition of the expected target. The third column in table 6 shows the number of issued SPPT in the beginning of the year for every single taxpayer in Kediri. SPPT which is already issued indicates the number of taxpayers who have to pay off their PBB P2 payable. In 2013, there were 85.775 taxpayers and there were 86.699 taxpayers in 2014 that had to pay PBB P2. The fourth column in table 6 shows the estimated number of PBB P2 to be paid by the taxpayer. This number is derived by dividing the number of target of PBB P2 revenues with the amount of issued SPPT in the early years. From this calculation, it can be seen the average amount of PBB P2 paid by taxpayer in Kediri annually. In 2013, taxpayer in Kediri pay approximately Rp 231.713,- for each tax object owned, whereas in 2014 the average amount of PBB P2 paid by taxpayer is Rp 253.800,-.

Table 7 Potential Loss in PBB P2 Revenues

Year	Changes in Tax Objects	Estimated PBB P2 Paid by Each Taxpayers (IDR)	Potential Loss (IDR)
2013	711	221.713	157.637.943
2014	714	253.800	181.213.200

Source: Financial Regional Management Body, data processed 2015

The second column in table 7 shows the amount of taxable objects mutations that occur each year. In 2013 there were 711 cases of taxable objects mutations and in 2014 there were 714 cases of taxable objects mutations. The third column in table 7 shows the estimated number of PBB P2 paid by each taxpayer. This amount is known from the previous calculations presented in table 6. The fourth column in table 7 shows the potential loss of PBB P2 revenues in Kediri. Numbers listed in the column potential loss derived by multiplying the number of taxable objects mutations cases with the average amount of PBB P2 to be paid by each taxpayer. In 2013, Kediri experienced a loss of PBB P2 revenues as much as Rp 157.637.943,- and in 2014 Kediri also experienced a loss of PBB P2 Rp 181.213.200,-. This amount is called as potential loss due to the underreporting action done by the taxpayers in Kediri.

Analysis of Underreporting Gap

Underpayment gap is the amount of tax revenue lost as a result of the taxpayer who fails

to pay off the tax payable in a timely manner. A taxpayer who has got SPPT ignores the obligation to pay the PBB P2 payable intentionally or not. The ignorance from taxpayers by not paying PBB P2 payable up until the due date, August 31st, results in the increasing of the amounts of PBB P2 receivables which shall be charged by Dispenda of Kediri.

Table 8 Percentage of PBB P2 Receivables Successfully Charged

Year	PBB P2 Receivable (IDR)	Successfully Charged (IDR)	Percentage (%)
2013	3.069.583.749	905.530.308	29,50
2014	1.541.684.100	1.285.860.914	83,41

Source: Financial Regional Management Body of Kediri, data processed 2015

The second column in table 8 shows the amount of PBB P2 receivables in Kediri. In 2013, the amount of PBB P2 receivables reached Rp 3.069.583.749,-, while in 2014 the amount of PBB P2 receivables decreased into Rp 1.541.684.100, -. The reduced amount of PBB P2 receivables in 2014 is because the elimination of PBB P2 receivables that already exceeds 5 years after tax becomes due, which is not reimbursable. The third column shows the amount of PBB P2 receivables that successfully charged, in 2013, Dispenda managed to collect PBB P2 receivables up to Rp 905 530 308, -. Compared to the amount of PBB P2 receivables in 2013, the success of Dispenda in charging PBB P2 receivables in 2013 is only 29.50% of the total amount of receivables. However, in 2014, Dispenda managed to collect PBB P2 receivables as much as Rp 1.285.860.914,-. In other words, the percentage of success of Dispenda in charge of the PBB P2 receivables in 2014 is 83.41%.

The existence of tax receivables is always followed by administrative sanctions. As a public law, tax law contains the taxation sanctions, both administrative fines and criminal penalties (Nurmantu, 2003: 126).

Table 9 Percentage of Administrative Fines on the Real Amount of PBB P2 Revenues

Year	Real Amount (IDR)	Adm. Fines (IDR)	Percentage (%)
2013	16.770.450.027	11.475.083	0,068
2014	19.818.082.194	36.824.566	0,19

Source: Regional Financial Management Body, data processed 2015

In 2013, there was fine as much as Rp 11.475.083,- recorded and in 2014. There was fine as much as Rp 36.824.566,- recorded. As presented in table 9, fine in 2013 is about 0.068%. Meanwhile the percentage of fine in 2014 is only 0.19%. Administrative fines in those 2 consecutive years were not passed over 1%. However, Dispenda used those administrative fines to calculate the real amount of PBB P2 revenues which is so wrong according to tax gap theory. Tax gap theory states that administrative sanctions such as fines resulting from the late payment could not be categorized as part of the tax gap. Administrative fines in the form of interest are not included in the basic tax payables which have been set by the tax authorities (Toder, 2007: 1 & 6).

The Efforts of Dispenda Kediri to Overcome Tax Gap

There are 3 variables that cause the phenomenon of tax gap, the non-filing gap, gap underreporting and underpayment gap. Even so, Dispenda had made efforts to attract taxpayers in order to pay PBB P2 payable before the due date. These efforts were made to achieve the target of PBB P2 revenues. Basically, all those efforts made by Dispenda are only have a single purpose, which is only to achieve the target PBB P2 revenues. The achievement of the PBB P2 revenues target is very important because it is one of the elements of PAD that contributes a lot. This makes the performance of Dipenda in collecting PBB P2 payables is solely focused on achieving the target.

