The Influence of Socialization, Income Level, and Tax Sanctions on Taxpayer Compliance in Paying Land and Building Tax in Palu City, Central Sulawesi

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Abstract

Land and Building Tax (PBB in Indonesia) is a tax on land and buildings that contributes to local revenue throughout Indonesia. This study examines the influence of tax socialization, income level, and tax sanctions on taxpayer compliance in paying PBB in Palu City, Central Sulawesi. The research is quantitative with primary data, where 400 repondents were selected with an accidental sampling technique from a population of 142,499 taxpayers. Questionnaires were used to obtain the data, and analyze using Partial Least Square (PLS) method, using WarpPLS version 8.0 software. The novelty of this research lies in the use of a combination of three variables namely socialization, income, and tax sanctions in one analysis model applied specifically to the context of PBB in Palu City, which has never been studied in previous research. The findings reveal that the strength of taxpayer compliance is positively influenced by tax socialization, income, and tax sanctions. The addition this study makes to the literature is to reinforce the theory of tax socialization as the main external propellant of tax compliance as well as to reinforce the result of income level and tax penalties also play an important role in raising local tax compliance. The Palu City Government should continue to strengthen the PBB socialization policy and recommendations policy design PBB-P2 repayment should be conditioned licensing administration so that tax compliance obtained in the future.

Keywords: *Land and Building Tax, Tax Socialization, Taxpayer Income Level, Tax Sanctions, Taxpayer Compliance.*

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A.   INTRODUCTION

As a major source of government income, taxation helps support a range of development initiatives and public services. In Indonesia, the Land and Building Tax (PBB) is an important type of tax that contributes to increasing regional income, particularly in the context of natural resource management and infrastructure development. However, taxpayer compliance in paying PBB often poses a challenge, especially in certain regions such as Palu City, Central Sulawesi. Therefore, the implementation of PBB must be based on principles of legality, fairness, and simplicity, and must be supported by an effective and efficient tax management system (Momuat et al., 2022).

Given the importance of taxes, the public is expected to actively participate and contribute to support regional financing. Public awareness and compliance in paying the Land and Building Tax (PBB) are crucial to support regional development. However, the low level of tax payment compliance remains a major obstacle for local

governments in achieving PBB revenue targets. Thus, greater efforts are needed in socialization and education to raise public awareness about the importance of taxes for collective welfare. Below is the data from the Regional Revenue Agency of Palu City regarding the realization of Land and Building Tax (PBB) revenues from 2019 to 2023 in Palu City:

Table 1. Realization of Land and Building Tax (PBB) Revenue at the Regional Revenue Agency of Palu City

Year	Target (IDR)	Realization (IDR)	Precentage (%)
2019	22.695.459.587	9.211.708.360	40,59%
2020	23.106.156.706	7.907.979.863	34,22%
2021	23.313.745.420	9.821.307.622	42,13%
2022	31.224.190.980	12.609.557.739	40,38%
2023	31.930.553.690	12.731.069.897	39,87%
Total	**132.270.106.383**	**52.281.623.481**	**39,53%**

Source: Regional Revenue Agency of Palu City, 2024

The table above presents the realization of Land and Building Tax (PBB) revenue at the Regional Revenue Agency of Palu City from 2019 to 2023. From a total revenue target of IDR 132,270,106,383, the actual realization only reached IDR 52,281,623,481, or approximately 39.53% of the set target. The lowest percentage was recorded in 2020, at 34.22%, while the highest occurred in 2021, at 42.13%. Despite some fluctuations in performance, overall, the realization of PBB revenue remains far from the expected target. This condition indicates that several factors influence taxpayer compliance in paying PBB in Palu City. The failure to meet PBB revenue targets is partly due to insufficient outreach about the importance and benefits of tax payments, which often does not reach the entire community. As a result, the lack of understanding about tax obligations contributes to low public awareness and willingness to pay PBB. Furthermore, the income level of residents in Palu City plays a significant role in their ability to pay taxes. In recent years, economic instability particularly in the aftermath of natural disasters has affected people's income. Economic instability and high unemployment have made it challenging for residents to meet their tax responsibilities.

