PROVISION OF PUBLIC GOODS AND SERVICES BY THE GOVERNMENT AND PROPERTY TAX COMPLIANCE

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ABSTRACT

The compliance of tax payments can be seen from the concept of reciprocity between the government as the tax collector in providing public goods and services to the public as taxpayers. The objective of this research is to know the relationship between the provision of public good by government, such as quality of schools, public health center (puskesmas), hospitals, and roads with property tax (PBB-P2) compliance. Tobit estimation results show that there is a positive relationship between providing roads to PBB-P2 compliance. Besides, it also found that citizen education has a negative relationship with PBB-P2 compliance and the performance of tax collectors has a positive relationship with PBB-P2 compliance. In this case, improving the quality of road provision also the performance of tax collectors can be a concern of the government as an effort to improve PBB-P2 compliance.

INTRODUCTION

It is can be seen in the State Revenue and Expenditure Budget (Anggaram Pendapatan dan Belanja Negara-APBN) and Regional Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Daerah-APBD), that tax is the main source of revenue for the government. For local governments in Indonesia, one of the biggest sources of tax revenue is property tax or the Rural and Urban Land and Building Tax (Pajak Bumi dan Bangunan-PBB-P2), besides the hotel taxes, restaurant taxes, and property ownership transfer taxes (Robert et al, 2019). Although revenues from PBB-P2 contribute significantly to regional tax revenues in Indonesia, the revenue from PBB-P2 is far from its potential. When compared with the G20 countries, Indonesia's Land and Building Tax revenue nationally is among the lowest, namely 0.57 percent of Gross Domestic Product (GDP) in 2008 (Prakash, 2013).

The condition of low property tax revenue in Indonesia and the inability of the local government to maximize the potential of PBB-P2 is due to the low coverage of land information systems, lack of data, and low collection rates (Von Haldenwang, 2017; Robert et al., 2019). Also, according to Alm et al. (2003), one of the things that cause a reduction in government tax revenue is a group of people who are non-compliance or avoiding tax. Failure to comply with tax regulations shows that there is non-compliance behavior by taxpayers (Kirchler, 2007).

In Indonesia, since 2009, the authority to manage PBB-P2 was transferred from the central government to district/city governments through Law Number 28/2009 about Regional Taxes and Regional Retribution. One of the objectives of transferring tax management authority from the central government to regional governments or fiscal decentralization is to encourage local governments to be able to finance themselves (Fitri, 2014; Haldenwang, 2017), so that their fiscal independence can be increased. But in practice, local governments in Indonesia face a situation of low property tax compliance (Haldenwang, 2017). District/city governments that cannot maximize their tax

potential, so the obtaining of Local Revenue (Pendapatan Asli Daerah-PAD) could not be optimal as well.

Tax noncompliance is something that can occur in both developed and developing countries (Chau & Leung, 2009; Gorodnichenko et al., 2009; McGee 2006). Facing the condition of the non-compliant community, the efforts made by district/city governments are mostly focused on law enforcement through increased effort in collecting the tax (Indaryani & Juliarini, 2020; Yuda, 2015; Gunawan, 2013). This is reflected in the district/city regional regulations governing the procedure for billing PBB-P2. In the general guidelines for the management of PBB-P2, it is stated that billing includes a warning, instant and simultaneous billing, issuance of forced letters, prevention, confiscation, and auctioning confiscated goods. In addition, to improve morale, collectors of PBB-P2 are also given incentives according to their efforts in collecting taxes. The granting of these incentives is regulated in Government Regulation Number 69/2010 about Procedures for Giving and Utilizing Regional Tax Collection Incentives and Regional Retribution. The effort to increase tax compliance through law enforcement is a standard model of tax compliance that comes from the Economic of Crime Model approach that was coined by Becker (1968). This theory is supported by Allingham and Sandmo (1972) and Srinivasan (1973) who associate tax compliance. In that theory, to increase taxpayer compliance, the government increases non-compliance-cost such as fines, penalties, and the possibility of audits.

But in practice, the amount of PBB-P2 receivables continues to increase from year to year. Meanwhile, the level of compliance is still quite low at 29.23% to 30.02%, as shown in the following table.

