

# An Analysis of Effectiveness and Contribution of Regional Taxes as Regional Own Source Revenue of Surakarta City

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**ABSTRACT:** The central government gives authority to each regional government to regulate, manage, and optimize its regional resources to meet government funding in the context of implementing regional development through Regional Own Source Revenue (PAD). This study aims to determine the level of effectiveness and contribution of regional tax revenue to Regional Own Source Revenue (PAD). This research uses descriptive method with ratio analysis, which are the ratio of effectiveness to find out how effective the tax revenue from each regional tax post and the ratio of contribution to calculate the contribution of each regional tax post revenue. This study uses secondary data from Realization Report of the Regional Tax Revenue obtained from the Regional Financial Management and Asset Management Agency (BPPKAD) of Surakarta City in 2010-2018. The results showed that the level of effectiveness of regional tax revenue in the city of Surakarta in 2010-2018 is very effective. There is an ineffectiveness of regional tax revenue at the beginning of the determination of a tax become regional tax. Regional tax also contributes very well to the Regional Own Source Revenue of Surakarta City. This research is expected to increase knowledge for taxpayers, especially business people, will be more obedient in fulfilling their obligations to pay regional taxes and can be a suggestion for the government in determining policies to increase regional tax revenue.

**Keywords:** *Effectiveness, Contribution, Regional Tax, PAD*

## I. INTRODUCTION

The central government gives authority to each regional government to determine its own area in accordance with applicable regulations or commonly called regional autonomy. Regional governments are given the freedom to create their own, manage and optimize regional resources. This can be utilized by regional government to maximize the potential of regional revenue. (Mariun, 1979).

Regional Own Source Revenue is one of the important revenues in the Regional Government Budget (APBD). Sources of regional own source revenue consist of: regional taxes, regional levies, regional revenues, and other regional own-source revenues. The regional financial policy is allocated to increase regional revenue as the main source of regional revenue that can be used by each region to save central government funds in terms of aid (subsidies). One improvement effort to increase tax revenue is by increasing the potential for collection, which is by increasing the existing potential and by increasing new sources of revenue potential.

In the case of special regional tax revenue in the Surakarta City, it is agreed that the revenue is not in accordance with the specified target. While the Surakarta City is considered as a very potential area in terms of regional tax collection, seen from the rapid development and development of economic activities. With these considerations in mind, the researchers conducted a study to determine the level of acceptance of regional revenue and how to contribute it to the regional own source revenue in the Surakarta City.

## II. LITERATURE

### **Regional Government Budget (APBD)**

The Regional Government Budget (APBD) is the annual financial plan of the regional government which is approved and mutually agreed upon by the regional government and the Regional House of Representatives, and stipulated by a Regional Regulation (Article 1 of Law Number 33 of 2004 concerning Financial Balance in the Central Government and Regional government). According to Halim (2002), APBD is a plan of regional government activities that is set out in the form of numbers and represents the source of revenue which is the minimum target and the cost which is the maximum limit for each budget period.

### **Tax**

Taxes given to the state owed by individuals or entities requested under the law, not to get reward directly and are used for the needs of the state for the amount of the contribution of the people's prosperity (Article 1 paragraph 1 of General

Provision and Tax Procedures No. 28 of 2007). According to expert Rochmat Soemitro, taxes are public money for state funds through laws (which can be forced) by not getting reciprocal services (contra-performance) that can be directly used and used to buy public assistance (Resmi, 2012).

### **Regional Tax**

Regional taxes are mandatory for regions that are owed by individuals or entities that are validated under the law, without obtaining direct reward and are used for regional purposes for those that are proportional to the people's prosperity (Law Number 28 of 2009 concerning Regional Taxes and Regional Retribution).

### **Hotel Tax**

According to Law Number 28 of 2009, hotel tax is for lodging / lodging service providers including services related to payment, which also include motels, inns, tourist homes, boarding houses, lodging houses etc, as well as boarding houses with a number of rooms more than 10. The hotel tax rate is 10% of the payment amount or paid to the hotel.