Additionally, the application of sanctions for non-compliant taxpayers is another influencing factor. Sanctions are often not strict or consistent enough, leading people to believe there are no significant consequences for failing to pay taxes. This can decrease their willingness to fulfill their tax obligations. In response to this issue, the Mayor of Palu, Hadianto Rasyid, conducted a socialization event in West Palu District to encourage citizens to be more compliant in paying the Land and Building Tax (PBB). In this event, he emphasized the importance of tax payments as part of efforts to improve public welfare. Hadianto also revealed that PBB arrears in Palu City currently amount to IDR 160 billion. Although in 2022 the arrears were recorded at IDR 90 billion, efforts made by the local government succeeded in reducing the debt to IDR 70 billion in 2023. This decrease demonstrates significant progress; however,

challenges remain in raising public awareness about their tax obligations (Afdhal, 2024)

Several factors affect the degree of compliance when it comes to tax payment. According to Heliani (2022), Tax socialization is intended to offer education, information, and guidance to the public in order to enhance taxpayer compliance. Socialization is a communication process intended to convey information and enhance public understanding of specific issues in this case, tax obligations. In Palu City, the Regional Revenue Agency (Bapenda) has been actively conducting socialization efforts across districts to directly reach communities and explain the importance of paying Land and Building Tax (PBB). In addition, Bapenda utilizes social media as a platform to disseminate information related to PBB, allowing for broader audience reach and improved public awareness. Through these various socialization efforts, it is expected that the public will have a better understanding of their tax obligations, which in turn can contribute to increased taxpayer compliance in Palu City. Previous research by Cynthia & Djauhari (2020) found that Tax socialization positively impacts taxpayer compliance in paying PBB. However, a study by Putri & Ismunawan (2021) found that socialization had no significant effect on compliance in paying Land and Building Tax.

In addition to tax socialization, the income level of taxpayers also affects their compliance, as income varies depending on individuals' occupations. Those with higher incomes tend to be more compliant in fulfilling tax obligations due to greater financial capacity, making tax payments less burdensome and more likely to be made on time. Conversely, individuals with lower incomes may be less compliant, as taxes can become an additional burden, leading them to delay or neglect payment. According to Indriyasari & Maryono (2022) income refers to the amount of money a person receives from their main or part-time job over a specific period, such as a month. Research by Ratu et al., (2024) indicate that income level plays a role in shaping taxpayer compliance. However, this finding is not consistent with the study by Kurnia & Fajarwati (2022), This indicates that income level has little to no impact on compliance with Land and Building Tax payments.

Beyond socialization and income, tax sanctions are also a factor that influences PBB compliance. Tax Sanctions are intended to be guarantee for the provisions of tax laws so that they are followed, obeyed, and adhered to Mardiasmo (2023). Consequently, tax sanctions serve as a deterrent to prevent taxpayers from breaking tax norms. There are two types of sanctions under tax law, which are: Administrative Sanctions; and Criminal Sanctions. This includes the financial penalties to reimburse the state for losses known as administrative sanctions typically imposed as a fine: overchanges and surcharge rates. Criminal sanctions are often regarded as a measure of last resort, or as type of legal protection. This is in line with the previous study Saputra et al., (2023) which displays that tax sanctions have a strong effect on Land and Building Tax compliance, both in rural and urban environments.

Prior research has yielded varying findings, indicating the need for further development to produce stronger empirical evidence. This study introduces a

differentiation by examining three variables that have not previously been studied in the context of Palu City. Moreover, the research is inspired by previous studies that identified key issues in taxation and the real-world phenomenon in Palu City, where many taxpayers fail to meet their obligations. By focusing on these new variables, this study aims to offer a valuable insight into the understanding of tax compliance and help formulate more effective strategies for the government to raise taxpayer awareness and compliance in Palu City.

B. LITERATURE REVIEW

1. Attribution Theory

Attribution theory, introduced by Heider in 1958, classifies attributions into two categories: internal, which relates to factors under an individual's control, and external, which are influenced by external elements like the situation or social factors (Purba, 2023). Attribution theory is a psychological framework that explains the reasons behind a person's actions, thereby helping us understand behavior and the surrounding world (Cendekiawan et al., 2024). Taxpayers' attitudes toward taxation are closely related to their level of compliance. A person's perception of taxation is greatly influenced by both internal and external conditions they experience. Therefore, attribution theory is considered relevant for explaining this phenomenon.

