

## The Effect of Income Tax on Public Welfare in North Tugu

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### Abstract

*This research examines the effect of income tax on public welfare in Tugu Utara Village, Koja District, North Jakarta. The main objective of the research is to analyze income tax on the welfare of residents in the region. This research applies a quantitative descriptive approach, collecting data through surveys and direct dialogue. Samples were selected by randomly purposive sampling, involving 47 respondents in Tugu Utara, North Jakarta. Data analysis uses a simple linear regression model. Research findings indicate the influence of income tax on public welfare in Tugu Utara, North Jakarta, North Jakarta. It is hoped that this research can become a valuable reference for subsequent studies.*

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## 1. INTRODUCTION

Income tax is a fiscal instrument that has a crucial role in a country's economy. As the government's main source of income, income tax not only functions as a tool to finance development, but also as an income redistribution mechanism aimed at creating socio-economic justice in society. However, the implementation of income tax policies often raises debates regarding their effectiveness in improving public welfare, especially at the local level.

North Tugu, as a region in Indonesia, is an interesting research object to examine the relationship between income tax and public welfare. The region has unique socio-economic characteristics, with a diversity of population livelihoods and varying income levels. This makes Tugu Utara a micro representation of complex national economic dynamics.

This study aims to comprehensively analyze the influence of income tax on public welfare in Tugu Utara. This research will not only look at the direct impact of tax collection on people's disposable income, but will also examine the indirect effects through government programs funded by tax revenue.

In this context, public welfare will be measured through various indicators, including per capita income level, access to public services, education level, health and happiness index. It is hoped that this multidimensional approach can provide a more holistic picture of the quality of life of the North Tugu public.

This research will also consider external factors that might influence the relationship between income tax and public welfare, such as regional fiscal policy, local economic structure, and socio-cultural dynamics that exist in North Tugu. Thus, it is hoped that the analysis carried out will produce findings that are contextual and relevant to the specific conditions of the region.

The methodology that will be used in this research involves a combination of quantitative and qualitative data analysis. Primary data will be collected through surveys and in-depth interviews with various stakeholders, including government officials, business actors and the general public. Meanwhile, secondary data will be obtained from various

official sources, such as the Central Statistics Agency, the Directorate General of Taxes, and related research institutions.

The results of this research are expected to provide a significant contribution to academic literature regarding the relationship between fiscal policy and public welfare. Furthermore, the findings obtained can be used as consideration for policy makers in designing a more effective and fair tax system, especially at the local level.

By understanding in depth, the influence of income tax on public welfare in Tugu Utara, this research aspires to bridge the gap between economic theory and social reality, as well as providing an empirical basis for the development of public policies that are more responsive to public needs.

Based on previous research (Caminada et al., 2021), this analysis finds that various taxation systems and social transfers can significantly reduce poverty in many countries, with the largest contributions coming from pension schemes, programs for families and children, and unemployment schemes.

This study evaluates two tax reforms in China and finds that eliminating a regressive agricultural tax improves social welfare, while increasing the income tax threshold reduces the share of income tax in total taxes (Shen et al., 2021). This study combines household survey data with tax return data to evaluate the impact on inequality, growth, and social welfare in Brazil. (Neri & Hecksher, 2018)

## 2. LITERATURE REVIEW

### Income tax

Income tax is not considered a pure and external concept, but rather a concept which constructed that inherently includes policy and political objectives. This definition arises from the need to assign tax burdens based on income, which includes tax expenditures and optimal income tax theory (Brooks, 2017)

Income tax is considered as an accounting object consisting of three main approaches: direct taxation of profits received, items in the company's financial statements, and payment companies to the state for the use of infrastructure and economic resources. (BASHYROVA, 2020)

Income tax is a direct tax paid by companies to the state budget from profits obtained from operational, financial and investment activities. This tax too considered as a means of forming a balanced budget and ensuring the efficiency of the country's economic development (Prodanchuk & Kovtseniuk, 2023)

### Public welfare

Public welfare is often defined as material assistance provided by the state to its members, or all state activities aimed at supporting various social groups. This welfare can be used for social security as well as a tool in political campaigns. (Banaszak, 2021)

In welfare economics, well-being is defined as individual happiness. Although some authors add an ethical/eudemonic element, this element is considered a moral issue, not part of the concept of well-being or happiness. (Ng, 2023)

Social welfare includes the material and spiritual welfare of society, and distinguishes between the welfare of individuals who require special attention and the general welfare of the whole society (Percic, 2020)

## 3. RESEARCH METHOD

### Population

This study applies a quantitative descriptive methodology to analyze impacts tax income towards the welfare of the public in North Tugu North Jakarta, North Jakarta. Research subjects include people who live and operate in the area

**Sample**

To ensure the validity of the research results, the sampling process was carried out using a purposive sampling method, focusing on 47 respondents located in the Tugu Utara sub-district, North Jakarta. Referring to the definition (Lijan Sinambela, 2021), a sample is a subset of the population that reflects the characteristics of a larger group

**Hypothesis** In this research, the formula for hypothesis testing can be explained as follows

- H<sub>1</sub>:  $\rho = 0$                       There is a significant influence of income tax on family welfare in Tugu Utara, North Jakarta
- In:  $\rho \neq 0$                          There is no income tax that significantly impacts the welfare of the people in Tugu Utara, North Jakarta

To provide an overview, this study presents the research design through the illustration shown below. The research focuses on the relationship between income tax (variable X) and the level of social welfare (variable Y). In this context, income tax acts as an independent variable (X), while public welfare is the dependent variable (Y).