Table 1. Public Good Provision by Government

Year	Receivable (Rp)	Compliance
2015	7.233.471.681.983,70	29,23%
2016	7.995.262.060.137,49	30,02%
2017	8.709.933.758.254,90	29,72%

Source: Local Government Financial Report 2015-2017 in 261 districts/cities

Thus, efforts to improve tax payment compliance, especially PBB-P2 need to be viewed from a different perspective. Based on empirical studies, one of the things that influence tax compliance is a positive

inducement to individuals or groups (Alm, 2018). Therefore, this study tries to see the compliance of PBB-P2 payments in terms of benefits provided by the government as tax collectors, in this case in the form of public goods and services to the public as taxpayers. Research by looking at the benefits side is also supported by the characteristics of PBB-P2 which according to the tax collection system is an official assessment system and based on its nature which is an objective tax. Tax collection with the official assessment system, which is where the tax collector has calculated and determined the amount of tax that must be paid by the taxpayer (Suandy, 2008). This causes no chance for people to not report their taxes as they should (Gonzalez-Navaro and Quintana-Domeque, 2013). In addition, the people who have not paid taxes can be immediately known by the local government, without conducting an audit procedure first. The second characteristic of PBB-P2 is the PBB-P2 is an objective tax, which means that the tax focused on the object of the tax (Widari and Ngumar, 2016). The tax object of PBB-P2 is lands and buildings that are bound to the area where it is located so that the taxpayer of PBB-P2 is the sum of individuals who are located in one area and enjoy public goods and services in that area. This is supported by Gonzalez-Navaro and Quintana-Domeque, (2013) which states that property tax is a regional tax that is closely related to regional government expenditure so that it can demonstrate the relationship between public goods and the motives of local communities in paying the PBB-P2 tax.

Based on empirical studies, one of the things that affect tax compliance is a positive inducement to individuals or groups (Alm, 2018). In several studies, the provision of benefits through public facilities influences individual tax compliance (Alm et al., 1992a; b, c, 1999; Becker et al., 1987; Torgler 2002; Fochmann & Kroll., 2016). Related to PBB-P2, the benefits of the government that can be felt directly by the taxpayer are public goods where the land or building is located. Public perception of the availability of public goods is the strongest factor affecting the high level of tax non-compliance in developing countries (Umar et al., 2018).

Several studies have shown that giving benefits to individuals can increase individual compliance. Government programs that provide benefits to a person can improve that person's tax compliance (Alm et al., 2012). Bott et al. (2014) examined the relationship between income tax reporting compliance and the

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information about how this tax was used for the benefit of public goods supply to the taxpayer. The study found that there was a positive effect between giving information about how this tax is used to finance public good and tax compliance. Also, research conducted by Gonzalez-Navarro and Quintana-Domeque (2013), found that the provision of public goods affects the compliance of property tax payments. Taxpayers feel an improvement in the quality of the government for the public goods provided, thereby increasing tax compliance.

Other studies have found that there is no significant correlation between public goods and tax compliance. Research conducted by Torgler (2004), found that there was no significant effect on timely charging and payment of income tax. The negative relationship between public goods and tax compliance was also found by Castro & Scartascini (2013) who found that social norms and the provision of public goods did not have a significant effect on property tax payments.

This raises the issue of whether there is an effect of the benefits provided by the government on tax compliance in Indonesia with the conditions of low PBB-P2 compliance as explained above.

LITERATURE RE VIEW: TAX COMPLIANCE AND PUBLIC GOOD PROVISION

Alabede et al. (2011) describe tax compliance as the level of tax compliance in obeying tax regulations. James & Alley (2004) explains tax compliance as the willingness of individuals or taxpayers to act under the law and tax administration without coercion in terms of law enforcement activities. In Alm (1991) compliance is defined as reporting all income and paying all taxes following applicable laws, regulations, and court decisions. In addition, there are also definitions of tax compliance that are associated with elements of timeliness such as Franzoni (2000) and Chaltopadhyay & Das-Gupta (2002) which states that compliance with tax laws consists of reporting the correct tax base; calculation of correct tax liabilities; timely charging of taxes and timely payment of the amount due as tax. The definition of tax non-compliance or tax avoidance according to Andreoni et al. (1998) is the gap between the amount reported and paid with the actual tax that has to be reported and paid by households voluntarily and on time. Based on this definition, the definition of compliance in this study is the amount paid by taxpayers on tax receivables under tax regulations.

The link between tax compliance and the provision of public goods can be explained by Tax Moral Mechanism, which states that what affects public tax compliance is reciprocity between the government as a tax collector and the public as a taxpayer (Luttmer & Singhal, 2014). This is also supported by The Fiscal Social Contract Theory which states that taxpayers are bound by contracts to finance the government, while the government is also bound by contracts to guarantee the welfare of the community as taxpayers (Umar, 2018). Furthermore, in Tiebout (1956), when people choose a location to live, at the same time, they are willing to accept all the inherent fiscal consequences such as taxes, user charges, fines, and other obligations.

