

Research Article

Digital Transformation of Land and Building Tax Stimulus Granting Policy in Palembang City

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ORCIDPrabu Mandiri: <https://orcid.org/0009-0005-6185-1858>**Abstract.**

The purpose of this study is to analyze the digital transformation of land and building tax stimulus granting policy in Palembang City through the digitization framework formulated by Janowski in 2015, which includes digital technologies, pressure on government, and digital institutionalization. The data collection techniques used in this study include interviews, observation, and documentation. Moreover, the data analysis techniques used interactive models, namely, condensation, data presentation, and drawing conclusions. The results of the study show that: (1) based on the dimension of the digital technologies, the socialization of PBB stimulus granting policy in Palembang City has minimal public access to information on websites and social media, so the level of public compliance in paying taxes is still low; (2) based on dimension of the pressure on government, the stimulus granting policy on land and building tax is no longer given to PBB as of 1 July 2019, as well as the minimum facilities associated to significant stimulus granting demands are provided; and (3) based on the dimension of the digital institutionalization, the lack of competence of tax officers (UPT) increases, whether in applying technology or providing explanations about tax calculations and NJOP. Therefore, efforts are needed to improve the socialization of PBB stimulus granting policy by establishing teams to update data in various sub-districts to conduct field verification and validation, optimizing a 2% PBB fine every month after a maximum maturity of 24 months, actively collecting receivables by UPT officers after a maximum maturity of three times, and obtaining government cooperation in issuing an SKK (Surat Kuasa Khusus) for PBB collection of a nominal value of Rp.100 million, so that the land and building tax stimulus granting policy in the City of Palembang can be implemented adequately.

Keywords: digital transformation, land and building tax stimulus policy

1. Introduction

Regional tax management authority is the authority of the city and/or district governments under Law No. 32 of 2004 on Regional Government as repealed by Act No. 23 of 2014 on Regional Governance, which has now been amended by Law No. 9 of

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2015 on the Second Amendment of Law Number 23 of 2014. Although the district has been given the authority to increase the PAD, the district is prohibited from establishing regional regulations on income that causes a costly economy and income that impedes the mobility of the population, the traffic of goods and services between the territories, and import and export activities.

To identify research gaps on this topic, researchers collected scientific articles from scopus databases using the keywords “property tax” and “fiscal decentralization” and analyzed topics of discussion in the period 2015–2020.

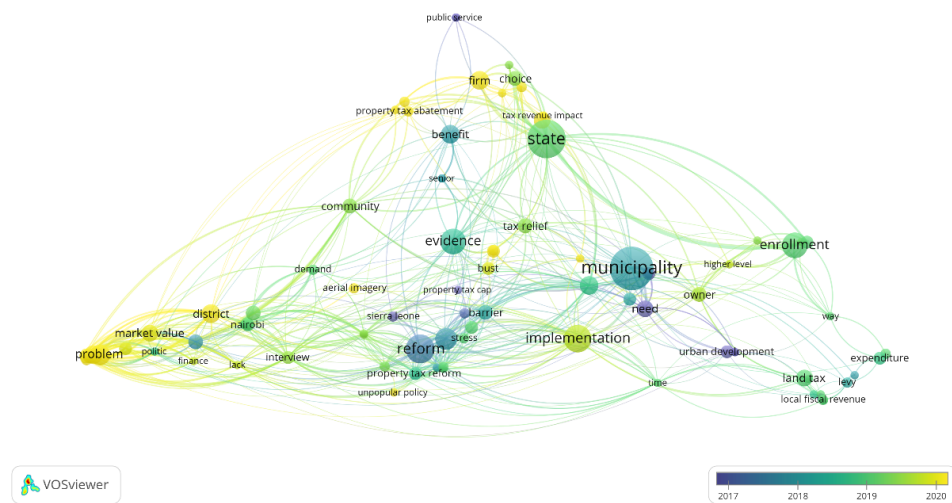


Figure 1: Analysis of Research Topics. Source : Database Scopus, 2022.

Based on the picture above, it can be seen that research on the Land and Building Tax (PBB) or Property Tax has been done a lot in the municipality; this is shown on a larger scale than other. But the topics are more done in 2018 and 2019 when it comes to color; rather, the latest research in 2020 is more discussing the topic of “personality/problem” related to some other research topics such as market value, district, property tax abatement, and a small part of tax revenue impact.

The variation of topics in relation to the recent research on land and buildings (PBB) is actually a lot done in the territory of Indonesia, and the most significant discussion is about the issues of NJOP, market value, and property tax reduction (property tax abatement). The question suggested by the research is that some people don’t pay taxes because they feel that the money won’t be used for their well-being. People will be willing to pay higher taxes if the government upholds transparency and accountability as two of the basic principles of local income management [2].

