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THE IMPACT OF VAT POLICY ON TAX COMPLIANCE AND ITS IMPLICATIONS ON TAX REVENUE IN THE REAL ESTATE SECTOR

Rachmana Alwava[1*], Nanik Kustiningsih[2]

STIE Mahardhika Surabaya, Indonesia[1], STIE Mahardhika Surabaya, Indonesia[2]

*Corresponding author: rachmanaalwava@gmail.com

ABSTRACT

The government faces the challenge of collecting revenues to reinvigorate the economy and reduce the budget deficit caused by the pandemic. Various fiscal policies have been established to stimulate the economy. This study aims to determine the impact of changes in tariffs, the provision of incentives, and VAT supervision on tax compliance and its implications for state revenue. This research is worth repeating due to inconsistencies in previous research findings and discrepancies between conclusions and facts, as well as to evaluate the policies that have been implemented. This research employs a quantitative approach with a saturated sampling method on time series data of real estate sector VAT revenue at the XYZ Tax Office. The testing technique involves classical assumption tests and path analysis using the SPSS program. The research findings indicate that tariff changes have a significant influence on tax compliance, while incentives and VAT supervision do not have a significant impact. Tariff changes and supervision significantly affect VAT revenues, whereas the provision of incentives does not significantly impact. Tax compliance mediates the effect of tariff changes on VAT revenues but does not mediate the relationship between the provision of incentives and supervision on VAT revenues.

Keywords: Incentive, supervision, tax compliance, VAT rate, and VAT revenues

INTRODUCTION

The COVID-19 pandemic caused the Indonesian economy to contract by -2.07% in 2020 (DJKN 2022). During the pandemic, the government's primary focus was determining policies to suppress the spread of the virus. As a result, household consumption experienced a drastic decline, affecting the Gross Domestic Product (GDP) and deepening the State Revenue and Expenditure Budget (APBN) deficit to Rp947.6 trillion from the previous year, or about 6 percent of GDP (DJKN 2022). Reflecting on the year 2020, the government issued economic recovery policy strategies aimed at increasing state revenue to finance expenditures and improve the APBN deficit. Among the fiscal policies for post-pandemic economic recovery set by the government are adjustments to the Value Added Tax (VAT) rates and the provision of Government-Borne VAT Incentives (DTP) for the purchase of both land and apartment properties (Online Pajak, 2023). Both policies must be implemented with appropriate oversight strategies to achieve economic recovery goals.

The policy of providing DTP VAT incentives is a tax expenditure that will burden the APBN but can keep the household property consumption, which impacts economic improvement. This policy began in March 2021 and lasted until September 2022, with varying incentive values. From March to December 2021, the incentive for DTP VAT was 100%, while from January to September 2022, the incentive was reduced to 50%. The change in the incentive amount is an evaluation of the policy to ensure that beneficiaries are targeted accurately while maintaining APBN stability (Larasati, 2022). Tax incentives negatively and significantly impact state revenue; the larger the incentive provided, the more state revenue decreases (Bagus et al., 2022). However, this does not apply to the real estate sector's VAT tax in the XYZ Primary Tax Office (KPP Pratama), where this sector has experienced growth since 2021

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Table 1. Value Added Tax Receipts in the Real Estate Sector of XYZ Primary Tax Office

Tax Year	VAT Revenue
2021	39.920.091.074
2022	68.573.630.083
Up to June 2023	30.091.326.314

Source: XYZ Tax Office Revenue Data (2023)

The high tax expenditure resulting from the pandemic has compelled the government to implement fiscal policies to collect revenue. The post-pandemic surge in middle-class consumption is a cornerstone for the government to balance the state budget. One such measure was the enactment of the Harmonization of Tax Regulation Act (UU HPP), marking the beginning of the implementation of the policy to adjust the VAT rate from 10% to 11% since April 2022. The rate adjustment increased state revenue from the tax sector to reduce the APBN deficit. Previous research conducted by Mardiyani (2023) concluded that tax rates have a significantly positive impact on state revenue; yet another study by Meita et al. (2021) stated that changes in tax rates do not significantly affect revenue. However, considering Table 1 above, VAT revenue in the real estate sector at the XYZ Primary Tax Office experienced growth during the VAT rate increase.

