

ANALYSIS OF THE APPLICATION OF TAXES TO VILLAGE FUND MANAGEMENT

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ABSTRACT

The purpose of this research is to examine how the implementation of taxation in South Biboki District, North Central Timor Regency, East Nusa Tenggara, over the past three years, from 2021 to 2023, has been conducted effectively and in accordance with the prevailing taxation laws and regulations. This research utilizes a qualitative research approach. The applied research method is qualitative descriptive method. The data collected involves both primary and secondary data, and adopts data collection techniques through interviews, observations, and documentation. The data sources obtained include both primary and secondary data sources. Based on the analysis results, the village of Upfaon has already conducted reporting and tax payment for village funds used in accordance with the prevailing tax laws and regulations. However, there are certain transactions that, due to limited understanding and awareness of tax obligations, have resulted in incorrect tax collection, deduction, payment, and reporting, thus disadvantaging state tax revenue and leading to additional expenditures from village funds that should not have been incurred. The implications of this study are that the Tax Service Office, Sub-district, and Regency need to provide special assistance in tax training to villages related to the management of village fund tax finances so that village officials are able to carry out their duties more effectively.

Keywords: Taxation; Village Funds; Government Governance.

INTRODUCTION

The use of village funds in each region is inseparable from tax transactions, whether the funds originate from the national or regional budget, districts or cities, or provinces. Taxes derived from the community play a crucial role, namely as one of the sources of state revenue (NN Ningsih & Hafni, DA, 2021). In relation to this, taxation aspects need to be carefully considered by the government, especially for village officials. Purchases of goods and

services made by village officials will boost the economic sector and the turnover of businesses, thereby increasing tax revenue for the state. The village secretary or village secretariat officials responsible for financial matters as treasurers are obliged to collect, deposit, and report taxes on transactions in the village. Based on tax law regulations, village apparatuses are required to be responsible for all forms of state revenue. All forms of taxation related to village funds depend on the type of transaction as the tax

object, as well as transactions involving the procurement of taxable goods or services. Tax reporting is mandatory for individuals or organizations as a form of accountability (BF, Maulina & FS Segarawasesa, 2023).

The phenomenon occurring in Upfaon Village, South Biboki District, is that the majority of village treasurers still have insufficient understanding regarding the determination of tax types, tax objects, and taxpayers in various transactions within the village, resulting in errors in tax calculation and deduction. This limited understanding impacts errors in the tax collection and deduction process. Therefore, village officials, especially treasurers, greatly need a deeper understanding of taxation aspects related to transactions involving the use of village funds. Having a deeper understanding will help reduce errors in tax collection, deduction, payment, and reporting, and will provide better support to the state in managing tax revenue. Additionally, the Head of Upfaon Village also acknowledges that they were not aware of tax obligations, resulting in no payments being made by previous leaders in 2021-2022 and payments only being made in 2023. This resulted in late payment penalties.

Based on previous research, it is found that many villages have not fully implemented taxation in the utilization of village funds. According to a study by Indrianasari (2018), Kutorenon-Sukodono Village did not effectively implement taxation in the use of village funds in 2016 due to a lack of knowledge among village officials. Furthermore, according to Mentari (2020), the implementation of taxation in the use of village funds in Caturtunggal Village, Depok District in 2019, was not carried out according to the instructions of the Directorate General of Taxes. Another supporting argument in this research is provided by Wahyu, Burhan, and Akrim

(2020), who stated that the implementation of taxation on village funds in 2018 in Bungaejaya Village, Pallangga District, Gowa, was not fully executed properly. The effectiveness of tax management becomes crucial in the implementation of village fund management (Hartati, S & Fathah, RN, 2020).

Based on the background explained, this research will analyze the implementation of taxation in the management of village funds. The object of this research is taxation in the use of village funds in South Biboki District, North Central Timor Regency, East Nusa Tenggara for the period of 2021-2023. The research object includes village fund revenue and taxes deducted on the use of village funds for the period of 2021-2023. The author will analyze whether the implementation of taxation in South Biboki District, North Central Timor Regency, East Nusa Tenggara, over the past three years, from 2021 to 2023, has been carried out effectively and in accordance with the prevailing taxation laws and regulations.