It is known that the main sources of PAD in Palembang City are restaurant tax, entertainment tax, and hotel tax. Nevertheless, the Land and Building Tax (PBB) has the potential to continuously digger the acceptance of the area because the object of this tax is land and buildings that obviously most people own. In addition to providing additional PAD for the city of Palembang, PBB enforcement is still not optimal, resulting in a loss of potential PBB admission. From a sociological point of view, there are two public views of the PBB : positive and negative for the people. A positive view is felt by a society that accepts and knows that the PBB is beneficial to the people and not harmful at all. However, for a community that feels that the PBB is harmful, then it becomes something negative because the people feel that the PBB paid is not used for the interests of the people. Because society has already thought this negative, vulnerable people will refuse to pay. Especially with the current PBB rise, a much-negative society associates this rise with one of the immediate ways the government is increasing the region's real income.

The Government of Palembang City has issued Palembang Mayor's Regulation No. 17 of 2019 on the Establishment of the Value of Sale of Urban Tax Objects, which in the regulations regulates the size of NJOP. Furthermore, the 18th Palembang mayor's regulation on the PBB Tariff Classification stipulates that for NJOPs below 1 billion, a tariff of 0.125% is applied, while for NJOPs above 1 billion, the tariff is 0.3%. The public is said to be surprised by this increase. Prior to the establishment of the Mayor's Regulations, through the Municipal Tax Management Agency of the Municipality of Palembang, the NJOP of each zone was calculated in advance. This calculation is based on the average price obtained from a reasonably occurring sale transaction carried out, taking into account the comparison of prices and other similar objects and the value of the acquisition or replacement object.

The Government of Palembang has also granted PBB exemption to 263.079 tax payers worth Rp.31.779.214.973,- while the remainder is as much as 166.536 tax payers worth around Rp.464.648.584.911,- who have an obligation to make payments to the PBB. Nevertheless, the current community is still opposed to the average PBB increase above 100%. Even some communities that previously paid the PBB only Rp.750.000,- to about Rp.4.500.000,- this is due to the impact of the increase in NJOP and tariff classification applied.

Empirically, this study is quite related to some existing studies with the title Analysis of Implementation of Tax Relief on Land and Buildings in the Town of Bandung and which is titled Reformulation of Land Tax and Rural and Urban Building (PBB-P2) as an effort to increase regional natural income in the District of Ngawi. The results of the study

also show that the implementation of PBB-related policies has not been maximized, and there is a need for improvements in various aspects, such as updating the classification of the fair market value of tax objects to correct the sale transactions (updated NJOP), including the imposition of strong sanctions on violations of PBB-P2 [3]. Then it is clear that the gap in empirical issues from some regions also indicates PBB issues that are still unresolved. Many strategies have been formulated by governments to address these PBB-related issues, but the empirical question in this study is not less interesting than how the government can then anti-stimulate the rise in PBB urban tariffs to avoid tax avoidance behavior by the public that will affect the decline in tax receipts.

Theoretically, some of these PBB-related studies also analyze the theory of policy implementation, but we know that policy implementation theory varies greatly depending on the context of the research being used. So, in theory, this study is more likely to use the policy application theory from Sabatier & Mazmanian, 1980, where some indicators are very relevant to this research, especially the technological aspects associated with digital policy and behavioral aspects related to behavior approaches, where, as Herbert Simon said, “decision-making is the heart of administration and that the vocabulary of administrative theory should be derived from the logic and psychology of human choice” [4], which will analyze the behavior of society in paying taxes.

Normatively, the PBB policy of imposing urban tariffs is basically not a populist policy, but government efforts to raise the PAD of the tax sector will be more effective in such a way, but in the end, the government will face rejection from the public, who will then be responded to by the government by issuing a policy of stimulus granting to suppress rejections from the people. The 18th Year 2019 Rules of the Mayor of Palembang on the PBB Tariff Classification stipulated that for NJOPs below 1 billion, a tariff of 0.125% is applied, while for NJOPs above 1 billion, the tariff is 0.3%. The public is said to be surprised by this increase; this calculation is not felt to be well socialized, so this regulation raises controversy. Based on the above issues, it is important to conduct research related to the Digital Transformation Policy of Land and Building Tax Stimulus Granting in Palembang City.