This theory is highly applicable in explaining the variables that affect taxpayer compliance, as tax obligation behavior is influenced by external factors such as socialization. Through effective socialization, information on the importance of tax payment and its benefits to the community can be conveyed. In the context of attribution, if taxpayers observe that many others around them comply with tax obligations, they may feel encouraged to follow suit, perceiving compliance as a form of social responsibility. On the other hand, income level, as an internal factor, also influences taxpayer attitudes individuals with higher income tend to have a more positive view of tax obligations, while those with lower income may feel burdened and associate non-compliance with their economic conditions. Additionally, tax sanctions, as an external factor, can also impact compliance. When sanctions are enforced strictly, taxpayers may associate compliance with serious legal consequences, thus becoming more inclined to fulfill their obligations. Therefore, attribution theory helps explain how taxpayers in Palu City assess various factors in their decisions to comply with tax obligations. This can serve as a foundation for the government and tax authorities in designing more effective strategies to improve PBB (Land and Building Tax) compliance in Palu City.

2. Land and Building Tax (PBB)

According to Mardiasmo (2023), the Land and Building Tax (PBB) is a tax related to land and buildings. "Land" includes the earth's surface and water bodies, such as swamps, ponds, and sea areas in Indonesia. "Buildings" refer to permanent constructions on land or water. This tax reflects the state's role in development; thus, payments should be based on legal certainty, simplicity, and fairness, and supported

by a management system that facilitates taxpayer obligations (Putri & Ismunawan, 2021).

To ensure fairness in PBB collection, the government sets a non-taxable sales value of the tax object (NJOPTKP) at IDR 12,000,000. NJOPTKP is only granted to the object with the highest value, while other properties are fully taxed (Siahaan, 2009). In Palu City, the Regional Revenue Agency (BAPENDA) has set the NJOPTKP at IDR 10,000,000 per taxpayer, with no deductions even if the individual owns multiple properties, due to the absence of NIK-based (National ID Number) property data integration.

The general tax rate for PBB is 0.5% (Mardiasmo, 2023). However, in Palu City, the applied tax rates are 0.11% and 0.2%. The calculation of tax is based on a government-determined percentage, The tax rate, which ranges from 20% to 100% of the Sales Value of the Tax Object (NJOP) and is reviewed every three years, is used to calculate the tax payable by multiplying it with the Taxable Sales Value (NJKP) (Mardiasmo, 2023). However, BAPENDA in Palu City has not yet applied NJKP percentages due to the absence of a regional regulation. The calculation of Land and Building Tax in Palu City uses the following formulas:

PBB Payable   = Tax Rate x NJKP
      = 0,11% x (NJOP - NJOPTKP)
PBB Payable   = Tax Rate x NJKP
      = 0,2% x (NJOP - NJOPTKP)

Notes:
a. A tax rate of 0.11% is applied for NJKP below IDR 2,000,000,000
b. A tax rate of 0.2% is applied for NJKP above IDR 2,000,000,000

3. Taxpayer Compliance

According to Ulantari et al., (2023) taxpayer compliance can be defined as a condition in which taxpayers fulfill their tax obligations and exercise their rights. This category of compliance includes taxpayers' willingness to carry out all tax-related duties in accordance with applicable regulations, thereby avoiding tax sanctions. Taxpayer compliance is divided into two types: formal compliance and material compliance.

Formal compliance refers to the validation and analysis of data and information connected to the fulfillment of tax duties or formal provisions by taxpayers in line with current tax rules. Two critical parts of formal compliance are timely tax payments and accurate and thorough tax reporting. Material compliance, on the other hand, guarantees that the amount of tax paid complies with the relevant requirements.

According to the Indonesian Dictionary (KBBI), compliance is defined as following commands or rules. In taxation, compliance refers to taxpayers' discipline in executing their obligations in accordance with existing legislation (Indriyasari & Maryono, 2022). The government seeks to encourage tax compliance through efficient tax services, education about taxpayer responsibilities, and the enforcement of sanctions for violations. Reward programs for compliant taxpayers can also serve as

an incentive. Furthermore, tax compliance tends to be higher among individuals with higher incomes (Kurnia & Fajarwati, 2022).