Among the 3 variables of tax gap former, variable of underpayment gap is greatest variables that affect the amount of PBB P2 revenues. Dispenda of Kediri would be better if they keep focusing on efforts that can reduce the amount of underpayment gap, such as the implementation of a leisurely stroll and mobile car services. Implementation of a leisurely stroll by Dispenda is only conducted once a year, right on the payment due dates of PBB P2, on August 31st. This regulation contained in Mayor Regulation Number 38 of 2012 on Procedures for the Collection of PBB P2 Article 10 paragraph (5).

The next greatest contributor variables towards tax gap are variable of underreporting gap and variable of non-filing gap. In order to overcome this, Dispenda cooperates with every district in Kediri and conducts socialization. The district is the party that is also considered as the most understand party of the conditions that occur on its territory, because if there are

changing to the taxable objects in its territory, they will know in advance more than Dispenda itself. The district is also considered as an extension of Dispenda in PBB P2 collection. This is because the district is the second party after Dispenda Kediri who knows about the PBB P2 payment procedure. So the district is the appropriate party to find out any information about the procedure of PBB P2 payment without having to go to Dispenda.

Making the district as a partner for the PBB P2 collection does not necessarily make Dispenda ignores the socialization activity. Socialization is differentiated into two types, regular socialization and conditional socialization. Regular socialization is done to remind people of their obligation to pay PBB P2 payable. Underreporting gap can't be considered as a pure intention of the taxpayer to do tax avoidance. There are many taxpayers who do not understand how the procedure of recording their taxable objects to Dispenda. This incomprehension is exacerbated by the negative assumption of the taxpayers that the payment procedure of PBB P2 was confusing and complicated. Not only to overcome the underreporting gap, but by doing socialization also can be considered as preventive action for the occurrence of non-filing gap. Although the cases of non-filing gap are rare, however, by conducting regular socialization, it can increase the public's awareness in reporting their taxable objects by filling SPOP.

CONCLUSION AND SUGGESTION

Conclusion

Percentage that indicates success performance of Dispenda in achieving the PBB P2 revenues target is inversely proportional with the collection rate. In 2013, the real amount of PBB P2 revenues reached up to 97,64% of the revenues target, but the collection rate showed 69,52%. Then in 2014 the real amount PBB P2 revenues exceed the target of 113,24%, while the collection rate was only in the percentage of 70,92%. These findings lead to the conclusion that there has been a phenomenon of the tax gap in PBB P2 revenues in Kediri. This is strengthening by the statement of Dispenda which stated that the success of the PBB P2 collection in 2014 was supported by the success of the Dispenda to collect PBB P2 receivable and rising the NJOP in that year. Inclusion of PBB P2 receivables as PBB P2 revenues is not in line with the definition of the tax gap theory used in this study.

The tardiness of returning the SPOP is very rare in Kediri. However Dispenda also provides the facility to postpone the due date of returning the SPOP for certain reasons. Postponing the due date of returning SPOP case was also rare in Kediri. Dispenda had difficulties to monitor any changing in the reported taxable object, so they are less controllable of controlling violations. However, cases of underreporting gap can be identified by the request of taxable object mutation by the taxpayer. Mutation of taxable object that occurred in 2013 reached 711 cases and 714 cases in the year of 2014.

PBB P2 receivables that successfully charged in 2013 were Rp 905.530.308,- of the total receivables of Rp 3.069.583.749,-. While the PBB P2 receivables that successfully charged in 2014 were Rp 1.285.860.914,- of the total receivables of Rp 1.541.684.100,-. These late payments created PBB P2 receivables that should be collected in the following year. Every PBB P2 receivables is followed by the administrative sanctions such as fines. The lowest tariff of fines is 2% up until the maximum tariff, 48%. Fines that recorded in 2013 were as much as Rp 11.475.083,- and in 2014 were as much as Rp 36,824,566, -. According to the theory of the tax gap, administrative sanctions such as fines do not counted to the calculation of tax gap.

Implementation of a leisurely stroll is considered as an effective way to enough to overcome the cases of underpayment gap. There is also mobile car services, or commonly called as Ledang. This car is going around Kediri everyday in the afternoon, but when it approaches the due date, the car will be going around every morning and evening. This car used to decrease the cases of underpayment gap. Cooperation with the district is very necessary because the district is considered as the most understand party of the conditions of taxable objects in its territory. By doing these ways, underreporting gap can be minimized because of the participation of the district party, so that Dispenda can immediately record the changing of taxable objects. Socialization activities considered as a good way to overcome underreporting gap cases, because it will remind the taxpayer to immediately pay off their PBB P2 payable. This activity is also effective to overcome the non-filling gap because it will inform the society to fill out and return the SPOP immediately.

Suggestion

It would be better if Dispenda of Kediri started using the tax gap method so that the determination of potential PBB P2 revenues would be more real. Application of the tax gap theory has many advantages because each component in PBB P2 revenues can be categorized clearly, since this theory has been first applied in various types of taxes in developed countries such as the United States and the United Kingdom.

The less amount of account representative should be got more attention by Dispenda. Kediri area is as large as 63, 40 km² wide and consists of 3 districts, so that it requires more account representatives to monitor each district. As this research was conducted, there was only 1 account representative for each district. According to researcher, it will be put more difficulty on Dispenda party to monitor the taxable objects if the amount of account representative is less than it should be.

The next researchers are expected to analyze tax gap phenomenon in another kind of taxes such as Value Added Tax and Income Tax Article 21 since the variables that included in tax gap also have the possibility to occur in another kind of taxes.

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