2. Methods

This research uses a qualitative approach with a level of descriptive explanation. The type of data used in this research includes qualitative data obtained from interviews with informants, including the Regional Secretary, Head of Tax Management Agency of the City of Palembang, and the ASNs in the Tax Management Authority of the District

of City of Palembang, as well as the community of the city of Palembang bungalow, or books, regulations, documents, journals, and other literature considered relevant to this research. The data collection techniques used include interviews, observations, and documentation. The data analysis techniques used in this study are analytical, using an interactive model that includes three components of analysis, namely condensation, data extension, and conclusion drawings [5]

3. Results and Discussion

The research conducted by Verhoef et al. identified three major external factors that drive the need for digital transformation. First, since the advent of the World Wide Web and its adoption worldwide, more and more technologies that accompany it (e.g., broadband internet, smart phones, Web 2.0, SEO, cloud computing, voice recognition, online payment systems, and crypto currencies) have increased, which has strengthened the development of e-commerce. While not each of these technologies will be as strong as expected, the widespread arrival of new digital technologies clearly signals the need for companies to transform their digital In addition, these new digital technologies can also affect the cost structure of companies by replacing more expensive human beings during service delivery with the help of robots or virtual agents, optimizing logistics flows, and reducing supply chain costs through the use of artificial intelligence (AI) and blockchain. Second, because of this new digital technology, competition has changed dramatically. In retail, technology has disrupted the competitive landscape, shifting sales to relatively young digital companies. Not only is competition becoming more global, its intensity also increases as big information-rich companies from the US (for example, Amazon, Alphabet, Apple, and Facebook) and China (for instance, Alibaba and JD) begin to dominate many industries. In particular, changes in company ratings strongly reflect this shift. Thirdly, consumer behavior is changing in response to the digital revolution. Market figures show that consumers are redirecting their purchases to online stores, and digital contact points play an important role in the customer journey that affects online and offline sales [6]. With the help of new search tools and social media, consumers become more connected, informed, empowered, and active. Digital technology allows consumers to create value together by designing and customizing products, conducting remote distribution activities, and helping other customers by sharing product reviews. [7].

In the phase of digital transformation, we can see that there are three things: digitization, digitization, and digital transition. Digitization describes how IT or digital technology

can be used to transform existing business processes. The digital transformation is the most devastating phase and describes the change across the company that leads to the development of a new business model [8].

In the context of this study, the government's policy of raising the tax rate on land and buildings must have triggered a response from a diverse community, but the anticipation of the government of Palembang City faces the issues that arise as a result of the increase in such tax rates, especially the decline in revenue from the tax sector due to the behavior of the public who avoid taxes. One of the efforts made by the Palembang City Government is to provide stimulus granting to the public to help alleviate the tax burden resulting from the tariff increases imposed by the Government of Palembang. In the context of digital government, if referring to the stages of evolution above, at least the researchers associate it with the tax service transformation of the Palembang City Government in order to support the policy of stimulus granting for taxpayers in Palembang. This researchers understand as a conceptual framework that is also the conceptual basis of this research, where the assumption that the researchers build in this research is that the policy of the City of Palembang Government in raising the tax rate of land and buildings will be more optimal if supported with digitalization of services, so that can help the public and government in improving the quality of tax services in Palembang City.

Furthermore, the stimulus granting will also provide support for tax payers affected by the policy of raising land and building taxes. Researchers understand that if the tax increase is supported by stimulus granting and digitization of services, then the public burden is expected to be lighter. With regard to the above phase of digital governance, at least this research will analyze the first phase (digitalization), which will analyze the development of access to government information in electronic format and analyze and operate government websites related to taxation. From the explanation of the concept of digital governance in the first phase (digitalization), some pressure was placed on the government that brought about the phase of digitization, among other pressures: to modernize and, in particular, bridge the technological gap between the public and private sectors [9], to improve internal efficiency, to allow greater and wider access to public information, to manage and preserve public records, and to build a digital foundation for society and the economy. From this explanation, the researchers assessed that, in connection with this research, the stage of digitization of government in Palembang City related to taxation will at least describe and analyze how the use of technology in the Palembang Government, in particular in the Municipal Revenue Authority of Palembang, is a leading sector in the affairs of receipt of the region from

the tax sector. Referring to the digital government that has been formulated by [1], the framework at the first stage of digitalization can be described as follows:

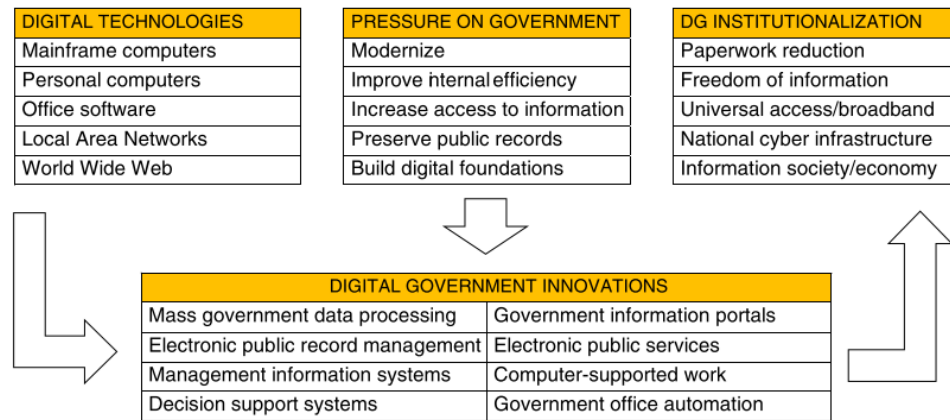


Figure 2: Digitization Framework. Source: [1].

The Land and Building Tax Stimulus Granting in Palembang City is a policy issued by the Mayor of Palembang to anticipate the increase in NJOP by providing an automatic deduction on the size of the tax increase owed in the year in question compared to the tax owed the year before the increase as an incentive for tax payers to pay the PBB-P2. Digital Transformation Policy for Land and Building Tax Stimulus Granting in Palembang City It is a process implemented by the Municipal Revenue Agency of Palembang to integrate digital technology into the local tax service process. The purpose of the Digital Transformation Policy is to improve the quality of services to tax payers by easing the tax payer’s payments to the PBB as a result of the increase in the adjustment of the urban NJOP PBB. The mandatory land and building tax targets are in Palembang City, so it is expected to improve the service to taxpayers by leveraging technological developments and increasing compliance with tax obligations in paying the PBB.

The policy maker involved in the Digital Transformation of Land and Building Tax Stimulus Granting Policy in Palembang City as a subject or implementation, of course, is the Municipal Revenue Agency of Palembang, assisted by the vendor of the application service developer, PT. Mutiara Bintang Abadi, whereas the object or recipient of the policy is the PBB tax payer community. The rights of the Municipal Tax Officer City Palembang will carry out the billing of the obligations of payment to be performed by taxpayers as well as carrying out the verification of the data of tax objects of the PBB, while the obligation of the Regional Tax Officers Agency is to provide socialization and education to tax payers and improve the quality of services with modernization and digitalization.

The digital transformation of land and building tax stimulus granting in Palembang City was analyzed through the Digitization Framework [1], which includes digital technologies, pressure on government, and digital institutionalization, which will be outlined in each dimension as indicators as follows:

a) Digital Technologies

Digital Technologies in Digital Transformation The policy of giving stimulus granting for the taxation of land and buildings in Palembang City is linked to the provision of computer devices and the ability of implementers to operate computer devices in the digital transformation. The provision of software (office) and applications related to land and building tax in the City of Palembang is sufficient but needs further development. The provision of the Internet Network in the Digital Transformation of the Policy of Giving stimulus granting to the Taxation of Land and Buildings in Palembang City has been sufficient to cooperate with the Internet Network Provider Vendor on behalf of the Regional Revenue Authority of the City and the UPT that exists in the environment of the district and the Vendor of Application Development Services for maintenance of the network and payment of taxes so that it can be accessed well. In this case, the provision of websites for the Digital Transformation of the Land and Building Tax Stimulus Granting in Palembang City is hosted on the website of the Palembang Regional Revenue Agency, which is managed independently by staff and is well accessible.

The obstacles and problems encountered in the Digital Technology Dimension in the Digital Transformation of the Land and Building Tax Stimulus Granting in Palembang City are that there is no self-service service for mobile-based taxpayers or web-based digitally integrated on-line on the local tax service system, so it still requires the taxpayer to come directly to the Municipal Revenue Authority of Palembang and complete files manually to make input on the service system and manually verify anyway. Thus, efforts to overcome such obstacles include improving the quality of local tax services through the joint service application of Application Developer Vendor PT. Mutiara Bintang Abadi. Eternal to seek self-service for mobile or web-based taxpayers that are digitally integrated online in the local tax service system as well as adequate human resources and infrastructure support.

b) Pressure on Government

Pressure on the government in the Digital Transformation of the Land and Building Tax Stimulus Granting in Palembang City is being made through an effort to modernize the land tax Stimulus Granting and buildings in the city of Palembang through the innovation of tax payment facilities, with the presence of additional payment channels not only through Sumsel Bank Babel but also through Bank Jabar Banten, Post Office,

Alfamart, Indomaret, Tokopedia, Onpays, and Masago, as well as providing easy access to information to check PBB Invoice Information and Payment Status through the website and prepare SPPT PBB prints independently.