Property tax is the primary source of tax revenue for local governments. The income earned is usually used to fund the provision of local public goods and services such as schools, roads, parks, recreational facilities, sewage disposal, waste management, parking services, civil defense, and community development (Wood & Ong, 2012). Taxpayers have an obligation to pay taxes, while the government has an obligation to make sure that citizens as the taxpayers meet their rights (Umar et al., 2018). This is also supported by Abiola & Asiweh (2012) which states that the government has the responsibility to provide basic infrastructure for its citizens such as hospitals, schools, roads, bridges, airports, railways, and ports. In Indonesia, tax earned is also used to finance basic goods and services such as schools, hospitals, and roads.

In Indonesia, citizen's right to obtain basic rights such as health and education is contained in the 1945 Constitution. Specifically for health, the Law of the Republic of Indonesia Number 36/2009 about Health states that everyone has the right to health which includes the right to gain access to health resources and the right to obtain safe, affordable, and quality health services. Whereas in the case of education, it is stated in the Law of the Republic of Indonesia Number 20/2003 about the National Education System that there is an equal right for every citizen to obtain a quality education. Besides, there is an obligation to attend basic education for every citizen aged seven to fifteen years.

To provide equitable basic education for children age seven to fifteen, the government provides an education system through public schools from elementary school level, junior high school to state senior high school. To measure the quality of a school, there is a National Accreditation Board for Schools/Madrasas (Badan Akreditasi Nasional Sekolah/Madrasah-BANSM) that sets the

feasibility of education programs and units at formal primary and secondary education levels regarding national education standards. This is following the Minister of Education and Culture Regulation Number 59/2012 about the National Accreditation Board.

In terms of health, the government also provides health services through community health centers (Puskesmas) as First Level Health Facilities (Fasilitas Kesehatan Tingkat Pertama-FKTP) and government hospitals as Advanced Health Facilities (Fasilitas Kesehatan Tingkat Lanjutan-FKTL). To assess the quality of puskesmas services, an accreditation system is carried out in accordance with Regulation of the Minister of Health of the Republic of Indonesia Number 46/2015 about Puskesmas Accreditation, Primary Clinics, Independent Doctors Practices, and Independent Dentists Practices. As for hospitals, in Indonesia, there is an accreditation body that measures the quality of services against existing standards. For hospitals, there is a Hospital Accreditation Commission (Komite Akreditasi Rumah Sakit-KARS) that assesses the quality of hospitals following Law Number 44/2009 about Hospitals.

Another public good provided by the government is roads. The authority of roads in Indonesia is divided based on its ownership by each level of government such as state, province, and district/city. The assessment of road conditions in Indonesia is carried out by the National Directorate General of Highways of the Ministry of Public Works and Public Housing of the Republic of Indonesia (Balai Besar Pelaksanaan Jalan Nasional Direktorat Jenderal Bina Marga Kementerian Pekerjaan Umum dan Perumahan Rakyat Republik Indonesia), Provincial and District/City Public Works Services(Dinas Pekerjaan Umum Kabupaten/Kota).

Besides public goods and services, the characteristics of taxpayers, and the characteristics of tax collectors affect tax compliance. Characteristics of taxpayers such as the area of residence, educational background, and financial condition of taxpayers are proven to have an influence on compliance in paying taxes (Alabede et al., 2011; Brett et al., 1995; Park & Hyun, 2003). In addition, tax compliance is also influenced by the characteristics of tax collectors such as the performance of tax collectors and the level of independence of the government that collects taxes (Kahn et al., 2001; Von Haldenwang, 2017).

METHODOLOGY AND DATA SOURCES

The dependent variable in this study uses the PBB-P2 payment data in the city/district and the accumulation of PBB-P2 receivables in that year from the Regional Government Financial Report (Laporan Keuangan Pemerintah Daerah). As for the main independent variables, four types of basic public goods and services are provided by the government, namely schools, puskesmas, hospitals, and roads. The variables used in this study are as follows.