The rapid development of organizations, both at the central and local government levels, leads to an increasing demand from the public for good governance (Pirani, Rifandi, Anam, 2023). Village governments have a responsibility for rural development as a means of improving the quality of life for the community. According to Regulation Number 114 of 2014, village development involves the Village Consultative Body and community elements in the planning process. Through participatory approaches, the community can collaborate to utilize and allocate resources within the village to achieve development objectives. Village governments conduct development planning in alignment with district or city authorities. In the context of village development, the village head is assisted by professional advisors, empowerment cadres, or third

parties. Village development encompasses the organization, implementation, guidance, and empowerment of the rural community.

According to Bandiyono & Kuncoro (2021), the village treasurer carries out tax obligations regarding tax deductions and collections based on applicable laws and regulations regarding taxes. The village treasurer's obligations regarding withholding and collecting taxes are as follows:

- a. Register yourself to get a Taxpayer Identification Number.
- b. Carry out withholding or collection of tax payable for calculating PPh using the Siskeudes application to ensure object and non-object criteria.
- c. Make and submit proof of deductions or collections made.
- d. Make a deposit of taxes withheld or collected by the village treasurer to the state treasury using e-billing.

According to Law Number 28 of 2007, tax is a mandatory contribution that must be made to the state that is owed by an individual or entity that is coercive based on law, does not receive direct compensation and functions as a state requirement for the prosperity of the people. From this definition of tax, several characteristics of tax can be seen, including the following:

- a. Taxes are collected by the state, both by the central government and regional governments based on tax laws and regulations.
- b. There is a transfer of funds (resources) from the private sector (taxpayers paying taxes) to the state sector (tax collectors or tax administrators) in tax collection.
- c. Tax collections are used for general government financing purposes in order to carry out government functions for the prosperity of the people, both routine and development.

- d. There is no individual reward (counterperformance) by the government for tax payments made by taxpayers.
- e. Taxes function for government expenses, which if there is still a "surplus" will be used as public investment.
- f. Taxes function as a budgetary to fill the state treasury or state budget to finance government administration, and to regulate and implement state policies in the economic and social fields.

According to Minister of Home Affairs Regulation No.20 of 2018 concerning Village Fund Management, the types of taxes incurred in using Village Funds are as follows:

- a. Income Tax Article 21
- b. Income Tax Article 22
- c. Income Tax Article 23
- d. Income Tax Article 4 paragraph 2
- e. Value Added Tax (VAT)

According to Andriana (2019), tax deduction and collection activities carried out by the treasurer are not optimal and do not comply with applicable tax regulations. This non-compliance is caused by a lack of knowledge of taxation and supervision by higher agencies. Tax knowledge is knowledge about general concepts in the field of taxation and the types of taxes that exist in Indonesia, starting from subjects, objects, rates, calculations, recording and tax reporting. Indicators of tax knowledge consist of payment and reporting deadlines, general provisions and procedures for taxation, and the taxation system. Currently, the implementation of village taxation is carried out using the Siskeudes Application. The village is still having difficulty implementing the Siskeudes Application so that it is hampered in terms of administration and causes delays in reporting on the village side (Fathah, RN&Safitri, TA, 2018).

METHODS

This research utilizes a qualitative research approach. The research method applied is a qualitative descriptive method. The data taken involves primary data and secondary data, and adopts data collection techniques through interviews, observation and documentation. The data sources obtained include primary and secondary data sources. Primary data was obtained through interviews with the village head, village secretary and village treasurer, as well as through observation. Meanwhile, secondary data was obtained from financial reports and tax reports for Upafon Village, South Biboki District which relate to the use of village funds. To ensure the validity of the data, this research applies the data source triangulation method.