The success of fiscal policy regulation is closely tied to tax reform in Indonesia. With proper tax reform regarding service, supervision, and audit, state revenue will significantly increase alongside post-pandemic economic growth. Adequate tax supervision will significantly impact tax revenue (Afe et al., 2022). Indonesia adopts a self-assessment tax system, requiring taxpayers to willingly report their income and assets through the Tax Return (SPT). The level of compliance in submitting SPT serves as a benchmark for achieving optimal state revenue (Online Pajak, 2023). Higher tax compliance will certainly realize Indonesia's target of becoming an OECD member, which will develop the economy. SPT also serves as a tool for supervision and verifying tax accuracy that taxpayers should pays. However, based on Amilin's research (2017), supervision does not significantly affect compliance but significantly affects revenue. Referring to the background above and evaluating the fiscal policies taken, we are interested in examining the impact of VAT policies on tax compliance and its implications for tax revenue in the real estate sector.

LITERATURE REVIEW

Tax Compliance

According to James and Alley (2002), tax compliance is the willingness of taxpayers to comply with their tax obligations according to applicable regulations voluntarily. Tax compliance is expected to have a positive impact on tax revenue. However, previous research by Fransiskus X. Seran, Pompong Budi Setiadi, and Sri Rahayu (2022) concluded that taxpayers' lack of knowledge regarding their tax obligations makes the relationship between tax compliance and tax revenue insignificant. Allingham and Sandmo, as cited in Simanjuntak (2020,) revealed that fixed income, tax rates, the likelihood of audits, and penalties influence tax compliance. This aligns with previous research conducted by Dewi, Widyasari, and Nataherwin (2020), concluding that tax rates and the imposition of penalties have a positive and significant effect on taxpayer compliance. However, in that study, tax incentives, which are expected to increase tax compliance, had little impact on tax compliance.

Fiscal Policy

Fiscal policy is an economic policy aimed at improving the country's economy by adjusting government revenue and expenditure (Kemenkeu, 2017). One form of fiscal policy is tax regulation, which includes adjustments to rates, the provision of incentives, and the strengthening of tax administration systems (Tim et al., 2015). Fiscal policy will directly and indirectly affect state revenue from the taxation sector. According to Mardiyani (2023), fiscal policy in the form of tax rate changes has a significant positive relationship with state revenue. Meanwhile, a tax incentive provision is a tax expenditure that significantly negatively impacts tax revenue (Bagus et al., 2022).

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Changes in tax rates and tax incentives must be accompanied by adequate tax supervision to positively impact state revenue (Afe et al., 2022)

The Role of Tax Compliance as a Mediator

Tax compliance is expected to serve as a link or intermediary in the implementation of fiscal policies to optimize tax revenue. Based on research conducted by Nova (2022), tax compliance can mediate the influence of tax amnesty implementation (one of the tax incentives provided in the form of tax amnesty) on tax revenue. However, other research concludes that tax compliance cannot mediate the relationship between changes in tax rates and revenue (Rizki, 2022) and can also not mediate the impact of tax supervision on tax revenue (Afe et al., 2022).

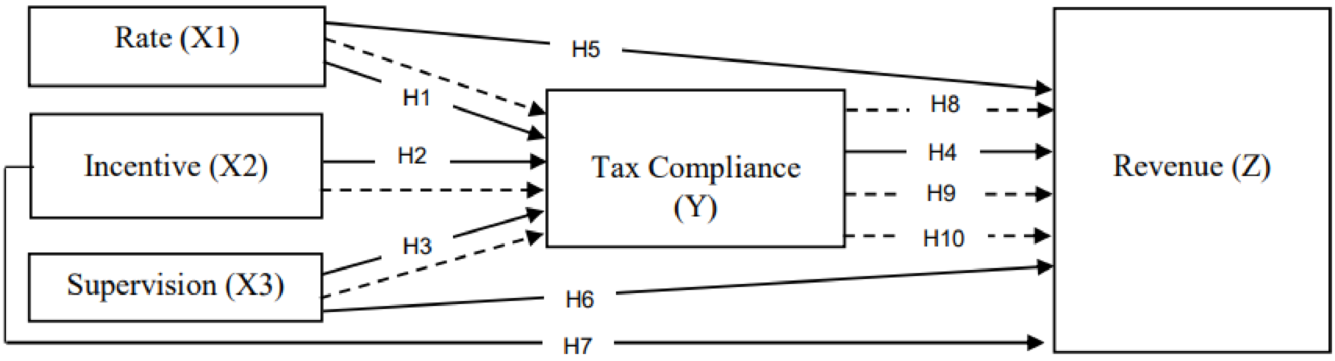

Figure 1. Conceptual Framework

Hypothesis

H1: Changes in VAT Rate (X1) significantly affect Tax Compliance of Real Estate Taxable Entrepreneurs (Y);

H2: Real Estate Sector VAT Incentives (X2) do not significantly affect Tax Compliance of Real Estate Taxable Entrepreneurs (Y);

H3 Tax Supervision of Real Estate Taxable Entrepreneurs (X3) has a significant impact on Tax Compliance (Y) of Real Estate Taxable Entrepreneurs;

H4: Tax Compliance of Real Estate Taxable Entrepreneurs (Y) does not significantly affect VAT Revenue (Z).