Table 2. The List of Variable

Variable	Definition
Dependent	
Compliance	The PBB-P2 Compliance: Ratio of district/city PBB-P2 payments in one year divided by the amount of PBB-P2 receivables in that year.
Independent	
SchoolProv	School Provision: The total number of schools multiplied by the weight of its accreditation score (Not accredited: 1, C: 2, B: 3, A:4).
PuskesmasProv	Puskesmas Provision: The ratio of the number of accredited puskesmas to the total number of puskesmas in the district/city
HospitalProv	Hospital Provision: The total number of hospitals multiplied by the weight of its accreditation score (Not accredited: 1, Basic: 2, Madya:3, Utama: 4, Paripurna:5).
RoadProv	Road Provision: The total length of the road times the weight of its condition (Heavily damaged: 1, Damaged: 2, Moderate: 3, Good: 4).
Control	
STAT	Dummy Variable (1: City, 0: District).
MYS	Average length of school.
Expenditure	Average expenditure per capita.
TCPerformance	Tax collectors performance: Ratio of last year's incentive realization divided by last year's incentive budget.
FiscalCap	Fiscal capacity.

The empirical method used in this study is Tobit regression. Tobit regression is used if the data is censored at the upper limit, the lower limit, or both (Tobin, 1958). This is suitable for the characteristics of the dependent variable in this study which is the ratio with the smallest

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value is 0 and the largest value is 1. Therefore, the dependent variable data includes censored data with the lower limit is 0 and the upper limit is 1. Tobit regression can help reduce the bias of the estimator due to the location of the concentration point of the dependent variable it has (Gujarati & Porter, 2008; Jirotkun, 2018). Tobit regression uses the maximum likelihood model estimation, which aims to predict the effect of independent variables on the dependent variable. The standard Tobit estimation in Tobin (1958) is as follows.

$$y_i^* = x_i^T \beta + u_i$$

$$y_i = \begin{cases} y_i^*, for\ y_i^* > 0 \\ 0\ , for\ y_i^* \leq 0 \end{cases}$$

Where

y_i : The real value of dependent variable

x_i^T : dependent variable vector $(1, x_{1i}, x_{2i}, ..., x_{pi})$

β : vector parameter $(\beta_0, \beta_1, ...\beta_p,)^T$

u_i : residual model

The data used in the Tobit regression in this study is panel data, with a random effect model that uses data at the district/city level in a period of three years from 2015 to 2017 with a total number of observations of 783 districts/cities. Panel data or also known as longitudinal data is multi-dimensional data by measuring from time to time. The observations in the panel data, contain several phenomena that occur over several periods of time to the same individual (Diggle et al., 2002; Fitzmaurice et al., 2004). Tobit estimation with panel data is as follows.

$$y_{it}^* = x_i^T \beta + u_{it} = x_{it}^T \beta + \eta_i + \varepsilon_{it}$$

$$y_i = \begin{cases} a & if\ y_{it}^* < a \\ y_{it}^* & if\ a < y_{it}^* < b \\ b & if\ y_{it}^* \geq b \end{cases}$$

Where

η_i : time-invariant individual-specific effect

ε_{it} : error term

This research model will estimate the effect of the government of public goods and services, which are divided into the provision of schools (*SchoolProv*), provision of puskesmas (*PuskesmasProv*), provision of hospitals (*HospitalProv*), and provision of roads (*RoadProv*) to PBB-P2 compliance

(*Compliance*). This model includes taxpayer characteristics such as regional (*STAT*), the average length of schooling (*MYS*), and average per capita expenditure (*Expenditure*) as well as tax collection characteristics such as performance (*TCPerformance*), and fiscal capacity (*FiscalCap*) as control variables. The estimation model in this study is as follows.

$$\begin{aligned} Compliance_{it} = \beta_0 &+ \beta_1 SchoolProv_{it} + \\ &\beta_2 PuskesmasProv_{it} + \\ &\beta_3 HospitalProv_{it} + \\ &\beta_4 RoadProv_{it} + \\ &\beta_5 STAT_{it} + \\ &\beta_6 MYS_{it} + \\ &\beta_7 Expenditure_{it} + \\ &\beta_8 TCPerformance_{it} + \\ &\beta_9 FiscalCap_{it} + \\ &\eta_i + \varepsilon_{it} \end{aligned}$$

RESULT AND DISCUSSION

The distribution of quality or assessment scores of public goods and services based on data used in this study (261 districts/cities) can be seen in Table 3. From this table, it can be seen that the provision of basic public goods and services such as schools, health centers, hospitals, and roads tends to increase. From 2015 to 2017, the greatest improvement in the quality of the provision of public goods and services was in the provision of puskesmas, the accredited puskesmas in 2015 is 1.05%of total puskesmas, it increased in 2016 and 2017 to 44.50%. Whereas the smallest increase in the quality of the supply of goods and public services is the provision of roads, namely for roads in good condition in 2015 by 45.05% to 52.71% in 2017.