RESULTS AND DISCUSSION

1. Planning and Management of Village Funds

Planning is an activity to prepare and determine the work program that will be achieved in order to achieve the desired goals. Village fund planning involves the APBN which becomes the APBDes so that there needs to be accountability from the village government regarding its use. All program planning and activities are carried out by deliberation first through the Village Planning and Development Conference (Musrenbangdes) involving the BPD, LPMD and the local community. The purpose of this activity is to prepare a village Development Work Plan. Upfaon Village's RKP contains village government implementation plans, development implementation, community development and community empowerment. The RAP that has been created will then

become the basis for preparing the Village Revenue and Expenditure Budget (RAPBDes). This RAPBDes will later be proposed by the regent through the sub-district head, which, once ratified, will become the APBDes. Upfaon Village's income budget comes from original village income, transfer income and other income. The village's original income is in the form of village assets such as village-owned forests. Transfer income takes the form of village funds, tax and levy revenue sharing, village fund allocation, provincial financial assistance, and district/city financial assistance. According to the results of interviews with village heads, the following results were obtained:

“Planning for 2023 is currently underway and entering budget preparation. This year we experienced problems with planning documents due to HR invoices for equipment that needed to increase capacity”.

2. Village Fund Management

Village fund management is an activity of planning, implementation, and accountability reports for a program. The program is determined by the village government based on village funds obtained from the APBN. The village funds obtained are then processed according to community needs and priorities. There are four activities carried out by the Upfaon Village Government in the use of village funds, including implementing village development, community development, community empowerment, and managing village disasters, emergencies and emergencies. According to the results of interviews with village heads, the following results were obtained:

“Village fund management for 2023 is still at the planning and determining stages of direct

cash assistance and pig breeding assistance”.

3. Village Fund Receipts in Upfaon Village

Upfaon Village, South Biboki District, North Central Timor Regency is one of the villages that received a village budget for 2020-2022 from the central government. These village funds are APBN funds which then become APBDes funds. The Upfaon Village Government obtains village funds through 2 stages. The first stage is 60% and the second stage is 40% of the actual budget amount obtained. According to the results of interviews with village heads, the following results were obtained:

“The acceptance scheme is easier because there are only 2 disbursement stages. Village funds that have been received and spent must be reported immediately. Village funds go into the Upfaon Village account, then will be taken by the village treasurer armed with an SPP (Collection Order).”

4. Taxation in Village Fund Management

Upfaon Village collects 4 types of village fund taxes including:

a. Income Tax Article 21

According to Heryanto and Williem (2017), Income Tax Article 21 is a direct tax collected by the central government and comes from people's income. According to (Wicaksono, 2018) the village treasurer carries out Income Tax Article 21 deductions related to the payment of salaries, wages, honorariums, bonuses, incentives and other payments for individuals. Tax deductions for managing village funds in Upfaon Village are in accordance with the rates determined by the Director General of

Taxes. Income Tax Article 21 the salaries of employees, treasurers and civil servants are tax deducted according to group rates. In group III the cut is at a rate of 5% and in group IV the cut is at a rate of 15%. Income Tax Article 21 for wages of freelancers does not subject to tax deductions if the daily wages are less than IDR 200,000.

b. Income Tax Article 22

PPh Article 22 is a tax collected from entrepreneurs or shops on payment for purchasing goods with a purchase value of more than IDR 2,000,000 for 1 item. Based on Law Number 36 of 2008, activities in villages that are subject to PPh Article 22 are village treasurers who make payments for purchases of goods or with a money supply mechanism and direct payments for purchases of goods to third parties. Tax deductions for managing village funds in Upfaon Village are in accordance with the rates determined by the Director General of Taxes. PPh Article 22 is levied at a rate of 1.5% for entrepreneursorshops with Tax Id Number and 3% for entrepreneursorshops without Tax Id Number.

c. Income Tax Article 23

Income Tax Article 23 is a tax imposed on partner costs. This is done by village governments using consultant services, services related to the use of property (for example truckormachine rental, catering services), engineering services, compensation for management services, and so on. Tax deductions for managing village funds in Upfaon Village are in accordance with the rates determined by the Director General of Taxes. In Tax Income Article 23 the rate is 2% for those who have a tax id

number and 4% for those who do not have tax id number.

d. Value Added Tax (VAT)

Value Added Tax (VAT) is levied on the purchase of goods worth more than IDR 1,000,000 per item. Central VAT is a tax collected by the Central Government. The Upfaon Village Government will deposit and report VAT taxes to the central government which will then be managed by the central government. Tax deductions for managing village funds in Upfaon Village are in accordance with the rates determined by the Director General of Taxes. Central VAT is levied at a rate of 10% for goods prices that do not include VAT. However, the stamp duty tax by Upfaon Village is included in VAT. According to the Director General of Taxes, VAT and stamp duty should be two types of taxes that are separated when collecting village fund taxes. In several transactions in the results of the analysis regarding the purchase of non-local materials or shop materials such as cement, concrete pipes, pipes and so on for the renovation of water pipe networks, Value Added Tax is imposed.