### **Restaurant Tax**

Based on the Regional Regulation of the Surakarta City No. 4 of 2011 concerning regional taxes, restaurant taxes include taxes on services provided by the restaurant. Restaurant tax rates are 10% of the services provided by the restaurant.

### **Entertainment Tax**

Based on the Regional Regulation of the Surakarta City No. 4 of 2011 concerning Regional Taxes, the entertainment tax is a tax on any paid entertainment. The entertainment tax rate is 5% -40% depending on the type of entertainment provided.

### **Advertisement tax**

Based on Mayor of Surakarta City Regulation No. 35 of 2013 concerning Guidelines for the Implementation of Advertisement Tax, advertisement tax is a tax on the advertisement implementation. Billboard tax rates are 25% of the billboard rental value.

### **Street Lighting Tax**

Based on the Regional Regulation of the Surakarta City No. 4 of 2011 concerning Regional Taxes, street lighting tax is a tax on any use of electricity produced by yourself or obtained from other sources. Road lighting tax rates are 1.5% -9% depending on the source of electricity used.

### **Parking Tax**

Based on the Regional Regulation of the Surakarta City No. 4 of 2011 concerning Regional Taxes, parking tax is a tax on each operation of a parking space outside the body of the road, both provided in connection with the principal of the business and that is provided as a business, including the provision of motor vehicle day care. The parking tax rate is 25% of the payment amount.

### **Ground Water Tax**

Based on the Regional Regulation of the Surakarta City No. 4 of 2011 concerning Regional Tax, ground water tax is a tax on the extraction and/or utilization of ground water. The ground water tax rate is 20% of the value of ground water acquisition.

### **Swallow's Nest Tax**

The swallow's nest tax is a tax levied on the swallow's nest collection. The swallow's nest tax rate is 10%.

### **Land and Building Tax (PBB)**

Based on the Regional Regulation of the Surakarta City No. 13 of 2011 concerning the Land and Building Tax for Rural and Urban, building land tax is a tax on land and/or buildings owned, controlled, and/or utilized by individuals or entities for the rural and urban sectors except areas used for plantation business activities, forestry, and mining. The land and building tax rate is 0.1% -0.2% of the Tax Objects Selling Price (NJOP) after deducting the Non-Taxable Tax Objects Selling Price (NJOPTKP).

### **Tax on the Acquisition of Land and Building Rights (BPHTB)**

Based on the Regional Regulation of the Surakarta City No. 13 of 2010 concerning the Fees for the Acquisition of Land and Building Rights, the tax on the acquisition of land and building rights is a tax on the acquisition of land and/or building rights. Acquisition of land and/or building rights are acts or legal events that result in the acquisition of land

and/or building rights by individuals or entities. The tax rate is 2.5% -5% of the Tax Object Value (NPOP) after deducting the Non Taxable Tax Object Value (NPOPTKP).

### **Regional Own Source Revenue (PAD)**

According to Warsito (2001), Regional Own Source Revenue (PAD) is revenue that is sourced and collected by the regional government. Sources of regional own source revenue consist of: regional taxes, regional levies, the results of the management of separated regional assets, and other valid regional own source revenue.

### **Effectiveness**

Effectiveness is a measure of success or failure of an organization in achieving its goals (Mardiasmo, 2011: 134). An organization can be said to be running effectively, if it is successful in achieving its goals.

$$\text{Effectiveness} = \frac{\text{Regional Tax Revenue}}{\text{Regional Tax Budget}} \times 100\% \quad (\text{Halim, 2004:135})$$

To determine the effectiveness of regional tax revenue can be measured using the following indicator table:

<b>Table 1. Interpretation of Effectiveness Value</b>	
<b>Percentage (%)</b>	<b>Criteria</b>
>100	Very effective
90-100	Effective
80-90	Fair
60-80	Less effective
<60	Ineffective

### **Contribution**

Contribution is the amount of donation given for an activity carried out (Handoko, 2013).

$$\text{Contribution} = \frac{\text{Regional Tax Revenue}}{\text{PAD Revenue}} \times 100\% \quad (\text{Handoko, 2013})$$

