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Income tax receipts from large corporate taxpayers in southern central java

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ABSTRACT

This study aims to analyze regional GRDP (Primary, Secondary, Tertiary), level of security, level of health and level of education on corporate income tax revenue for large taxpayers in southern Central Java. The independent variables used in this study are the GRDP of the Primary sector, the GRDP of the Secondary sector, the GRDP of the Tertiary sector, the level of security, the level of health and the human development index, while the dependent variable is Income Tax. The research approach used in this study is a qualitative descriptive approach. The population in this study is Regency and City in Central Java Province. This study uses Cluster Sampling so that the samples in this study are 17 Regencies and Cities in the southern part of Central Java Province. The data collection method used in this study is the secondary data documentation method. This study uses panel data analysis as a data processing tool using the Eviews 9 program. The results of the hypothesis test show that the GRDP of the primary sector, GRDP of the secondary sector, level of security, level of health and level of human development index have a significant effect on income tax for large corporate taxpayers in southern Central Java, while GRDP for the tertiary sector has no significant effect on corporate income tax for large taxpayers in south central java.

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INTRODUCTION

Taxes are very important for the independence of a country. The main activities of the state such as infrastructure development, carrying out educational activities, health services, and security and defense are funded by taxes. In addition, taxes also have a role in ensuring justice and improving public welfare by financing social and public activities. So it is important to ensure that tax revenues can be maintained properly by the community to pay taxes according to the provisions.

Taxes contribute the largest percentage compared to other income for state finances. Broadly speaking, the composition of the APBN consists of state revenues, state spending, and financing. Taxes in the components of the State Budget (APBN) are included in state revenues. Tax revenue has a much larger percentage compared to other sources of revenue such as PNBP (Non-Tax State Revenue) and Grants. The realization of the State Budget also shows that state expenditure is always greater than income, this causes the State Budget to be in deficit so that it requires financing.

The tax ratio is one of the indicators to assess the performance of a country's tax revenue. Several experts define the tax ratio, one of which is according to Sakti (2014) The tax ratio is a comparison of tax revenue.taxtogross domestic product (GDP). Meanwhile, according to Prasetyo (2016) the tax ratio is a comparative figure between tax revenues collected by a country and the accumulation of added value or income of the entire population (Gross Domestic Product). According to Pakpahan (2019) the tax ratio measures the government's ability to collect taxes from the total economy, in the sense of total gross domestic product.

the tax ratio every year from 2011 to 2020 there was a decrease. However, above 2020 there was an increase from 8.32% to 9.83%. There was a decrease from the year The average tax ratio for the last 11 years was 10.32%. Based on data on Tax Ratio achievements in Asia Pacific in 2022 sourced from OECD data, it is known that Indonesia's tax ratio is the third lowest compared to other countries. Indonesia's low tax ratio is a problem that needs attention. Indonesia's tax ratio in 2020 according to the OECD only reached 10.1%, far below the average tax ratio of Asia Pacific countries which reached 19.1% (OECD, 2022).

This low tax ratio has an impact on the lack of government revenue sources to finance state activities such as infrastructure development, health, education and security.The low tax ratio also has an impact on injustice in the taxation system. The problem of the low tax ratio in Indonesia is also related to several factors such as low public awareness in paying taxes, business productivity and innovation, conducive social conditions in doing business, and problems in supervision and law enforcement against tax violations.

With the importance of taxes, efforts need to be made to increase the tax ratio so that the government can use it to carry out its activities. There are several variables that can affect tax revenues, including Gross Regional Domestic Product (GRDP) both Primary, Secondary, and Tertiary; Security; Health; Human Development Index.

Tax revenue itself will increase if economic activities in society are moving well. The more economic activities that run or the more money circulation that occurs in an area, the more business potential will emerge in that area. In these economic activities, there will be variables of Regional Gross Domestic Product (GRDP) of the Region, both Primary, Secondary, and Tertiary, which will affect Business Turnover and cause the potential for tax revenue to increase.