H5: Changes in VAT Rates (X1) have a significant impact on VAT Revenue (Z);

H6: VAT Incentives in the Real Estate Sector (X2) have a significant impact on VAT Revenue (Z);

H7 Tax Supervision of Real Estate Taxable Entrepreneurs (X3) significantly impacts VAT Revenue (Z).

H8: Tax Compliance of Real Estate Taxable Entrepreneurs (Y) is unable to mediate the influence of Changes in VAT Rate (X1) on VAT Revenue (Z);

H9: Tax Compliance of Real Estate Taxable Entrepreneurs (Y) can mediate the influence of Real Estate Sector Tax Incentives (X2) on VAT Revenue (Z);

H10: Tax Compliance of Real Estate Taxable Entrepreneurs (Y) is unable to mediate the influence of Tax Supervision on Real Estate Taxable Entrepreneurs (X3) on VAT Revenue (Z).

RESEARCH METHODS

This study is designed as correlational research, using a quantitative method based on empirical studies to find correlational relationships between variables.

Operational Definitions, Variables, and Measurement

Rate as the Independent Variable (X1)

The rate is based on the VAT law under the Harmonization of Tax Regulation Act (UU HPP).

Incentive as the Independent Variable (X2)

The incentive refers to the amount of government-borne VAT incentive for the real estate sector that meets the requirements according to the Ministry of Finance Regulation.

Supervision as the Independent Variable (X3)

Supervision refers to the monitoring activities of taxpayer compliance conducted by the Tax Service Office (KPP) as a vertical unit under the Directorate General of Taxes (DJP). One of the supervisory activities for taxpayers is the issuance of Tax Collection Letters (STP) for late reporting of Tax Return (SPT) and VAT payments. This variable is measured by the number of STPs issued to taxpayers confirmed as Real Estate Taxable Entrepreneurs (PKP)

Tax Compliance as the Mediating Variable (Y)

Tax compliance refers to procedural and administrative actions taken to fulfill taxpayer obligations based on applicable tax regulations (Pajakku, 2023). This variable is measured by comparing the number of Real Estate Taxable Entrepreneurs who have reported VAT Returns with the total numberof Real Estate Taxable Entrepreneurs required to report VAT Returns each month.

$$Tax\ Compliance = \frac{\text{Real Estate Taxable Entrepreneurs who have reported VAT Return}}{\text{Real Estate Taxable Entrepreneurs required to report VAT Return}} x\ 100\% \quad (1)$$

Revenue as the Dependent Variable (Z)

Based on policies regulating the State Budget, domestic tax revenue encompasses all state revenue derived from income tax, value-added tax on goods and services, luxury goods sales tax, land and building tax, excise tax, and other taxes. This variable is measured by the total state revenue from VAT in the real estate sector for each tax period during the study period.

Place and Time of Study

The research was conducted at the XYZ Tax Office covering Sidoarjo Regency. The research location was chosen considering that Sidoarjo Regency serves as a buffer city for Surabaya, the capital of East Java Province, thus being impacted by the stable and positive growth of the domestic real estate sector gross from year to year (BPS 2023). Most of the real estate sector taxpayers in Sidoarjo Regency fall within the jurisdiction of the XYZ Tax Office. Data collection was conducted in November 2023. The reason for conducting the research over the tax period from January 2021 to June 2023 is that this period marks the transition of rate changes based on the Harmonization of Tax Regulation Act and the provision of Government-Borne VAT Incentives for the real estate sector as a form of government stimulus in post-COVID-19 pandemic economic recovery efforts.

Population and Sample

The object of this research is the VAT revenue data from the real estate sector in Sidoarjo Regency from January 2021 to June 2023. The sample consists of monthly periodic VAT revenue data (time series). The sampling technique is non-probability sampling with a saturated sampling method. The sample chosen for this study is secondary data comprising monthly realized VAT revenue data from the real estate sector at XYZ Tax Office from January 2021 to June 2023.