4. Taxation Socialization

Agun et al., (2022), Agun et al. (2022) define tax socialization as the Directorate General of Taxes' effort to offer the public with understanding, information, and training regarding taxation. This technique enables taxpayers to comply with tax requirements. When implemented effectively, tax socialization can improve payment compliance and thus positively affect overall taxpayer compliance (Aji et al., 2024). Meanwhile, Wardani & Wati (2018), argue that the more intensive the tax socialization, the higher the level of taxpayer compliance. This socialization increases taxpayers' understanding of the importance of paying taxes and assists them in fulfilling their tax obligations and exercising their rights.

Tax education informs the public about taxation, which is essential for improving awareness and compliance in tax payment (Putri & Ismunawan, 2021). Educational efforts can be carried out through meetings or engaging events, as well as via media such as billboards, banners, and accessible websites with tax regulations. The goal is to provide accurate information so that taxpayers recognize the importance of paying taxes and are motivated to comply (Wardani & Wati, 2018).

5. Income Level

Article 4, Paragraph (1) of Law No. 36 of 2008 states that income is any additional economic capacity received by a taxpayer. Income includes money earned from primary or side jobs within a certain period. Side income is considered a supplement to increase the primary income. Therefore, income level measures the result of one's employment (Indriyasari & Maryono, 2022).

Taxpayers can fulfill their tax obligations by allocating a portion of their income. If a taxpayer's income is sufficient, they can meet both their basic needs and their tax obligations (Amanda et al., 2023). The ability to meet tax obligations is influenced by economic conditions. Individuals with low or no income will face difficulties in paying taxes, as household needs are prioritized (Putri & Ismunawan, 2021). According to Kurnia & Fajarwati (2022) there are three economic strata in society:
a. Upper economic class (wealthy), consists of officials, local government employees, doctors, engineers, and other financially established groups.
b. Middle economic class, includes graduates and salaried employees.
c. Lower economic class (poor), consists of laborers, farmers, construction workers, factory workers, and other informal or irregular workers.

6. Tax Sanctions

According to Mardiasmo (2023), tax sanctions serve as an effective deterrent against violations of tax norms. Sanctions also ensure that taxpayers comply with tax regulations. Thus, tax sanctions are a crucial instrument for maintaining the

sustainability of the taxation system. Santoso & Djati (2021), state that tax sanctions are imposed to instill fear in taxpayers of paying more than required. Consequently, taxpayers are encouraged to avoid sanctions by paying and reporting their taxes on time. Tax law distinguishes between two types of sanctions: administrative and criminal. Administrative sanctions encompass penalties, interest, and surcharges applied to taxpayers who delay their payments. Meanwhile, criminal sanctions are considered a last resort to enforce compliance and may include criminal fines, detention, or imprisonment (Mardiasmo, 2023).

Tax sanctions are expected to promote taxpayer compliance by ensuring that they fulfill their tax obligations. Such regulations are necessary to guarantee the enforcement of tax payments. When people become aware of the consequences of non-compliance, they are more likely to comply. It is important for everyone to understand that sanctions will be imposed if taxes are not paid on time (Damajanti et al., 2023). The Head of the Planning and Control Division of BAPENDA Palu City stated that taxpayers who fail to make timely payments will be subject to an administrative sanction of 2% per month after the due date, and criminal sanctions if payments are deliberately neglected, which may result in property sealing.

7. The Influence of Taxation Socialization on Taxpayer Compliance in Paying Land and Building Tax

According to Agun et al., (2022) tax socialization refers to efforts by the Directorate General of Taxes, particularly the tax service offices, to provide the public with understanding, information, and training on taxation and tax regulations. If taxpayers apply what they learn from such socialization, compliance in tax payments is likely to increase. Therefore, tax socialization affects taxpayer compliance (Aji et al., 2024). This is supported by a study by Oktavianti dkk (2021), which found that tax socialization partially influences taxpayer compliance with Land and Building Tax obligations. Based on this rationale, the proposed hypothesis is:

H1: Taxation socialization is presumed to have a positive and significant effect on taxpayer compliance with Land and Building Tax in Palu City.

