



The Influence of Contribution and Effectiveness of Regional Taxes on Original Regional Income (PAD) in Palembang City

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Abstract

This study aims to analyze the effect of contribution and effectiveness on local revenue (PAD) in Palembang City. The data used in this research is secondary data in the form of documentation and literature study. The research method used is multiple linear regression analysis. The results indicate that the contribution and effectiveness have a significant effect on local revenue (PAD). This research is expected to become additional literature on the topic of local revenue (PAD).

Keywords: contribution, effectiveness, local revenue (PAD)

1. Introduction

The implementation of good governance *must* carry out the government, this is because the responsibility for planning and funding sources for economic development in the region lies with the regional government, because the regional government must be able to utilize the various potentials that exist in its region, so that it can become a sources of regional income, especially in current regional autonomy, regions are given greater power in managing regional finances. In implementing national development, good development financing is needed originating from domestic revenues and loans from abroad. The central government cannot continue to rely on financing originating from foreign loans , therefore, financing sources originating from domestic revenues are very important to develop and increase their role for the survival of the nation. One of the sources of financing originating from domestic revenues which is used to carry out development for all Indonesian people is tax (Nugraha *et al* ., 2016) .

Tax is an obligation to hand over part of one's wealth to the state treasury due to circumstances, events and actions that give one a certain position, but not as a punishment, according to regulations set by the government and can be enforced, but there is no reciprocal service from the state directly for maintain general well-being. According to Law No. 28 of 2007 concerning general provisions and tax procedures (KUP), tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on law, without receiving direct compensation. and used for state needs for the greatest prosperity of the people. Meanwhile, based on Law no. 32 and 33 of 2004 were then clarified in Law no. 28 of 2009 concerning Regional Taxes and Regional Levies chapter 1 article 10 explains that Regional Taxes The government has an obligation to protect the country and its people both from foreign political intervention and in terms of improving the standard of living of the community towards prosperity (Lohonauman, 2016) .

Regional Taxes have a contribution in that to find out the extent to which regional taxes contribute to the receipt of local original income, knowing the contribution is done by



comparing regional tax receipts for a certain period with local original income receipts for a certain period as well. The greater the output, the greater the role of regional taxes in local original income, and vice versa, if the comparison results are too small, it means the role of local taxes in local original income is also small. (Masitoh, 2018). Because the higher the regional original income, the higher the regional government's ability to finance its own needs, this is to be able to prove that the regional government has succeeded in implementing regional autonomy.

Likewise, if the local government's original regional income is getting smaller or decreasing, then the implementation of regional autonomy has not been optimal. Regional taxes are obtained from contributions from the community (Taxpayers) using a *self-assessment system*. The *self-assessment system* is a reform system carried out by the Directorate General of Taxes. This system replaces the *official assessment system* that was previously in effect. The *self-assessment system* is a system where taxpayers are entrusted with calculating and reporting the tax owed by the taxpayer themselves, while the tax officer himself is tasked with supervising it. The success or failure of this system is largely determined by the voluntary compliance of taxpayers and optimal supervision by the tax authorities themselves. This system is very dependent on taxpayer awareness in fulfilling their tax obligations. There are still many taxpayers who do not comply with reporting and paying taxes (Fadhilah, 2018).

Original regional income is a source of regional revenue which has an important role in development. This can be seen in the implementation of regional autonomy where the role of original regional income is expected and sought to be a buffer in financing regional development activities. The central government through regional autonomy gives regional governments the authority to fully regulate their own households, including financial management to finance regional needs. In relation to taxes, regional governments can obtain income from the tax sector through levies collected and managed by the regional government itself. The Original Regional Income of each region is only able to cover routine expenses and to cover other expenses each region must expect transfers from a higher level of government, in other words that each region is still dependent on transfers from the central government (Ratu, 2017).

The central government gives authority to regional governments to regulate and manage government affairs themselves, one of which is the regional government that implements Law no. 28 of 2009 concerning Regional Taxes is the city of Palembang where sources of original regional income can finance operational government processes in the region. This process also requires the support of quite large financial resources, these financial resources can be obtained through Regional Taxes which is one source of Original Regional Income which is important for financing the implementation of regional governments to increase regional taxes. Efforts need to be made to contribute and effectively regional tax revenues. (Mustoffa, 2018).