Data Analysis Techniques

The normality test of data is used to test the distribution of dependent and independent variables in the regression model in this study. To make decisions in this test, the Kolmogorov-Smirnov Test of Normality probability in the SPSS 26 program (asymptotic significance) is used (Ghozali, 2016).

The autocorrelation test of data is used to test the correlation between disturbance errors in one period and disturbance errors in the previous period in the linear regression equation. The Durbin-Watson table is used to make decisions (Ghozali, 2016).

The heteroskedasticity test of data is used to test the uncertainty of the variance of residual values of an observation with other observations in the regression model. The test uses Spearman's rank correlation, which

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connects all independent variables to their absolute residual values (Suliyanto, 2011). The multicollinearity test of data is used to test the relationship between independent variables in the regression equation model (Ghozali 2016). The method used is Tolerance and Variance Inflation Factors (VIF).

Hypotheses Testing

Path Analysis test is conducted by calculating path coefficients as values to determine the influence of exogenous independent variables on endogenous dependent variables. This testing is used to understand the inherent cause-and-effect relationship between variables arranged in a temporal sequence (Sarwono, 2011).

The testing begins with constructing a path model to identify the mediating role. It is then followed by calculating regression path coefficients to determine the direct influence of independent variables on dependent variables. The second path coefficient is computed by creating the second regression model, and the equation tests the hypothesis (Sarwono, 2011). Figure 2 illustrates the path model constructed based on the research variables.

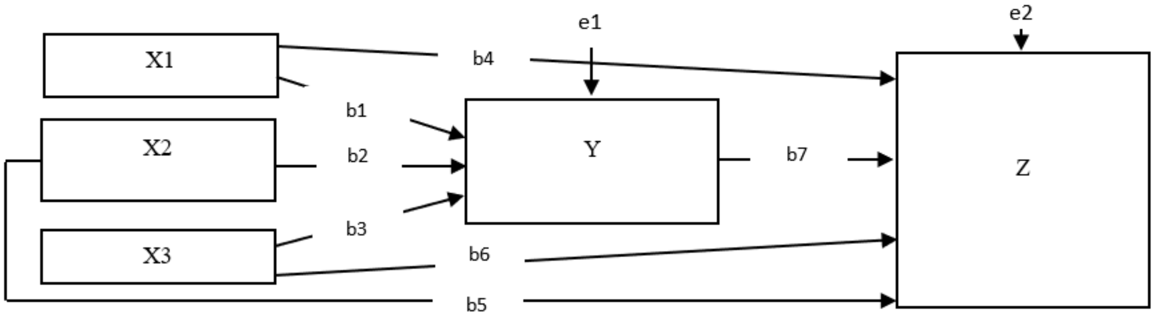

Figure 2. Path Model

Equation model 1: Y = b1X1 + b2X2 + b3X3 + e1

Equation model 2: Z = b4X1 + b5X2 + b6X3 + b7Y + e2

Hypotheses testing conducted to conclude includes:

1. Direct effects: Partial Test (t-test) to determine the partial influence of each independent variable (X) on the dependent variable (Z) separately;
2. Indirect effects are conducted by multiplying the first path coefficient with the second one. If the multiplication result of these two coefficients is greater than the direct effect coefficient, then variable Y is a mediating variable.

RESULT AND DISCUSSION

Descriptive Analysis

The data from the descriptive statistical test for 30 months, from January 2021 to June 2023. The range of the rate variable values is between 0.10 and 0.11. This variable indicates a tariff rate change from 10% to 11% starting April 2022. The rate variable has an average value of 0.105 and a standard deviation 0.000. The range of the incentive variable values is from 0.00 to 1.00. The policy of providing a 100% incentive started from March 2021 to December 2021, and then there was a change in the incentive value to 50% from January 2022 to September 2022. Starting from October 2022, the policy of providing incentives was abolished.

The range of the supervision variable values is from 3.00 to 9.00, with an average value of 6.90 and a standard deviation of 1.213. The tax compliance variable ranges from 0.71 to 0.85, with an average value of 0.77 and a standard deviation of 0.038. The range of the revenue variable values is from 1,543,483,348 to 9,103,976,429, with an average value of 4,619,501,582 and a standard deviation of 1,698,405,331.