The village head explained that:

“Regarding tax imposition, there is more VAT and PPh on purchases of non-local materials or shop materials such as cement, concrete iron, pipes and so on because this year the activity in Upfaon village is the repair of the pipe network”.

Based on the results of the analysis, there was a tax deposit and reporting from 2021 to 2022 that was not paid by the previous tax administrator, so payment was made in 2023. This resulted in delays in carrying out tax obligations by the old village

officials, causing losses in the Upfaon Government's village fund expenditure. In that same year, Upfaon village officials realized that they were less aware of fulfilling tax obligations so that many tax reporting and deposit transactions were not on time. This is because there are no complaints from the KPP regarding late reporting or late paying taxes. According to the explanation from the interview with the village head who in 2021 served as village head, the late reporting and payment of village fund taxes was due to the lack of tax awareness. Explanation of the interview results, namely:

“This happened last year, namely that the 2021-2022 Village Fund Budget tax had not been paid by the previous leader, so it was only paid in 2023. The most basic reason was because they were not aware of the importance of paying taxes.”

Withholding and remitting taxes for the use of village funds in 2023 uses the Siskeudes application, but the village treasurer is still new. New problems arise because village treasurers still have to adjust to understanding and awareness of taxes, so it is not surprising that some transactions still contain errors in calculating, depositing and reporting taxes. However, the timeliness of Upfaon Village tax reporting and payment is good, only tax withholding transactions are late. Based on the explanation above, the 2023 deposit and reporting of the above taxes is on time. Based on the results of the interviews, information was obtained that the smooth withholding, depositing and reporting of village fund taxes was caused by several factors. The first factor is because village officials are just becoming aware of the importance of fulfilling tax obligations and village treasurers are able to adjust their performance and try to find out about the

latest regulations from the Director General of Taxes.

The village head explained that:

“For village fund taxes, this year we have just started managing village funds and based on last year's experience we manage the Village Fund Budget, before disbursement we bring payment requests to taxation so that when the funds are realized, tax deductions are immediately made”.

Meanwhile the village treasurer explained that:

“While working as treasurer in Upfaon Village, I worked according to the tax regulations that I studied and knew and in accordance with the work done in previous years”

CONCLUSIONS

Based on the results and discussion, the following conclusions can be drawn: First, village fund management in Upfaon Village is divided into 4 implementations, namely development, community development, community empowerment, and disaster, emergency and urgent management. Second, the implementation of taxation in managing village funds in Upfaon Village in 2021-2023 is subject to 4 types of taxes. These taxes include Income Tax Article 21, Income Tax Article 22, Income Tax Article 23, and Value Added Tax. Based on the results of the analysis, Upfaon Village has carried out reporting and paying taxes on village funds used in accordance with applicable tax laws and regulations. Third, there are certain transactions that are due to limited understanding and lack of awareness of tax obligations, resulting in incorrect tax collection, deductions, deposits and reporting

and this is detrimental to state tax revenues or additional expenditure from village funds that should not be spent.

Based on the research that has been carried out, researchers provide several suggestions regarding village fund taxes. First, village funds are expected to be managed optimally and responsibly. Second, the Upafon village government is expected to provide tax training for its human resources, especially the village treasurer, and to increase knowledge and understanding of taxation. Third, village officials must be more aware of fulfilling tax obligations so that all tax obligations can be carried out well for the sake of state development. Fifth, external parties, including the Tax Service Office, District and Regency, are expected to provide special tax training assistance to villages regarding financial management of village fund taxes so that village officials are able to carry out their duties more effectively

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