8. The Influence of Income Level on Taxpayer Compliance in Paying Land and Building Tax

According to Amran (2018), a taxpayer's income refers to the money received from employment and monthly wages, which is a part of wealth used to meet daily needs. Taxpayers can fulfill their tax obligations by allocating a portion of their income. If the income is sufficient, taxpayers are able to meet both their living needs and tax obligations. Meanwhile, Kihanga (2020) suggests that high-income individuals are less likely to avoid taxes compared to low-income earners, indicating that higher income correlates positively with greater tax compliance.

This is supported by research from Putri & Ismunawan (2021), which revealed that taxpayer income significantly affects Land and Building Tax compliance meaning that the amount of income influences how taxpayers fulfill their obligations. This

finding is further reinforced by Ratu et al. (2024) and Cynthia & Djauhari (2020) who also confirmed a significant relationship between taxpayer income and compliance in paying Land and Building Tax. Thus, the following hypothesis can be developed:

H2: Income level is presumed to have a positive and significant effect on taxpayer compliance with Land and Building Tax in West Palu District, Palu City.

9. The Influence of Tax Sanctions on Taxpayer Compliance in Paying Land and Building Tax

According to Mardiasmo (2023), tax sanctions function as a deterrent against violations of tax norms and ensure taxpayer compliance. Sanctions are important in shaping compliant behavior the stricter the sanctions, the more motivated taxpayers are to fulfill their tax obligations. In Indonesia, tax sanctions are classified into administrative sanctions and criminal sanctions (Damajanti et al., 2023). his is supported by previous research by Virginia & Alimuddin (2024), which demonstrated that tax sanctions influence taxpayer compliance in paying Land and Building Tax. Further studies by Putri & Ismunawan (2021) and Any & Fuadah (2024), also found that tax sanctions have a significant effect on taxpayer compliance with Land and Building Tax obligations.

H3: Tax sanctions are presumed to have a positive and significant effect on taxpayer compliance with Land and Building Tax in Palu City.

C. METHOD

This study is quantitative in nature, utilizing primary data gathered through questionnaire distribution and secondary data acquired from Palu City's Regional Revenue Agency. The questionnaire approach is the data collection strategy employed in this investigation. A questionnaire is a method of gathering data in which participants are given a list of written statements or questions to complete (Sugiyono, 2013). Palu City property tax payers will receive this questionnaire.

The population in this study consists of all property tax payers in Palu City, totaling 142,499 tax payers, spread across 8 sub-districts. The sampling technique used is accidental sampling, which involves selecting respondents by chance from people encountered by the researcher. The researcher will visit neighborhood office buildings and residents' homes in each sub-district of Palu City who are willing and suitable to become respondents. This method allows for efficient data collection, even though it is incidental, with the advantage of ease in obtaining samples. The number of respondents in this study will be calculated using Slovin's formula, which is:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = 398,88$$

According to the formula above, n is the number of responders, N is the population as a whole, and e is the 5% maximum permitted error tolerance. The number of responders is rounded to 400 in order to get this accuracy. Using the most recent version of Warp PLS software, version 8.0, the Partial Least Squares (PLS)

approach is used to analyze the data in this study. A scale of 1 to 5 is used in this study to measure the indicators, with 1 denoting strong disagreement and 5 denoting high agreement.

D.   RESULT AND DISCUSSION
1. Respondent Characteristics

Table 2. Respondent Demographics

Descriptive Data	Description	Number	Percentage (%)
Sub-District	East Palu	27	7%
	Tawaeli	27	7%
	North Palu	30	8%
	West Palu	32	8%
	South Palu	79	20%
	Mantikulore	115	29%
	Ulujadi	36	9%
	Tatanga	54	14%
Gender	Male	194	49%
	female	206	52%
Age	18-25 Years	20	5%
	26-35 Years	50	13%
	36-45	217	54%
	Over 45 Years	113	28%
Occupation	Student	4	1%
	State-Owned Enterprise Employee	2	1%
	Fisherman	3	1%
	Private Sector/Entrepreneur	173	43%
	Civil Servant	146	37%
	Laborer	21	5%
	Farmer	9	2%
	Housewife	42	11%
Dependents	1 Person	72	18%
	2 People	123	31%
	3 People	77	19%
	4 People	92	23%
	5 People	32	8%
	More than 5 People	4	1%
Income	< Rp 5.000.000	284	71%
	Rp 5.000.000 - Rp 6.000.000	84	21%
	Rp 6.000.000 - Rp 10.000.000	30	8%
	> Rp 10.000.000	2	1%

Source: Data Processed by the Researcher, (2024)

In Table 2, the respondent demographics are shown, grouped by sub-district. The analysis reveals that the largest number of respondents came from the Mantikulore sub-district (29%) and South Palu (20%), while East Palu and Tawaeli

each accounted for only 7%. This indicates that most respondents come from more densely populated areas.