According to Mispiyanti & Kristanti (2018), tax payments are positively influenced by GRDP. The tax revenue in question is the total amount of tax received by the Tax Service Office (KPP) and GRDP has a positive effect on Value Added Tax revenue because the higher the level of consumption and the community's economy, the higher the tax revenue Pahala, et al. (2020)

In Prasetyani & Sumardi (2020) PDRB is divided into 3 (three) Sector groups, namely the Primary Sector; Secondary sector and the Tertiary Sector group. The Primary Sector consists offrom (1) Agriculture, Forestry and Fisheries Sector and (2) Mining and Excavation Sector. The Secondary Sector consists of (1) Manufacturing Industry Sector, (2) Electricity and Gas Supply Sector, (3) Water Supply Sector, Waste Management, Recycled Waste and (4) Construction Sector; The Tertiary Sector consists of Trade Sector, Car and Motorcycle Repair, Transportation and Warehousing Sector; (3) Accommodation and Food and Beverage Provision Sector; (4) Information and Communication Sector; (5) Financial Services and Insurance Sector; (6) Real Estate Sector; (7) Corporate Services Sector; (8) Government Administration, Defense, and Mandatory Social Security Sector; (9) Education Services Sector; (10) Health Services and Social Activities Sector; and (11) Other Services Sector. Previous research has not specifically examined the relationship between Primary, Secondary, Tertiary Sector GRDP with Corporate Income Tax from Large Taxpayers. This is a novelty in research on taxes. Therefore, this study will conduct a study on the relationship between the Primary, Secondary, and Tertiary sectors of GRDP and Corporate Income Tax from Large Taxpayers in the Southern Central Java region.

Apart from GDP, another factor that influences tax revenue is the level of security.Security and tax revenues have a complex and interdependent relationship in the economic and financial context of a country or region. A good security situation can support the development of infrastructure needed to improve economic efficiency and productivity. Good infrastructure can create an environment that supports business growth, which in turn can increase tax revenues. On the other hand, poor security and political instability can create an environment where tax evasion and corruption can thrive. This can lead to a loss of tax revenues as companies and individuals try to avoid their tax obligations.

According to Saputro & Meirinaldi (2021), macroeconomic stability is influenced by security stability and macroeconomic conditions affect tax revenues (Harahap, et al., (2018). In the report of the Institute for Economics & Peace (2018), it is stated that when peace increases, a stronger economy provides higher tax revenues.

The next factor that influences tax revenue is the level of health.Good public health can have a positive impact on the economy, labor productivity, and in turn, can affect tax revenues.In addition, the presence of health problems in society will cause economic losses, while improving the quality of public health is an investment for national development.Improved population health can also have long-term effects on demographic structure and disease burden. This can affect a variety of sectors, including insurance, health costs, and pensions, which have implications for tax revenues and government spending.

The next factor that influences tax revenue is the Human Development Index.According to the KBBI of the Indonesian Ministry of Education and Culture (2023), education is the process of changing the attitudes and behavior of a person or group of people in an effort to mature humans through teaching and training efforts. In this study, education uses the Human Development Index (HDI) measure. HDI is a comparison with measurements in the form of education, life expectancy, standard of living, and literacy for all countries around the world (UNDP 1997). HDI provides an explanation and description of how citizens can use the results of development in obtaining education, income, health, and so on. HDI is announced regularly in the Human Development Report (HDR) every year and HDI was first introduced by the United Nations Development Program (UNDP) in 1990.

However, along the way, the IPM methodology was changed because the literacy rate was no longer relevant in measuring education as a whole because it could not describe the quality of education. In addition, because generally the literacy rate in most regions had reached the standard, the literacy rate could not be used to differentiate education levels between regions properly. So then the Literacy Rate in the old method was replaced with the Expected Length of Schooling Rate by entering the average length of schooling and the expected length of schooling rate, so that a more relevant picture can be obtained in education and the changes that occur.(BPS, 2023)

The Gross Regional Domestic Product of Central Java which reached 1,420 trillion is the fourth largest in Indonesia after DKI Jakarta, East Java, and West Java, but in terms of central tax revenue, Central Java is in fifth place after DKI Jakarta, East Java, West Java and Banten. So there is a gap between GRDP and Tax Revenue.

For that reason, this study will conduct an Analysis of the Influence of PDRB, Security Level, Health Level and Education Level on Income Tax Revenue of Large Taxpayers in Southern Central Java. Because tax revenue itself is dominated by revenue from Large Taxpayers who provide the largest percentage for tax revenue, the object of this study is Large Taxpayers. The location of the study was conducted in Southern Central Java or part of the Central Java II Regional Tax Office.