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Classical Assumption Test

Table 2. Conclusion of Classical Assumption Tests

No	Test Name	Method	Reference Value	Test Result	Conclusion	Explanation
1	Normality	Kolmogorov Smirnov	0.05	0.200	Normal	Asymp.Sig. = 0.200 > 0.05
2	Autocorrelation	Durbin Watson	dU=1.7386 4-dU=2.2614	2.207	No Autocorrelation	DW test result = 2.207 falls between dU and 4-dU
3	Multicollinearity	TTolerancedan VIF	Tolerance > 0.1 VIF < 10.00	Tolerence: rate: 0.296; incentive: 0.489; supervision: 0.877; tax compliance: 0.508 VIF: rate: 3.376; incentive:2.047; supervision: 1.140; tax compliance: 1.968	No multicollinearity	Tolerence value > 0.1 VIF value < 10.00
4	Heteroskedasticity	Rank Spearmen	0.05	Rate: 0.211; incentive:0.169; supervision: 0.494; tax compliance: 0.689	No heteros elasticity	**Coefficients** Sig. value > 0.05

Source: Primary Data

Path Analysis Test

Equation Model 1

Table 3. Output of Model Equation 1

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,134	,160		,838	,410
	Rate	6,236	1,538	,815	4,054	,000
	Incentive	-,014	,018	-,158	-,799	,431
	Supervision	-,003	,005	-,094	-,632	,533

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a. Dependent Variable: tax compliance Source: Processed Data from SPSS 26 (2023)

From the output of Model 1 in Table 3, the equation derived from the Unstandardized Coefficients Beta column is obtained as follows:

Tax Compliance = 0,134 + 6,236Rate – 0,014Incentive - 0,003Supervision + e

The coefficient of direct influence of tariff rate on tax compliance is 0.815 with a significance value of 0.000, indicating that the tariff rate has a positive and significant effect on tax compliance. Meanwhile, the coefficient of direct influence of incentive on tax compliance is -0.158 with a significance of 0.431, meaning that the incentive has a negative and insignificant effect on tax compliance. The supervision variable has a coefficient of direct influence of -0.094 with a significance of 0.533, indicating that supervision has a negative and insignificant effect on tax compliance.

Table 4. Coefficient of Determination of Equation Model 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,701[a]	,492	,433	,0292913

a. Predictors: (Constant), Supervision, Incentive, Rate

b. Dependent Variable: tax complianceSource: Processed Data from SPSS 26 (2023)

The value of R Square in Table 4 is 0.492, indicating that the relationship between independent variables (rate, incentive, supervision) and tax compliance is 49.2%. Meanwhile, the value of Adjusted R Square is 0.433, indicating that the percentage of tax compliance variables explained by independent variables (rate, incentive, supervision) is 43.3%, while other variables outside the study contribute the remaining 56.7%. The value of e1 can be obtained using the formula e1=$^2\sqrt{1 - 0.492} = 0.713$

Equation Model 2

Table 5. Equation Model 2 Output Results

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	-30795681267	5459932491		-5,640	,000
	Rate	135820875280	66094581995	,407	2,055	,050
	Incentive	-1100450505	615571008	-,275	-1,788	,086
	Supervision	407803102	160963888	,291	2,534	,018
	tax compliance	22968491720	6595528170	,526	3,482	,002

a. Dependent Variable: Revenuee

Source: SPSS 26 Processed Data (2023)

From the output of model 2 in Table 5, the equation derived from the Unstandardized Coefficients Beta column is obtained as follows:

Revenue = -30.795.681.267 + 135.820.875.280Rate – 1.100.450.505Incentive + 407.803.102Supervision + 22.968.491.720taxcompliance

The direct influence coefficient of rate on revenue is 0.407, with a significance value of 0.050, indicating that the tariff rate has a positive and significant effect on revenue. Meanwhile, the direct influence coefficient of incentive on revenue is -0.27,5 with a significance value of 0.086, indicating that the incentive has a negative and insignificant effect on revenue. The direct influence coefficient of the supervision variable is 0.291, with a significance value of 0.018, indicating that supervision has a positive and significant effect on revenue. The direct influence coefficient of the tax compliance variable is 0.52,,6 with a significance value of 0.002, indicating that tax compliance has a positive and significant effect on revenue.