To find out how the contribution of regional taxes to regional own source revenue can be measured using the following indicator table:

<b>Table 2. Contribution Measurement Classification</b>	
<b>Percentage (%)</b>	<b>Criteria</b>
0,0-10	Very poor
10,1-20	Poor
20,1-30	Fair
30,1-40	Good enough
40,1-50	Good
>50	Very good

## **III. METHOD**

This study uses two types of data analysis techniques, the effectiveness analysis and the contribution analysis of regional tax. Regional tax effectiveness analysis is an analysis that illustrates the ability of the regional government in realizing the planned Regional Own Source Revenue (PAD) compared to the budget based on the real regional potential

(Abdul Halim, 2004). Regional tax contribution analysis is an analysis which is used to determine how much contribution of regional tax revenue to a regional own source revenue can be, then regional tax revenue is compared to regional own source revenue (Handoko, 2013). This study uses secondary data from Realization Report of the Regional Tax Revenue obtained from the Regional Financial Management and Asset Management Agency (BPPKAD) of Surakarta City in 2010-2018.

#### IV. RESULT AND DISCUSSION

##### Analysis of the Effectiveness of Regional Taxes

The effectiveness of regional tax revenue is calculated by comparing regional tax revenue with a predetermined budget.

**Table 3. Regional Tax Effectiveness Level (%)**

Year	Hotel Tax	Restoran Tax	Entertainment Tax	Advertisement Tax	Road Lighting Tax	Parking Tax	Ground Water Tax	Swallow's Nest Tax	Property Tax	BPHTB Tax
2010	141	109	105	103	110	106	-	-	-	-
2011	108	104	103	103	98	126	40	-	-	144
2012	111	119	125	111	110	113	81	-	-	182
2013	112	119	106	103	114	114	175	19	103	108
2014	110	120	103	103	113	133	144	101	100	97
2015	86	113	83	115	101	102	91	42	108	116
2016	108	119	101	107	100	109	105	119	101	110
2017	110	114	105	87	109	112	105	102	101	118
2018	109	113	101	105	102	111	146	165	102	108

Regional tax revenues in the Surakarta City experienced very significant growth each year. The results showed that overall regional tax revenue in the city of Surakarta is above the budget with effective to very effective categories. However, there is an ineffectiveness of regional tax revenue when the beginning determination of a tax becomes regional tax. This happened to the ground water tax in 2011 and the swallow's nest tax in 2013 and 2015. Setting too high budget made the effectiveness of both taxes being too low. After adjusting the budget with the tax revenue capability, in the following years the ground water tax and swallow's nest tax revenues are able to be in the very effective category. Regional tax revenues always increase every year, as does the target or budget provided by the government. It will be very helpful for the Surakarta City Government in financing out of budget expenditures provided by the central government.

##### Analysis of Regional Tax Contribution

The level of regional tax contribution is obtained by comparing the regional tax revenue with the total of regional own source revenue.

**Table 4. Each Post of Regional Tax Contribution Level (%)**

Year	Hotel Tax	Restoran Tax	Entertainment Tax	Advertisement Tax	Road Lighting Tax	Parking Tax	Ground Water Tax	Swallow's Nest Tax	Property Tax	BPHTB Tax
2010	9,5	9,2	5,0	4,1	25,4	0,9	0,0	0,0	0,0	0,0
2011	8,4	6,9	3,4	2,9	15,6	0,8	0,2	0,0	0,0	27,5
2012	8,1	6,4	3,5	2,4	13,7	0,7	0,2	0,0	0,0	30,6
2013	6,8	6,2	3,0	2,1	13,0	0,7	0,3	0,0	15,9	17,1
2014	6,5	6,5	2,7	1,9	13,4	0,8	0,3	0,0	14,9	14,5
2015	5,2	6,6	2,4	2,2	13,2	0,8	0,3	0,0	15,3	16,6
2016	5,9	7,4	2,5	2,0	12,2	0,8	0,3	0,0	13,6	14,5
2017	5,3	6,9	2,3	1,4	10,7	0,8	0,2	0,0	11,3	15,7
2018	6,3	8,6	2,8	1,8	11,4	1,2	0,7	0,0	15,5	16,2