RESEARCH METHOD

In terms of data type, the research approach used in this study is a quantitative approach. The type of quantitative descriptive research used in this study is intended to obtain information on the effect of Income Tax Revenue of Large Corporate Taxpayers on Primary Sector GRDP, Secondary Sector GRDP, Tertiary Sector GRDP, Security Level, Health Level, Education Level. The population in this study is the Regency and City in Central Java Province.

This study uses Cluster Sampling, According to sugiyono (2018) Cluster random sampling is a regional sampling technique that used to determine the sample when the object to be studied or The data source is very wide, for example the population of a country, province or regency. so that the Sample in this study is the Regency and City in the southern part of Central Java Province as many as 17 Regencies/Cities.The data collection method used in this study is the secondary data documentation method.

The operational definition of each variable used in this study as a whole uses numeric data with the following details: (a) The Primary Sector GRDP variable (X1) has a rupiah unit that refers to the Primary Sector GRDP variable covers various aspects of economic activities in this sector. Several indicators that are generally used to measure the primary sector GRDP involve production and added value from economic activities such as agriculture, forestry, fisheries, mining, and other economic activities that are directly related to the exploitation of natural resources. (b) The Primary Sector GRDP Variable (X2) has a rupiah unit that refers to the Primary Sector GRDP Variable includes various elements that reflect economic activities. Indicators included in this sector are the Manufacturing Industry, Electricity and Gas Supply, Water Supply, Waste Management, Waste and Recycling and Construction; (c) The Tertiary Sector GRDP variable (X3) has rupiah units which refer to the Primary Sector GRDP variable which includes various elements.economic activities that focus on services and processing industries. Indicators included in this sector are Wholesale and Retail Trade, Car and Motorcycle Repair; Transportation and Warehousing, Provision of Accommodation and Food and Beverage, Information and Communication, Financial Services and Insurance, Real Estate, Corporate Services, Government Administration, Defense and Compulsory Social Security, Education Services, Health Services and Social Activities and Other Services. (d) The Security Level variable (X4) has an index unit which is an assessment of the number of reports of criminal acts received by the Resort Police in each district/city. (e) The Health Level Variable (X5) has an index unit which is the percentage of the population who have health complaints during the last month compared to the number of residents according to district/city in the province. The health complaint in question is a comparison of a person's condition who experiences health or mental disorders, either due to acute illness, chronic illness, accident, crime, or other things. (f) The Education Level variable (X5) has an index unit which is the valueHuman Development Indexaccording to district/city in the province.

This study uses panel data analysis as a data processing tool using the Eviews 9 program. According to Ghozali (2005) In panel data regression, there are three approaches, namely Common Effect, fixed effect approach, and random effect approach. To determine the best approach, a likelihood test and a Hausman test will be carried out. Likelihood testis done to choose whether the common effect or fixed effect approach is better to use for panel data regression. If in the likelihood test results the Fcount value > Ftable or the probability < significance level, then Ho is rejected and the Fixed Effect Model is used. However, if the likelihood test results the Fcount value < Ftable or the probability > significance level, then Ho is accepted and the Common Effect Model is used. The Hausman test is a test conducted to determine the best Fixed Effect Model or Random Effect Model approach to use for panel data regression. The Hausman test statistic uses the Chi-Square Statistic value. If the Probability value < α then H0 is rejected and the Fixed Effect Model approach is selected. If the Probability value > α then H0 is accepted and the Random Effect Model approach is selected. The panel regression test also includes statistical tests (T-statistical tests) and hypothesis tests (F-tests) and feasibility tests (R-square tests).

This study uses time-series data from 2016 to 2022 and cross-section data, namely 17 districts/cities in the Southern Central Java Province. The combination of time-series and cross-section data produces 119 observation data with the panel data equation function as follows (Ghozali,2005):

Yit = β0 + β1X1 it + β2 X2it + β3 X3it + β4 X4it ++ β5 X5it+ β6 X6it µit ………………… (1)