Table 6. Coefficient of Determination of Equation Model 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,843[a]	,710	,664	985088025	2,207

a. Predictors: (Constant), tax compliance, supervision, incentive, rate

b. Dependent Variable: revenue

Source: SPSS 26 Processed Data (2023)

The R Square value in Table 6 is 0.710, indicating that the relationship between the independent variables (rate, incentive, supervision, tax compliance) and revenue is 71.0%. Meanwhile, the Adjusted R Square value of 0.664 indicates that the percentage of revenue variable explained by the independent variables (rate, incentive, supervision, tax compliance) is 66.4.% In comparison, the remaining 33.6% represents contributions from variables outside the study. The value of e2 can be obtained using the formula e2=$\sqrt[2]{1-0.710} = 0.539$.

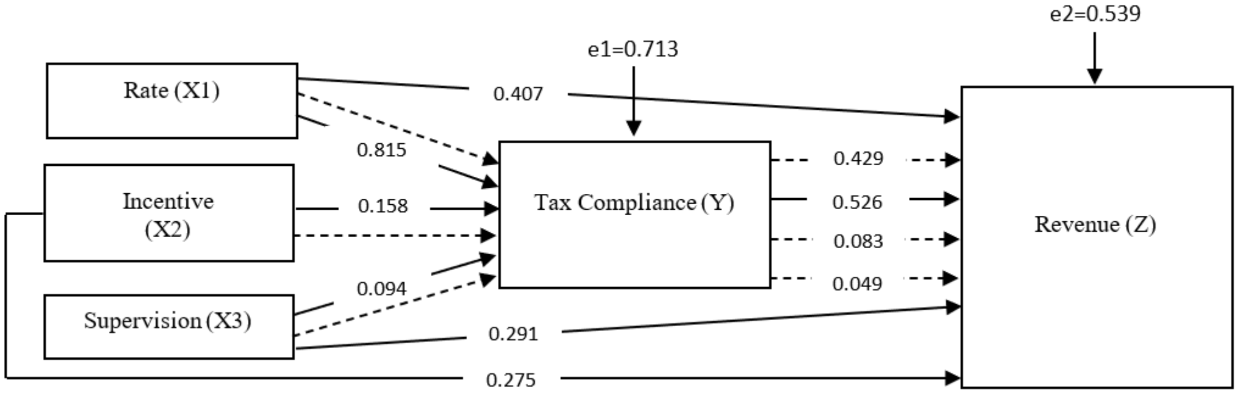

Figure 3. Path Diagram of Equation Model 2

The indirect effect of tariff rate on revenue through tax compliance mediation is equal to the path coefficient 0.429 (0.815x0.526). This value is higher than the direct path coefficient value of tariff rate on revenue of 0.407, indicating that tax compliance can mediate the effect of tariff rate on revenue. The indirect effect of incentives on revenue through tax compliance mediation is equal to the path coefficient 0.083 (0.158x0.526). This value is lower than the direct path coefficient value of incentive on revenue of 0.275, indicating that tax compliance cannot mediate the effect of incentives on revenue. The indirect effect of supervision on revenue through tax compliance mediation equals the path coefficient 0.049 (0.094x0.526). This value is lower than the direct path coefficient value of supervision on revenue of 0.291, indicating that tax compliance cannot mediate the effect of supervision on revenue.

DISCUSSION

Changes in VAT Rate (X1) significantly affect the Tax Compliance of Real Estate Taxable Entrepreneurs (Y).

Based on the output of equation model 1, the t-statistic value is 4.054 with a significance level of 0.000. It can be concluded that changes in the VAT rate significantly impact the tax compliance of Real Estate Taxable Entrepreneurs (PKP). This indicates that the higher the VAT rate, the higher the tax compliance of Real Estate PKP.

VAT is a consumption tax borne by consumers with a collection mechanism through PKP, thus giving PKP more responsibility to fulfill their obligation to report and pay VAT on time. This responsibility must be fulfilled by PKP as best as possible because it can affect the reputation of the real estate project being developed. The high VAT rate consumers pay through Real Estate PKP significantly affects their trust in the sustainability of the PKP's business. This is in line with research conducted by (Dewi et al. 20,20), which concluded that the tax rate significantly impacts taxpayer compliance. Based on the above explanation, hypothesis H1 is accepted.

VAT Incentives in the Real Estate Sector (X2) do not significantly affect the Tax Compliance of Real Estate Taxable Entrepreneurs (Y).