The contribution made by each regional tax post to the regional own source revenue of Surakarta City from 2010-2018 is in the poor to very poor category. This is because the regional own source revenue which used as a comparison is very high. Moreover, regional own source revenue comes from a combination of regional taxes, regional levies, the results of the management of separated regional assets, and other valid regional own source revenues. While in the data the

regional tax is divided into 10 regional tax posts. However, if the entire regional tax posts are accumulated, the results will exceed regional levies, the results of the management of separated regional assets, and other valid regional own source revenues.

**Table 5. Accumulated Regional Tax Contribution Level**

Year	Tax Revenue (Rp)	PAD (Rp)	Contribution Level (%)
2010	61.641.623.410	113.946.007.542	54
2011	118.816.234.506	181.096.816.152	66
2012	151.905.454.913	231.672.100.429	66
2013	193.906.210.948	298.400.846.632	65
2014	206.750.725.212	335.660.206.641	62
2015	233.085.404.386	372.798.426.790	63
2016	252.052.998.369	425.502.779.064	59
2017	288.421.242.637	527.544.224.971	55
2018	339.920.406.672	527.738.351.089	64

The contribution made by the overall regional tax to the regional own source revenues of the Surakarta City from 2010-2018 based on an analysis of the contributions were classified as very good. From 2010-2018 the contribution rate has always been above 50% each year. It can be interpreted that the combined of 10 regional tax posts have a greater contribution than other sources of revenue to the regional own source revenues of the Surakarta City. This certainly greatly helps the Surakarta City Government in accelerating the development of the Surakarta City area.

This study is in line with research conducted by Irsandy Octovido, Nengah Sudjana, and Devi Farah Azizah (2014) who examined the effectiveness and contribution of overall regional taxes to the regional own source revenues of Batu City. They use the accumulated regional tax to calculate the value of the contribution to the regional own source revenues of Batu City. So that the amount of regional own source revenues which is used as a comparison is not too large and provides a valid contribution rate. Similar research was also carried out by Azwir Nasir, Yesi Mutia Basri, Kamaliah, and Iskandar Muda (2017) who examined the effectiveness and contribution of the overall regional tax to the regional own source revenues of the Riau Islands region.

## V. CONCLUSION

The level of effectiveness of regional tax revenue which is consisting of 10 types of regional taxes from 2010 to 2018 overall is very effective. The ineffectiveness of regional tax revenue occurred at the beginning of determining a tax become regional tax. This happened to groundwater tax in 2011 and the swallow's nest tax in 2013 and 2015. Setting targets or budgets that did not meet the maximum potential of tax revenue made tax revenue falling into the category of ineffectiveness. However, the Surakarta City Government immediately adjusted the budget next year so it was evident that the following year the adoption of groundwater tax and swallow's nest taxation would be in the effective and even very effective category. In outline tax revenue has already exceeded its budget. It is a proof that the Surakarta City Government has been working well in managing Surakarta's regional own source revenues.

Regional taxes provide a very good contribution to the regional own source revenues of Surakarta City. Because Surakarta City's regional tax is the biggest source of regional own source revenues compared to the results of regional levies, the results of the management of the separated regional wealth, and other regional legitimate own source revenues. Surakarta City's regional tax is able to contribute 54%-66% of the total regional own source revenue of the Surakarta City area. This has greatly assisted the Surakarta City Government in reducing its dependence on the central government in obtaining funds (subsidies) and accelerating the development of the Surakarta City area.

Some previous studies calculate the contribution of regional taxes by comparing the revenue of each regional tax post with regional own source revenue. The amount of regional tax for each post which is too small compared to the regional own source revenue makes the value of the contribution generated is very small and falls into the category of poor or even very poor. This of course gives invalid research results. Whereas if the regional tax is combined into a regional tax as a whole, the results will be greater than the results of regional levies, the results of the management of separated regional wealth, and other regional legitimate own source revenues which of course makes the regional taxes in the very good category.

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