Where :
y = Income Tax Revenue of Large Corporate Taxpayers (rupiah)
X1 = Primary Gross Regional Domestic Product (million rupiah)
X2 = Secondary Gross Regional Domestic Product (million rupiah)
X3 = Tresier Gross Regional Domestic Product (million rupiah)
X4 = Security Level (report)
X5 = Health Level (percent)
X6 = Education Level (education)
β0 = Intercept
β1 β2 β3 β4 = regression coefficients of independent variables
µit = error component at time t for cross-section unit i
i = 1,2,3,…..35 (cross-section data of districts/cities in Southern Central Java)
t = 1,2,3,4,5 (time-series data 2016 - 2022)

RESULTS AND DISCUSSIONS

Model Selection Test

In research to determine or select the most appropriate panel data model regression analysis among the Common Effect Model, Fixed Effect Model or Random Effect Model, the Chow Test, Hausman Test and Lagrange Multiplier (LM) Test are required first.

Chow Test

Table 2. Chow Test Results

Chi-Square Value	Significance Level	Information
0,000	0.05	H0 is rejected

Source: Secondary Data, processed

Based on the results of the Chow Test above, it shows that the chi-square probability is 0.0000 <0.05. It can be said that the Chow Test accepts H1 and rejects H0, which means that panel data regression analysis is better using the Fixed Effect Model method than the Common Effect Model. After the Chow Test analysis and it is known that the best result is the Fixed Effect Model method, the next step that must be done is to conduct the Hausman Test.

Hausman test

Table 3. Hausman Test Results

Chi-Square Value	Significance Level	Information
0.0029	0.05	H0 is rejected

Source: Secondary Data, processed

The results of table 3 show the random cross-section probability value of 0.0029, which is lower than 0.05, meaning that the Hausman test results choose to use a fixed model. Based on the results of the panel data model selection, to assess the panel data regression test using a fixed model in determining the decision of the results of this study.

Panel Data Regression Estimation Method

Table 4. Results of Regression Test and t Statistic Test

Variables	Coefficient	t-count	Sign.	Conclusion
Constants	2.466763	1.056430	0.2934	
Primary GRDP	0.561688	2.282785	0.0246	Significantly Influential
Secondary GRDP	-0.055186	-2.307110	0.0232	Significantly Influential
Tresier GRDP	-0.013512	-0.486293	0.6279	No Significant Impact
Security	-0.000451	-2.041761	0.0439	Significantly Influential
Health	0.007632	2.382268	0.0192	Significantly Influential
Education	0.289552	9.597014	0.0000	Significantly Influential
F-count = 0.000				
Adjusted R Square = 0.93960				
*Significant at α = 5%				

Source: Secondary Data, processed

Based on the results of the multiple linear regression test in Table 4.6 above, the following regression equation was obtained:

$$Y = 2{,}466763 + 0{,}561688\ X1 - 0{,}055186\ X2 - 0{,}013512\ X3 - 0{,}000451\ X4 + 0{,}007632\ X5 + 0{,}289552\ x6 + \varepsilon$$

The formula above can be explained as follows: (a) The constant value of 2.466763 shows that the variables in the Primary GRDP, Secondary GRDP, Tresier GRDP, Security, Health and ducation variables if the value is 0 then the Income Tax Variable is 2.466763. (b) The coefficient value of X1 or the Primary GRDP variable is 0.561688 with a positive value. This means that for every 1-fold increase in Primary GRDP, the Income Tax Variable will increase by 0.561688 assuming the other variables are constant. (c) The coefficient value of X2 or the Secondary PDRB variable (β2) is 0.055186 with a negative value. This means that for every 1-fold increase in the Secondary PDRB, the Income Tax Variable will experience a decrease of 0.055186 assuming the other variables are constant. (d) The coefficient value of X3 or the variable of PDRB Tresier (β3) is 0.013512 with a negative value. This means that for every increase in the Secondary PDRB by 1 time, the Income Tax Variable will experience a decrease of 0.013512 assuming the other variables are constant. (e) The coefficient value of X4 or the Security variable (β4) is0.000451with a negative value. This means that for every 1-fold increase in the Security variable, the Income Tax Variable will decrease by0.000451. (f) The coefficient value of X5 or the Health variable (β5) is 0.007632 with a positive value. This means that for every 1-fold increase in the Health variable, the Income Tax Variable will increase by 0.007632 assuming the other variables are constant. (g) The coefficient value of X6 or the Education variable (β5) is 0.289552 with a positive value. This means that for every 1-fold increase in the Education variable, the Income Tax Variable will increase by 0.289552 assuming the other variables are constant.