Based on the output of equation model 1, the t-statistic value is 0.799 with a significance level of 0.431. This shows that the provision of VAT incentives haslittle significantlyy impactce of Real Estate PKP. The basic principle of VAT is a consumption tax borne by the final consumer, which is in line with the provisions of VAT incentives, where the party that can enjoy the VAT DTP facility for home purchases is the buyer/final consumer. Meanwhile, the PKP seller only acts as a VAT collector and cannot utilize the facility. This renders the existence of VAT incentives ineffective in influencing the behavior of Real Estate PKP in carrying out its obligation to report the periodic VAT return (SPT Masa PPN). This finding aligns with research conducted by Dewi et al. (2020), which concluded that tax incentives do not significantly impact taxpayer compliance. Based on the above explanation, hypothesis H2 is accepted.

their administration properly, including in reporting periodic VAT returns. This condition results in active Real Estate PKP having a high level of compliance in reporting periodic VAT returns every month. With a high level of compliance, there is less need for supervision through the issuance of Tax Collection Letters (STP).

On the other hand, inactive real estate PKPs mostly have incorrect locations and addresses, causing tax bills from the tax office to not reach their intended destinations. This renders tax supervision efforts ineffective in significantly influencing the compliance level of these Taxable Entrepreneurs. This result may differ if the study were conducted on taxpayers other than the real estate sector, as adequate tax supervision can change taxpayer behavior, including compliance with submitting Annual Tax Returns (Dewi et al. 202,0). Based on this explanation, hypothesis H3 is rejected.

Tax Compliance of Real Estate Taxable Entrepreneurs (Y) does not significantly affect VAT Revenue (Z).

Based on the output of equation model 2, the t-statistic value is 3.482 with a significance level of 0.002. This shows that the level of compliance of Real Estate PKP in making payments and reporting periodic VAT returns has a significant impact on VAT revenue. Most of the periodic VAT return reporting is done by PKP after making the payment of VAT payable. This finding differs from the conclusion of a study by Fransiskus X. Seran et al. (2022), which concluded that tax compliance does not significantly affect tax revenue. This is due to differences in the research subjects where the previous study was conducted on taxpayers with low tax knowledge, In contrast, this study targets Real Estate Taxable Entrepreneurs, most of whom already have good tax knowledge. Based on this explanation, hypothesis H4 is rejected.

Changes in VAT Rates (X1) significantly impact VAT Revenue (Z).

Based on the output of equation model 2, the t-statistic value is 2.055 with a significance level of 0.050. This shows that the change in the tariff rate from 10% to 11% directly impacts VAT revenue. This conclusion is in line with the research results of Mardiyani (2023); therefore, hypothesis H5 is accepted.

VAT Incentives in the Real Estate Sector (X2) significantly impact VAT Revenue (Z).

Based on the output of equation model 2, the t-statistic value is 1.788 with a significance value of 0.086.

This shows that VAT incentives in the real estate sector havea lisignificantly impactThe provision of VAT incentives is one of the economic recovery strategies post-COVID-19. With the provision of incentives, it is expected that the economy will recover without burdening the state budget. The significant impact of providing incentives, which constitutes tax expenditure, will be offset by the growth of the economy, which affects VAT revenue. This result aligns with the definition of incentives by Sikula, n.d., which states that incentives encourage or tend to stimulate activities to improve production. In this case, the growth in VAT revenue due to the resumption of economic activities post-pandemic can reduce the significance of tax expenditure on VAT incentives. Based on this explanation, hypothesis H6 is rejected.

Tax Supervision of Real Estate Taxable Entrepreneurs (X3) has a significant impact on VAT Revenue (Z).

Based on the output of equation model 2, the t-statistic value is 2.534 with a significance level of 0.018. This shows that supervision of the timeliness of VAT payments has a significant impact on VAT revenue. The tendency of Real Estate Taxable Entrepreneurs to settle their due VAT in a timely manner or not exceed the payment deadline has a positive impact on VAT revenue. Supervision of Taxable Entrepreneurs, whether due to lack of understanding or intentional avoidance, resulting in inadequate or non-payment of VAT as required, significantly affects tax revenue, as it includes tax intensification efforts through payment supervision by Account Representatives. This is consistent with the research conducted by Afe et al. (2022); therefore, hypothesis H7 is accepted.

Tax Compliance of Real Estate Taxable Entrepreneurs (Y) is unable to mediate the influence of Changes in VAT Rate (X1) on VAT Revenue (Z).