Tabel 3. Public Goods and Services Provision by Government

Variable	Assessment Score	2015	2016	2017
SchoolProv	Accredited score A	11,25%	16,39%	19,36%
	Accredited score B	23,86%	31,99%	38,33%
	Accredited score C	8,10%	9,65%	11,72%
	Not Accredited	56,80%	41,97%	30,58%
PuskesmasProv	Accredited	1,05%	15,81%	44,50%
	Not Accredited	98,95%	84,19%	55,50%
HospitalProv	Paripurna	1,76%	11,90%	28,14%

	Utama	1,26%	4,56%	7,54%
	Madya	0,50%	2,78%	6,37%
	Dasar	1,76%	13,42%	38,19%
	Not Accredited	94,71%	67,34%	19,77%
RoadProv	Good	45,05%	43,54%	52,71%
	Moderate	19,80%	18,67%	2,90%
	Damaged	18,52%	18,15%	41,81%
	Heavily Damaged	16,63%	19,65%	2,58%

Source: Local Government Financial Report 2015-2017, Regional Education Balance Sheet 2015-2017, Puskesmas Report 2015-2017, District/City in Figures 2015-2017, Transportation Statistics/Transportation Statistics 2015-2017, Human Development Index 2015-2017, Regulation of the Minister of Finance about Regional Fiscal Capacity Map 2015-2017 in 261 districts/cities

Table 4 shows the progress of PBB-P2 payment compliance. It can be seen that group 1 (Compliant) experienced an increase from 4.60% in 2015 to 4.98% in 2016 and 2017. While group 4 (Non-Compliant) experienced a decrease from 2015 to 2016 then rose to 52.49 % in 2017.

Tabel 4 PBB-P2 Tax Compliance

Group	2015	2016	2017
Group 1 (Compliant)	4,60%	4,98%	4,98%
Group 2 (Moderate)	12,64%	13,03%	12,26%
Kelompok 3 (Less compliant)	29,50%	32,57%	30,27%
Kelompok 4 (Non-Compliant)	53,26%	49,43%	52,49%

Source: Local Government Financial Report 2015-2017 in 261 districts/cities

Table 5 presents the results of the estimated regression of the relationship between the provision of public goods and services by the government to PBB-P2 compliance.

Tabel 5. Tobit Estimation Results

Variables	I Coef.		II Coef.		III Coef.	
SchoolProv	0,0061311		0,0062785		0,0082744	
PuskesmasProv	0,0335098		0,0335804		0,0334825	
HospitalProv	-0,004657		-0,0046697		-0,0046713	
RoadProv	0,0259954	***	0,0262284	***	0,0262828	***
STAT			-0,0072023		0,0060477	
MYS					-0,0052600	
Expenditure						
TCPerformance						
FiscalCap						
Log Likelihood	363,61099		363,63255		363,73404	
Wald Chi2	10,99000		11,03000		11,24000	

Source: Local Government Financial Report 2015-2017, Regional Education Balance Sheet 2015-2017, Puskesmas Report 2015-2017, District/City in Figures 2015-2017, Transportation Statistics/Transportation Statistics 2015-2017, Human Development Index 2015-2017, Regulation of the Minister of Finance about Regional Fiscal Capacity Map 2015-2017 in 261 districts/cities. *, **, ***: significance level 10%, 5%, and 1%.

To find out the effect size of the dependent variables that have a significant effect on the dependent variable, the average marginal effect is used as shown in Table 6 below.

Tabel 6. Average Marginal Efect from Significant Variables

Variables	dy/dx	Std. Err.	z	P>z
RoadProv	0,0193624	0,0086695	2,23	0,026
TCPerformance	0,0858696	0,0177628	4,83	0,000

Source: Local Government Financial Report 2015-2017, Regional Education Balance Sheet 2015-2017, Puskesmas Report 2015-2017, District/City in Figures 2015-2017, Transportation Statistics/Transportation Statistics 2015-2017, Human Development Index 2015-2017, Regulation of the Minister of Finance about Regional Fiscal Capacity Map 2015-2017 in 261 districts/cities

Based on the significance level of the estimated variables, it is known that the variables that significantly influence the PBB-P2 compliance are the road provision variable and the performance of the tax collectors.