Determination Coefficient Test (R2 Test)

Table 5. R2 Test Results

Adjusted R Square	Information
0.93	Can be explained 93%

Source: Secondary data, processed

From the R2 test results, the adjusted R2 value is 0.93 or 93%. This shows that the Income Tax Variable can be explained by 93% by the independent variables, namely the Primary GRDP, Secondary GRDP, Tresier GRDP, Security, Health and Education variables. While the remaining 7% is explained by variables outside the independent variables of this study.

Simultaneous Significance Test (F Test)

Table 6. Simultaneous Significance Test Results (F Test)

F-count	Sign.	Conclusion
67.88155	0,000	Simultaneous Effect

Source: Secondary data, processed

Based on the table above, it can be seen that F-count has a significance value of 0.000 (p < 0.05). Thus, it can be said that the variables of Primary PDRB, Secondary PDRB, Tresier PDRB, Security, Health and Education simultaneously affect the Income Tax Variable.

Statistical Test t

Table 7. Simultaneous Significance Test Results (F Test)

Variables	t-count	Sign.	Conclusion
Primary GRDP	2.282785	0.0246	Significantly Influential
Secondary GRDP	-2.307110	0.0232	Significantly Influential
Tresier GRDP	-0.486293	0.6279	No Significant Impact
Security	-2.041761	0.0439	Significantly Influential
Health	2.382268	0.0192	Significantly Influential
Education	9.597014	0.0000	Significantly Influential

Source: Secondary data, processed

Based on the first hypothesis proposed by the researcher, it shows that the variablePrimary GRDPhas an effect on the Income Tax Variable. It is also explained in the results of the regression analysis that the significance value of 0.0246 is smaller than the significance level of 0.05 (0.0246 ≤ 0.05). Therefore, it can be concluded that the hypothesis is accepted. (bb) VariablesSecondary GRDP have significant value0.0232 is smaller than the significance level of 0.05 (0.0232 ≤ 0.05). Therefore, it can be concluded thatSecondary GRDP has an effect on the Income Tax Variable, then the hypothesis is accepted. (c) The third hypothesis is explained in the variablesTresier GRDPobtained a significance value of 0.6279 which is greater than the significance level of 0.05 (0.6279 ≥ 0.05). Therefore, it can be concluded thatTresier GRDPdoes not affect the Income Tax Variable, so the hypothesis is rejected. (d) The test results for the fourth hypothesis show that Security has an effect on the Income Tax Variable. The Security variable obtained a significance value of 0.0439 which is smaller than the significance level of 0.05 (0.0439 ≤ 0.05). Therefore, it can be concluded thatSecurity Variables has an effect on the Income Tax Variable, then the hypothesis is accepted. (e) The test results for the fifth hypothesis show that the Health Variable has an effect on the Income Tax Variable. The Health Variable obtained a significance value of 0.0192 which is smaller than the significance level of 0.05 (0.0192 ≤ 0.05). Therefore, it can be concluded thatHealth Variables has an effect on the Income Tax Variable, then the hypothesis is accepted. (f) The test results for the sixth hypothesis show that the Education Variable has an effect on the Income Tax Variable. The Education Variable obtained a significance value of 0.0000 which is smaller than the significance level of 0.05 (0.0000 ≤ 0.05). Therefore, it can be concluded thatEducation Variable has an effect on the Income Tax Variable, then the hypothesis is accepted.

Discussion

a. The Influence of Primary Sector GRDP on Income Tax

The results of the panel data regression test show that the variablesPrimary GRDPhas an effect on the Income Tax Variable. It is also explained in the results of the regression analysis that the significance value of 0.0249 is smaller than the significance level of 0.05 (0.0249 ≤ 0.05). Therefore, it can be concluded that the hypothesis is accepted.

The higher the level of consumption and the economy of the community has an impact on increasing the value of GRDP, so tax revenues increase (Pahala & Muslih, 2020). GRDP The primary economic sector is a sector that processes natural resources such as land and water, and everything in it. This primary sector consists of the agricultural sector and the mining and excavation sector.

b. The Influence of Secondary Sector GRDP on Income Tax

The results of the panel data regression test show that the variablesSecondary GRDPhas an effect on the Income Tax Variable. It is also explained in the results of the regression analysis that the value of the Secondary PDRB Variable has a significance value of 0.0232 which is smaller than the significance level of 0.05 (0.0232 ≤ 0.05). Therefore, it can be concluded that the Secondary PDRB has an effect on the Income Tax Variable, so the hypothesis is accepted.