Regional tax is a type of tax collected by local governments and used to finance local households. One way to increase the productivity of Regional Original Income is through the subjects and objects of regional income. Likewise, the City of Palembang, South Sumatra, which is given the authority to regulate and manage its own regional income sources, aims to ensure the continuity and progress of the city of Palembang, South Sumatra, which is expected to be able to explore, manage and maximize the potential of existing resources in the City of Palembang, South Sumatra. By continuing to explore, manage and maximize the potential of existing resources in the City of Palembang, South Sumatra, we will be able to



increase regional taxes consisting of hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, non-metallic mineral and rock tax, parking tax, ground water tax, bird's nest tax, rural and urban land and building tax, land and building rights acquisition fees, so as to maximize Regional Original Income (Janah *et al.*, 2016).

The effectiveness of regional tax revenues has not shown significant results for Original Regional Income in Palembang City. It has been proven that the Palembang City Revenue Service always increases the target for achieving regional taxes that will be collected. This shows that the city of Palembang has quite potential sources that can be utilized as a source of Regional Original Income. Even though the realization still did not meet the target, especially in 2019 to 2020, from 2017 to 2018 the realization always exceeded the stated target. Palembang City Regional Revenue Service as the responsible regional apparatus responsible for the management of Regional Taxes, it is necessary to strive for optimization in collection in order to obtain regional income that is large enough for the regional development of Palembang City, the size of regional tax revenue receipts especially depending on the collection mechanism. One of the important components of local revenue whose management is optimized is revenue from regional taxes (Astheria, 2015).

Previous research conducted by (Sukauri, 2019) Hotel Tax has an effect on Original Regional Income, Restaurant Tax has an effect on Original Regional Income Entertainment Tax has no effect on Original Regional Income Advertisement Tax, Ground Water Tax, Land and Building Tax, and Tax on Acquisition of Land and Building Rights have an effect on Regional Original Income.

The level of effectiveness of restaurant tax revenue is very effective, the large contribution of restaurant tax to local revenue. This can be seen from the relationship between restaurant taxes and Semarang Regency's original regional income, which is positive, meaning that increasing the amount of restaurant taxes will also increase regional original income. (Setiawati, 2018).

The phenomenon in this research that occurs in the Palembang city government is the problem or decline in the target of Original Regional Income because absorption in several sectors is certain to decline. the regional secretary of the Palembang City Government stated that the target of IDR 1.8 trillion has now been reduced by more than 50 percent, or around IDR 617 billion. This cannot be separated from the Covid-19 condition that has hit the whole world. Which greatly influences the community's business sector. Palembang City Government plans to provide tax relief for related sectors as a stimulant. such as postponing payment of regional taxes such as restaurant, advertising, entertainment and hotel taxes and not being subject to administrative sanctions until June 30 2020 This relief prevents large amounts of PAD from being absorbed (Sumsel.idntimes.com).

Referring to the background that has been described above, researchers are interested in analyzing the contribution and effectiveness of regional taxes because they see that the effectiveness of regional taxes has decreased due to the Covid-19 pandemic which has caused the community's contribution to paying regional taxes to decrease and caused a reduction in regional income in Palembang City.

2. Method

This research uses secondary data. Secondary data is data that comes from internal sources. In this research, secondary data is the document of the Financial Report on the Realization of Original Regional Income in Palembang City, as well as data related to the research problem. obtained from the Regional Revenue Service in Palembang City.



Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2017). The population in this research is the 2017-2020 report on the realization of the local original income of Palembang City.

The sample is part of the number and characteristics of the population. Sample measurement is a step to determine the size of the source sample taken in carrying out research on an object. The sampling technique in this research is a saturated sampling technique or a census is a sampling technique when all members of the population are used as samples. The sample in this research is data from reports on the realization of Palembang City regional tax revenues for 2017-2020.

Original regional income is income obtained by the region which is collected based on regional regulations in accordance with applicable laws and regulations (Sukmawati & Ishak, 2019). Regional Original Income Indicator that is

Regional taxes + Regional levies + Separated regional wealth management results + Other legitimate PAD.