Efforts to improve the internal efficiency of the land and building tax Stimulus Granting in Palembang City by optimizing the network maintenance and tax payment cooperation carried out by the application developer vendor of PT. Mutiara Bintang Abadi to continue to develop local tax service applications in accordance with the development of digital technology and meet the requirements of compulsory tax Efforts to improve access to information on the Land and Building Tax Stimulus Granting Policy in Palembang City by continuously providing socialization to taxpayers either through online or print media, providing ease of information access to check PBB Account Information and Payment Status through the website, as well as strengthening the network of information systems.

Efforts to improve the quality of the services of the Land and Building Tax Stimulus Granting Policy in Palembang City will be achieved by strengthening the professional human resources with adequate capabilities to use the advances of digital technology in providing services to taxpayers, developing the application of services that can provide ease of access to tax payers, strengthening regulations and SOP's of local tax services, as well as the implementation of strict sanctions against violations committed by service officers and taxpayers.

An attempt to build a digital foundation in the Land and Building Tax Stimulus Granting in Palembang City through the Vtax Online United Nations Service Application developed by PT. Mutiara Bintang Abadi as an application developer vendor as a land and building tax management staff from the Central Government to the Regional Government to prepare a land tax database and buildings both spatial data and tabular data of tax objects.

In order to overcome the obstacles in the government's pressure dimension in the Digital Transformation of the Land and Building Tax Stimulus Granting in Palembang City, there are still gaps in the establishment of unsuitable PBB tax objects as well as data on PBB tax objects that have not been updated in accordance with the same conditions in the field. To overcome barriers in the pressure dimension on the government in the digital transformation of land and building tax stimulus granting at Palembang City, of course, through the verification of data of PBB tax objects both passively through the submission of the tax payer and actively through field verification, supplementing spatial data through the mapping of tax objects, and improving the data tabular of tax subject objects resulting from data verification in the field.

c) Digital Institutionalization

Digital Institutionalization in Digital Transformation The land and building tax Stimulus Granting in Palembang City is carried out through the application of simplification of services. The land and building tax stimulus granting in Palembang city is done automatically in the service system without having to apply in advance so that the taxpayer can pay directly to the PBB on the specified payment channels with the calculation of the granting listed in the SPPT PBB submitted to the tax payer.

To pursue freedom of information in the land and building tax stimulus granting in Palembang City through the online tax application that makes it easy for taxpayers to access payment data information. The efforts to create universal access in the Land and Building Tax Stimulus Granting in Palembang City by providing easy-to-access digital services to obtain local tax services The effort to build a national cybersecurity infrastructure in the policy of land tax stimulus granting and buildings in the City of Palembang will cooperate with the Department of Communications and Informatics of the City as the leading sector of digitalization of the government to improve the local tax service to the taxpayer with the development of technological advances. The attempt to create a corruption-free zone in the land and building tax stimulus granting in Palembang City must, of course, begin with the commitment of the leadership and the ranks to carry out their duties and responsibilities in accordance with the provisions of the applicable laws.

However, the obstacles encountered in the Digital Dimension of Institutionalization in Digital Transformation of Land and Building Tax Stimulus Granting Policy in Palembang City are the NJOP PBB establishment carried out by the Municipal Revenue Authority of Palembang. There are still incompatible PBB tax object data that are not updated in accordance with the conditions in the actual field. The attempt to overcome such obstacles is by performing periodic and continuous PBB tax object data clearance together with the UPT, district, and the sub district

4. Conclusion

The results of the research show that based on the dimension of digital technologies, the socialization of the PBB Stimulus Granting in Palembang City has minimal public access to information on websites as well as social media, so the level of public compliance in paying taxes is still low. Based on the pressure on government dimension, the Land and Building Tax Stimulus Granting is no longer given to the PBB as of July 1, 2019, as is the minimum accommodation related to the large demands of the stimulus granting given. Based on digital institutionalization, the minimum competence of tax officers

(UPT) in applying technology includes providing explanations about tax calculations as well as NJOP increases. Therefore, efforts are needed to improve the socialization of the PBB stimulus granting, including providing data update teams in several districts to conduct verification and field validation, optimizing a PBB fine of 2% each month after a maximum expiry of 24 months, actively charging debts by officials at UPT after the expiration of a maximum of three times, and the government cooperation issuing PBB charges SKK (Surat Kuasa Khusus) for PBB collection for a nominal value of 100 million. So that it is hoped that the Policy on Providing Land and Building Tax Stimulus Granting in the City of Palembang can be implemented optimally.

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