The secondary economic sector is the sector of processing raw materials into goods with more added value. The secondary economic sector also includes the construction sector; the manufacturing industry sector; and the electricity, gas and clean water sector. The GRDP of a region from various existing economic sectors is able to push the industrial sector higher, then has an impact on tax revenues from the industrial sector's business profit tax being pushed up. The income generated by the community can increase consumption, then followed by the ability to pay taxes.

c. The Influence of Tertiary Sector GRDP on Income Tax

The results of the panel data regression test show that the variablesTresier GRDPdoes not affect the Income Tax Variable. The results of the study obtained a significance value of 0.6279 which is greater than the significance level of 0.05 (0.6279 ≥ 0.05). Therefore, it can be concluded thatTertiary GRDPdoes not affect the Income Tax Variable, then the hypothesis is rejected.

In the press release HM.4.6/553/SET.M.EKON.3/10/2022 dated October 1, 2022 by the Coordinating Ministry for Economic Affairs of the Republic of Indonesia with the title The Development of MSMEs as a Critical Engine of the National Economy Continues to Receive Government Support, it was stated that the role of MSMEs reached 99% of all business units and the contribution of MSMEs to GDP reached 60.5% and the absorption of labor was 96.9% of the total absorption of the national workforce.

With the number of MSMEs that are very dominant in the tertiary sector (trade), tax revenues from the trade sector are not very influential because the portion of MSMEs' contribution to GDP reaches 60.5% and the many tax incentives such as Non-Taxable Income of IDR 500,000,000.00 according to PP 55 of 2022 and the MSME Income Tax Rate of 0.5% according to PP23 of 2018 compared to Corporate Income Tax which reaches 22%.

c. The Effect of Security on Income Tax

The results of the panel data regression test show that the variable shows that Security has an effect on the Income Tax Variable. The Security variable obtained a significance value of 0.0439 which is smaller than the significance level of 0.05 (0.0439 ≤ 0.05). Therefore, it can be concluded thatSecurity Variables has an effect on the Income Tax Variable, then the hypothesis is accepted.

Certainty of doing business and guarantee of obtaining income and earnings, provide opportunities for participation in paying taxes, especially security conditions free from crime in the long term.

d. The Impact of Health on Income Tax

The Health variable obtained a significance value of 0.0192, which is smaller than the significance level of 0.05 (0.0192 ≤ 0.05). Therefore, it can be concluded thatHealth Variables influence on Income Tax Variables.

e. The Influence of Human Development Index on Income Tax

The Education variable obtained a significance value of 0.0000 which is smaller than the significance level of 0.05 (0.000 ≤ 0.05). Therefore, it can be concluded that the Human Development Index Variable has an effect on the Income Tax Variable, so the hypothesis is accepted.

An educated taxpayer (high Human Development Index) and has gained knowledge and understanding related to taxes will certainly be more compliant in fulfilling tax obligations compared to someone who has less understanding of information. The indicators used in measuring the variable of the Human Development Index Level of taxpayers areIPM explains how people can access development results in obtaining income, health, education, and so on. IPM is formed by 3 (three) basic dimensions: (1) Longevity and healthy living (2) Knowledge (3) Decent standard of living; and this basis is supported by education about health, school and economy.The higher a person's human development index, the higher the level of compliance in paying taxes, and vice versa.

CONCLUSION

The results of the study show that the variablesPrimary GRDP and secondary GRDP variablesinfluence on Income Tax Variables.But for Tresier GRDPdoes not affect the Income Tax Variable. The Health, Education and Security variables affect the Income Tax Variable. The suggestion that can be given from the results of the study is that the local government is expected to create a more conducive environment for economic growth and sustainable income tax increases, while improving the quality of life through the Health, Education and Security sectors. It is hoped that further researchers can develop research on income tax with additional new variables so that the research results obtained are more concrete. For example, variables such as inflation, fiscal policy or the unemployment rate or variables that are intriguing to be studied in the area of the research object can be used for further research.

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