It can be seen in Table 5, that the road provision variable and the PBB-P2 compliance

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variable show a positive relationship with a significance level of 5% and 1%. Table 6 shows the average marginal effect, which means that each increase in one unit of road provision can increase PBB-P2 compliance by 1.93%. This is also supported by the trend of road development and the trend of PBB-P2 compliance shown in Tables 3 and 4. It can be seen that the roads with good conditions and non-compliant group (Group 4) have the same trend, namely experiencing a fluctuation that declined in 2016 and increased in 2017. This shows that the compliance of PBB-P2 payments follows the quality of the provision of Roads, where non-compliant groups will increase when the provision of good Roads gets lower or vice versa. These results are consistent with research Bott et al. (2014) which examines the relationship between compliance with income tax reporting and the condition of how the tax revenue is used for the benefit of providing public goods. The study found that there is a positive influence between the provision of public goods to income tax compliance. In addition, in (Akpo, 2009) there are findings that the community feels reluctant to pay taxes if the government cannot provide the infrastructure needed by the community. This is also supported by research conducted by Hallsworth et al. (2014), who found that there was a decrease in tax payments which was influenced by providing information to taxpayers regarding the use of tax revenue to finance public goods. Specifically for public goods in the form of roads and tax compliance in the form of property tax compliance, this is consistent with research by Gonzalez-Navarro & Quintana-Domeque (2013), who found that improving road quality affects the compliance of property tax payments. This is because the taxpayers feel the benefits of the tax they pay and the quality improvement of the government for the public goods provided, thereby increasing tax compliance by taxpayers.

The main independent variable besides the provision of roads such as the variable for the provision of schools, provision of puskesmas, and provision of hospitals, does not significantly affect the compliance of PBB-P2. Similar to the research of Alm et al. (1993) who examined the relationship between the provision of benefits from public goods to tax payment compliance with negative and insignificant results. This condition occurs if people enjoy public goods without contributing. In (Cornes & Sandler, 1986) also mentioned that tax compliance will increase if the public knows that other people also make contributions, besides that compliance can also increase if the community

realizes the benefits of the tax they pay. Therefore, it can be indicated that in public goods and services like schools, hospitals, and roads there is free-rider behavior from the community. The free-rider behavior can be caused by a variety of factors, as stated by Alm et al. (2010a) that many factors can influence tax compliance in empirical investigations.

The variable characteristics of government as tax collectors that have a significant effect in this study are the tax collector's performance variable. In Table 5 it can be seen that the tax collector's performance variable has a positive effect on PBB-P2 compliance at a significance level of 1%. From the average marginal effect, it can be seen that an increase in one unit level of tax collector's performance can reduce PBB-P2 compliance by 8.58%. These results are supported by the trend data in tables 3 and 4. Where the trend between the provision of good quality schools, puskesmas, and hospitals (Accreditation A, Accredited, and Paripurna Accreditation) which continues to increase does not match the trend of non-compliant group (Group 4) which experienced fluctuations in 2015 to 2017. These results are similar to the research of Alm et al. (1993) and Alm et al. (2010, 2017) which shows that tax compliance tends to increase if the tax administration services are good, whereas if the tax system implemented is complicated, then tax compliance will tend to decrease. In addition, Bryson (2003) also states that labor, information systems, and computers are needed, and political capital is required in the collection of property taxes. Improved PBB-P2 compliance can occur through improved performance of tax collectors as demonstrated through simple tax information services, human resources, and a good tax system.

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Based on the results of the regression that has been done, it was found that not all public goods and services provision had an effect on PBB-P2 compliance. The provision of public goods that has a significant positive effect on PBB-P2 compliance is the provision of roads, while the provision of schools, provision of puskesmas, and provision of hospitals by the government do not have a significant correlation to PBB-P2 compliance. In this case, there are indications of free-rider behavior by the community in using the schools, hospitals, and health centers. The other variables that have a significant effect on PBB-P2 compliance are the

performance of tax collectors, which is one of the tax collector's characteristics, has a significant positive effect on PBB-P2 compliance.

Based on the inferential analysis that has been done, some suggestions in designing policies to increase PBB-P2 compliance are to educate or increase public awareness of the use of taxes in financing public good, improve the quality of the provision of public goods and services for the community, and to improve the performance of tax collectors including improving the quality of administrative services and providing a simple taxation system.

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