Based on the data in Table 8, the direct path coefficient is 0.407, and the indirect path coefficient is 0.429 (0.526x0.815). This indicates that tax compliance can mediate the effect of changes in VAT rates on VAT revenue. Tax regulations requiring Taxable Entrepreneurs to settle due VAT before submitting their periodic VAT returns play a significant role in increasing VAT revenue through tax compliance. The implementation of the periodic VAT return reporting system through e-filing connected to the Tax Office database can reduce calculation errors, further confirming the mediating effect of tax compliance on the relationship between rates and VAT revenue. Based on this explanation, hypothesis H8 is rejected.

Tax Compliance of Real Estate Taxable Entrepreneurs (Y) can mediate the influence of Real Estate Sector Tax Incentives (X2) on VAT Revenue (Z).

The direct path coefficient is 0.275, and the indirect path coefficient is 0.083 (0.526x0.158). This indicates that tax compliance cannot mediate the effect of tax incentives on VAT revenue. Most Real Estate Taxable Entrepreneurs participating in VAT incentives are taxpayers with a good tax compliance history. Therefore, the presence or absence of VAT incentives does not significantly affect the tax compliance of real estate taxable entrepreneurs, who already have a high level of compliance when submitting their periodic VAT returns. Moreover, tax incentives have a greater direct impact on tax revenue. The contraction in revenue due to the provision of tax incentives can be measured directly. Therefore, the compliance of Real Estate Taxable Entrepreneurs cannot mediate the effect of tax incentives on tax revenue. Based on this explanation, hypothesis H9 is rejected.

Tax Compliance of Real Estate Taxable Entrepreneurs (Y) is unable to mediate the influence of Tax Supervision of Real Estate Taxable Entrepreneurs (X3) on VAT Revenue (Z).

Based on the data in Table 8, the direct path coefficient is 0.291, and the indirect path coefficient is 0.049 (0.526x0.094). This indicates that tax compliance cannot mediate the effect of tax supervision on VAT revenue. The tax supervision process through the issuance of Tax Collection Letters (SPT) only requires taxpayers to pay the due tax without requiring them to report the SPT again. In an effort to provide convenience for taxpayers and efficiency in the tax payment process, the Tax Office recognizes payment receipts accompanied by the State Revenue Transaction Number (Nilai traet al.PN) so that any tax payment receipts or tax assessments accompanied by NTPN on the deposit receipts no longer need to report the status of the bill or tax assessment. The billing process will be completed when taxpayers have settled their tax debts in Tax Billing or Tax Assessment Letters. Based on this explanation, the hypothesis is accepted.

CONCLUSIONS, IMPLICATIONS, RECOMMENDATIONS, AND LIMITATION

Changes in VAT rates and supervision of compliance among Real Estate Taxable Entrepreneurs significantly affect tax compliance. This indicates that higher VAT rates coupled with adequate compliance supervision can enhance the compliance of Real Estate Taxable Entrepreneurs, ultimately leading to a direct impact on the growth of VAT revenue.

However, the policy of providing VAT incentives does not have a significant effect on tax compliance. The nature of VAT as a consumption tax with the final consumer as the taxpayer and direct beneficiary of VAT incentives, while Real Estate Taxable Entrepreneurs act as VAT collectors with the obligation to remit and report periodic VAT returns regardless of the existence of VAT incentive programs. Therefore, the provision of VAT incentives does not influence the compliance pattern of Real Estate Taxable Entrepreneurs. Meanwhile, the direct impact of providing VAT incentives, which constitutes tax expenditure in the national budget, will be offset by economic growth that stimulates VAT revenue if incentive policies are selectively and prudently implemented.

Tax compliance can mediate the impact of changes in VAT rates on VAT revenue but cannot mediate the relationship between VAT incentives and supervision on VAT revenue.

The implementation of an eleven percent VAT rate since April 2022, which will increase to twelve percent by no later than January 1, 2025, will have a positive impact on national revenue if accompanied by adequate supervision strategies and the provision of appropriate economic instruments. Providing VAT incentives in the Real Estate sector is one of the instruments that the government can utilize to stimulate the economy post-COVID-19 pandemic, with the condition that incentives are provided accurately and selectively to the public, thereby reducing their impact on the national budget and fostering economic growth.

This study has limitations, including the narrow scope of the research object, which only includes Real Estate Taxable Entrepreneurs registered at the XYZ Primary Tax Office (KPP Praet al.Consequently, it is unable to fully depict the variables under study and their effects on overall tax revenue. For future researchers, it is recommended to expand the scope of the research object and add economic indicator variables such as inflation and interest rates so that the research results will approximate real-world conditions.

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