The data also shows a slight difference between males (49%) and females (52%), indicating a relatively balanced participation of male and female taxpayers in the property tax (PBB) category. Regarding age distribution, the majority of respondents are between 36–45 years old (54%), followed by the 26–35 years old group (13%). This suggests that most taxpayers are from the productive age group, which may have a better understanding of their tax obligations.

Based on the data, the majority of respondents work in the private sector/entrepreneurship (43%) and as civil servants (37%). This indicates that property tax (PBB) payers come from various occupational backgrounds, which may influence their understanding and compliance with tax obligations.

The table also shows that respondents with 2 dependents (31%) and 3 dependents (19%) dominate. This suggests that many taxpayers have family responsibilities that may affect their ability to pay taxes. Furthermore, the majority of respondents (71%) have an income below Rp 5,000,000, indicating that many property tax (PBB) payers belong to the lower-middle-income group. This may impact their compliance level in paying taxes.

2. Validity Test

Validity testing involves checking whether a tool functions as intended. This test helps us determine whether the things we use to measure something (such as feelings or ideas that we cannot see) truly reflect what we aim to understand (Ghozali, 2021). Convergent validity aims to evaluate the correlation between items and indicators used to measure a construct. In other words, convergent validity seeks to ensure that the measurement of the construct is accurate. Acceptable convergent validity is when the loading factor value is ≥ 0 (Ghozali, 2021).

The results of the convergent validity analysis using Warp PLS 8.0 show that all indicators in the model have loading factor values above 0.5, indicating a significant contribution to the constructs being measured. Indicators for construct X1 range from 0.651 to 0.725, construct X2 from 0.511 to 0.785, construct X3 from 0.629 to 0.840, and construct Y from 0.651 to 0.771. All relationships between indicators and their respective constructs are also significant with p-values < 0.001. Therefore, this model demonstrates good convergent validity and is reliable for further analysis in this study.

3. Reliability Test

Reliability testing is conducted to assess the overall reliability of the constructs. The measure used to evaluate indicator reliability is the factor loading value for each construct indicator. The frequently used rule of thumb for evaluating factor loadings is that they should be more than 0.7 for confirmatory research, but factor loadings between 0.6 and 0.7 are appropriate for exploratory research. Meanwhile, factor

loading levels of 0.4 to 0.5 are regarded sufficient during the construct development and measurement scale or research instrument creation stages (Ghozali, 2021).

In this study, reliability was evaluated using composite reliability and Cronbach's alpha coefficient. Each construct is judged reliable if its composite reliability exceeds 0.7 and Cronbach's alpha is more than 0.6. Based on the information presented in the table above, the overall reliability of each research variable, as measured by Cronbach's alpha, surpasses the 0.70 threshold. This indicates that each construct demonstrates a sufficiently high level of reliability, and each indicator is recognized as an effective measure of its respective variable.

4. R-Square (R^2) Value

Table 3. R-Square (R^2) Value

	R-square	R-square adjusted
PBB Taxpayer Compliance (Y)	0.344	0.339

According to the data presented above, tax socialization, income level, and tax sanctions all have a substantial impact on taxpayer compliance with PBB payments. The R-square value of 0.344 suggests that the variables examined in this study account for 34.4% of the variability in taxpayer compliance. The remaining 65.6% is explained by factors not covered in this study.

The adjusted R-square value of 0.339 indicates that, after controlling for the number of predictors in the model, the adjustment to the coefficient of determination remains substantially near to the initial R-square value. This conclusion shows that the model may reasonably explain the observed variation in the data.