**Figure 1 Research Design**

**Analysis Model Techniques**

Simple linear regression is a statistical technique used to test the linear relationship between two variables, where one variable serves to predict the other. The basic equation is usually written as  $Y = \beta_0 + \beta_1X + e$ . In this formulation, Y is the dependent variable, X is the independent variable,  $\beta_0$  represents the intercept,  $\beta_1$  is the regression coefficient, and e describes the error factor. (Smith, 2015)

According to this model. (Kumari & Yadav, 2018) This research uses a simple linear regression method, a statistical tool used to estimate the value of a dependent variable based on one independent variable. This regression model describes the relationship between the independent and dependent variables in the form of a straight-line equation. The regression coefficients in this model are usually estimated using the least squares technique.

**4. RESULTS AND DISCUSSION**

**Validity Test**

In this research, a validity check was carried out on the variable "income tax (X)" and it was determined that at least 10 items in the instrument were considered valid. On the other hand, in the variable improving public welfare (Y), there are 10 items that are considered valid. This research uses a two-sample test with a significance threshold of  $\alpha = 0.05$ , resulting in a regression coefficient of around 0.282. The criterion for concluding the validity of an item is if  $r\text{-count} > r\text{-table}$

**Reliability Test**

Data analysis shows that each item that has been validated also meets the reliability criteria at a significance level of  $\alpha = 0.05$ , with an r table value of 0.60. The income tax variable (X) has a calculated r of 0.843, exceeding the r table of 0.60, so it is considered reliable. Likewise, the variable increasing social welfare (Y) recorded a calculated r of 0.879, also exceeding the r table of 0.60, indicating its reliability.

**Simple Linear Regression Analysis Test**

Referring to table 2 coefficients, the output from simple linear regression analysis presents the t-value, significance level and regression equation. This information is the result of data processing using SPSS software.

**Table 2**  
**Simple Linear Regression Analysis Table**

Model		Coefficients <sup>a</sup>		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
		B		Beta		
1	(Constant)	14.298	3.585		3.988	.000
	x	.652	.097	.707	6.706	.000

a. Dependent Variable: y

Source: Data processed from SPSS

In the table above, the calculation results show the regression equation that can be used to predict variables, namely:  $Y' = 14.288 + 0,652x$ . As a basis for decision making, the t test can be used, as follows

- a) If value  $t_{count} > \text{value } t_{table}$ , then there is an influence of variable X on variable Y.
- b) If value  $t_{count} < \text{value } t_{table}$ , then there is no influence of variable X on variable Y

T-table calculations at a significance level of 5% using the formula  $t \text{ table} = t (\alpha/2; n - k - 1)$  produce a value of 2.014 for  $n = 47$  and  $k = 1$ . **The t-count value of 6.706 exceeds the t-table of 2.014**, indicating the influence of income tax on the increase public welfare

Table 3 shows that the income tax variable has an influence on variable Y (**Public welfare**) is equal to **50%**, while the other 50% is influenced by other variables that have not been studied. The influence of this variable is classified as a relationship **strong** show that the r value is equal to **0,707** This value can be interpreted to mean that the relationship between the two research variables is in the relationship category **strong (interval 0.60-0.799)**.

**Table 3**  
**Coefficient of Determination**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707 <sup>a</sup>	.500	.489	5.326

a. Predictors: (Constant), x

Source: Data processed from SPSS

## 5. DISCUSSION

Statistical tests show that the income tax variable (X) has a significant impact on public welfare (Y) in Tugu Utara, North Jakarta. This is proven by the t-count value of 6.706 exceeding the t-table of 2.014, and a significance value of 0.000 which is less than 0.05. Individually, income tax shows a positive and significant influence on the welfare of the people in that location.

These findings are in line with previous studies by This research shows that people who pay more taxes and receive fewer benefits are less likely to support the welfare state, regardless of income level. (He, 2023)

This study explores how speakers use discussions about taxes to justify income inequality, finding that taxes can be perceived as not quite enough collective responsibility or individual burden. (Carr et al., 2019)

## 6. CONCLUSION

This research comprehensively examines the correlation between income tax and the welfare of the people in Tugu Utara, North Jakarta. Based on an in-depth analysis of the collected quantitative and qualitative data, several key findings can be highlighted:

1. Income tax has a significant impact on people's welfare, as evidenced by **the t-count value of 6.706 exceeds the t-table of 2.014** and significance value  $0.000 < 0.05$ .
2. The relationship between income tax variables and public welfare is strong with an r value of **0,707 (interval 0.60- 0.799)**.
3. The income tax variable has an influence on the Y variable (**Public welfare**) is equal to **50%**, while the other 50% is influenced by other variables that have not been studied
4. The prediction model can be formulated in the regression equation:  **$Y' = 14.288 + 0,652x$**

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