5. Q-Square (Q^2) Value

Q-Square (Q^2) assesses how well the model can predict the dependent variable, in this example, taxpayer compliance in paying land and building tax (PBB). Below is the Q-Square value:

Table 4. Q-Square Test Result

	Q2
PBB Taxpayer Compliance (Y)	0.347

The model has a Q-Square (Q^2) value of 0.347, indicating strong prediction accuracy. This number indicates that the model accounts for 34.7% of the variation in taxpayer compliance using the variables it includes. The model's Q^2 value is larger than 0, indicating appropriate predictive relevance and satisfactory projections of taxpayer compliance.

6. Model Fit and Quality Indices

This test determines whether the suggested model is suitable for the data. Model fit assessment includes three tests: Average Path Coefficient (APC), Average R-squared (ARS), and Average Variance Inflation Factor (AVIF). Acceptance criteria for APC and ARS are P-value < 0.05 and AVIF ≤ 5 (Ghozali, 2021).

Table 5. Nilai Model Fit dan Quality Indices

Model Fit Indicator	Index	P-Value	Criteria	Result
APC	0.261	P < 0.001	P ≤ 0,05	Accepted
ARS	0.344	P < 0.001	P ≤ 0,05	Accepted
AVIF	1.215	-	AVIF ≤ 5	Accepted

The findings presented in the table illustrate the effectiveness of the adjusted model. Given that the p-values for both Average Path Coefficient (APC) and Average R-square (ARS) are below the 0.05 threshold, and the AVIF is under 5, it can be concluded that the model meets the criteria for good model fit.

7. Hypothesis Testing

To test the hypotheses in this study, Warp PLS 8.0 software was used to perform the PLS analysis. A hypothesis is considered valid when the probability value (P-value) is ≤ 0.05 or 5%.
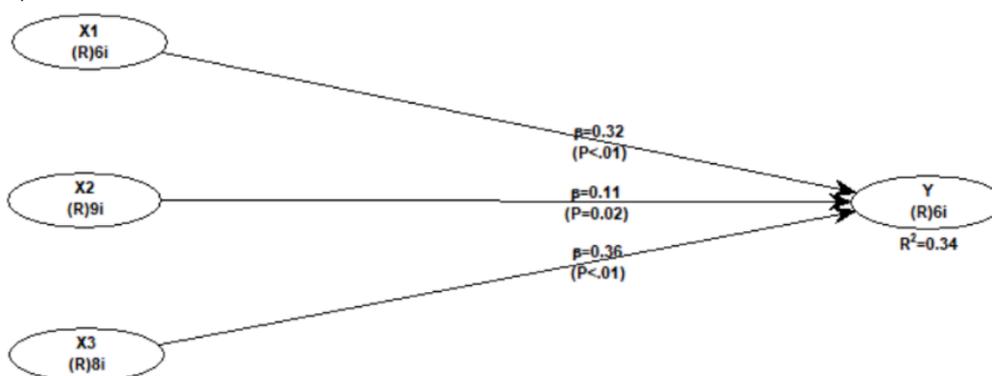

Figure 1. Hypothesis Test Results
Source: WarpPLS 8.0

Table 6. Hypothesis Test Results

	Path Coefficient	P-Value	Keterangan
Socialization -> Compliance of Land and Building Taxpayers	0.316	<0.001	Accepted
Income Level -> Compliance of Land and Building Taxpayers	0.106	0,016	Accepted
Tax Sanctions -> Compliance of Land and Building Taxpayers	0.360	<0.001	Accepted

Based on the results of the hypothesis testing, the first hypothesis is accepted. This is evident from the socialization variable, which produced a path coefficient of 0.316 and a p-value less than 0.001. This indicates a significant influence of socialization on taxpayer compliance in paying Land and Building Tax (PBB).

Furthermore, the second hypothesis is accepted. This is demonstrated by the income level variable, which produced a path coefficient of 0.106 and a p-value of 0.016, both less than 0.05. This suggests that income level has a substantial impact on taxpayer compliance in paying PBB. Furthermore, the analysis results reveal that tax punishments have an impact on taxpayer compliance with PBB payments, with a path coefficient of 0.360 and a p-value less than 0.001. As a result, the third hypothesis is

accepted, demonstrating that tax consequences have a considerable impact on taxpayer compliance with PBB payments.

The findings of this study indicate that tax socialization has a considerable impact on Land and Building Tax (PBB) compliance in Palu City. The more frequently the Regional Revenue Agency (Bapenda) and relevant parties socialize, the better taxpayers understand tax legislation, resulting in increased compliance. Bapenda Palu has conducted various forms of socialization, such as outreach programs in sub-districts and urban villages, information campaigns on social media, Q&A sessions, and providing accessible educational materials. These findings align with previous research by Ramdhani & Handijono (2021), which also demonstrated the significant effect of tax socialization on taxpayer compliance.

The study also reveals that income level influences taxpayer compliance in Palu City. Taxpayers with higher monthly incomes tend to be more compliant in paying taxes. Data shows that most taxpayers fall within the productive age group, with 54% aged between 36–45 years, typically with more stable incomes, although many respondents still earn below IDR 5,000,000. Questionnaire analysis further shows that taxpayers with higher income and fewer dependents are more compliant, while those working in the formal sector, such as civil servants and private employees, are more compliant than those in the informal sector. These findings highlight the importance of understanding the economic and social conditions of taxpayers in designing more effective tax education and outreach programs. Therefore, the government and Bapenda should consider these factors to improve tax compliance by offering relevant information and support for lower-income groups or informal sector workers. This study supports the findings of Putri & Ismunawan (2021), which demonstrated a significant effect of taxpayer income levels on PBB compliance.

Furthermore, the study indicates that tax sanctions have a significant impact on taxpayer compliance in Palu City. Firm penalties, such as a 2% monthly fine for late payments, encourage taxpayers to meet their obligations on time. Bapenda Palu explains that sanctions are not limited to fines but also include criminal penalties, such as imprisonment for those who deliberately neglect their tax obligations. The enforcement process starts with warnings and notices that may be issued one to three times. If taxpayers remain non-compliant, further sanctions and audit notifications may lead to asset sealing. This clear enforcement mechanism increases taxpayer awareness of the importance of compliance. The findings emphasize that firm sanctions can be an effective tool to improve tax compliance. Therefore, the government needs to continue educating the public about tax sanctions and the enforcement process so that taxpayers understand the consequences of non-compliance and are motivated to fulfill their obligations on time.

The implications of these findings indicate that a comprehensive and integrated approach is needed to improve taxpayer compliance in Palu City. By focusing on effective socialization, consistent sanction enforcement, and a deeper understanding of the community's economic conditions, the government can create an environment that supports tax compliance and contributes to sustainable regional development.

E.   CONCLUSION

This study concludes that, first, tax socialization has a significant influence on the compliance of PBB taxpayers. These findings indicate that more interactive communication approaches enhance tax understanding; thus, communication theory should be updated to include interactivity as a key factor in socialization effectiveness. Second, income level significantly affects taxpayer compliance in paying PBB, where the amount of income influences how taxpayers fulfill their obligations. The higher the taxpayer's income, the higher their compliance in paying PBB. Based on this, the government can design more targeted tax education programs for lower-income groups to boost compliance. Third, tax sanctions have a significant impact on taxpayer compliance in paying PBB. The stricter the enforcement of tax sanctions, the greater the taxpayer compliance. Therefore, the government should consider strengthening law enforcement and raising awareness about the consequences of tax violations.

This study has several limitations, including the use of accidental sampling for sample selection. This method tends to produce samples that are not representative of the larger population, as respondents are selected by chance, meaning not all groups in the population have equal opportunities to be chosen. As a result, the findings may not be generalizable to all PBB taxpayers in Palu City or other regions in Indonesia. It is recommended that Bapenda Palu and related parties enhance taxpayer compliance by expanding outreach using two-way communication with the public, strengthening law enforcement, and designing tax education programs that focus more on low-income communities to improve taxpayer understanding and compliance in Palu City.

Future researchers are advised to improve this study by using alternative sampling methods and adding other variables such as education, allowing readers to obtain broader insights and investigate how such factors also affect tax compliance. Additionally, research should be conducted in wider geographic areas. Overall, this study contributes to the tax literature by enhancing understanding of the interactions between socialization, income level, and tax sanctions in the context of taxpayer compliance. Moreover, the findings of this study may serve as a reference for future research seeking to explore other factors influencing tax compliance and provide broader insights into tax dynamics in Indonesia.

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