Regional Tax Contribution is used to find out how much contribution can be made from tax revenues to local original income, so the realization of regional tax revenues is compared to local original income (Janah et al., 2016). Regional tax contribution indicators:

$$\text{Kontribusi} = \frac{\text{Realisasi Penerimaan Pajak Daerah}}{\text{Realisasi Penerimaan (PAD)}} \times 100\%$$

Regional Tax Effectiveness is what describes the government in realizing the regional taxes obtained compared to the budget determined based on the real potential of the region (Yuliartini & Supadmi, 2015). Indicators of regional tax effectiveness:

$$\text{Efektivitas} = \frac{\text{Realisasi Penerimaan Pajak Daerah}}{\text{Potensi Penerimaan (PAD)}} \times 100\%$$

3. Results and Discussions

Table 1 . Descriptive statistics

	N	Min	Max	Mean	Std. Deviation
Contribution	45	.331	.980	.75498	.153421
Effectiveness	45	.031	.204	.07489	.039185
LN_PAD	45	24.44	26.06	25.0658	.39018
Valid N (listwise)	45				

From the output of table 1, the PAD variable has an average value of 25.0658 with a standard deviation value smaller than the average value, namely 0.39018, indicating that the PAD distribution data indicates good results. The *minimum* Y value is 24.44 and the *maximum* Y value is 26.06. The regional tax contribution variable (X_1) has an average value of 0.75498 with a standard deviation value of 0.153421. *Minimum* value (X_1) is 0.331 and the *maximum value* is (X_1) amounting to 0.980, then the regional tax effectiveness variable



(X_2) has an average value of 0.07489 with a standard deviation value of 0.039185. The *minimum value* of the variable (X_2) is 0.031 and the *maximum value* (X_2) is 0.204.

Table 2. F test

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4,158	2	2,079	34,376	,000 ^b
	Residual	2,540	42	,060		
	Total	6,699	44			

a. Dependent Variable: LN_PAD

b. Predictors: (Constant), Effectiveness, Contribution

Source: Processed data (SPSS version 25)

From the output results in table 2 above, it is known that the calculated F value obtained is 34.376 with a significance of 0.000. To determine the F table value by looking at the statistical table (see attachment) at a significance level of 0.05 with df 1=2, and df 2 (nk- 1) or 45-2-1 = 42, the results obtained are F Table of 3.220 with a calculated F value that is greater than F table $34.376 > 3.220$ and the significance is smaller ($0.000 < 0.05$) then H_1 and H_2 are rejected . This means that the contribution and effectiveness of local taxes simultaneously influence local original income in the city of Palembang.

Table 3. t test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25,438	,193		132,002	,000
	Contribution	-1,178	,243	-.463	-4,841	,000
	Effectiveness	6,903	,953	,693	7,247	,000

a. Dependent Variable: LN_PAD

- regional tax contribution variables on local revenue in the city of Palembang. From the calculation results in table 4. 7 significance tests with t statistics, the probability (p) = 0.000 is obtained. because $p \leq 0.05$ then H_1 is accepted. Based on the results of the hypothesis testing above, it can be concluded that the regional tax contribution variable has a partial positive effect on local original income in the city of Palembang.
- regional tax effectiveness variables on local original income in the city of Palembang. From the calculation results in table 4.13, the significance test with t statistics shows that probability (p) = 0.000 because ≤ 0.05 , then H_2 is accepted . Based on the results of the hypothesis testing above, it can be concluded that the regional tax effectiveness variable has an influence partially positive impact on local revenue in the city of Palembang .

Discussion

The influence of local tax contributions on local original income (PAD) in Palembang City

Based on partial results using the t test, the regional tax contribution variable has a significance of 0.000 or less than 0.05 and the calculated t value is $-4.841 > t_{table} 1.681$. That regional tax contributions influence regional original income. These results prove that the hypothesis is accepted, contribution has an influence on local original income.

The results of this research are not in line with the results of research by Vivin Fitrianingsih & Haruh (2015) which states that Regional Tax Contribution has a negative, but not significant, effect on District/City Original Regional Income (PAD) in Gorontalo Province. However, this research is in line with research conducted by Sundari (2016) that regional tax contributions have a significant effect on local original income in West Java province in 2012-2016.

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Based on partial results using the t test, the regional tax effectiveness variable has a significance of 0.000 or less than 0.05 and the calculated t value is $-7.247 > t_{table} 1.681$. That the effectiveness of regional taxes affects regional original income. These results prove that the hypothesis is accepted, the effectiveness of local taxes has an effect on local original income. This research supports previous research by Kuku (2018) that the effectiveness of regional taxes has a significant effect on the Regency/City Regional Revenue (PAD) of East Java Province in 2013-2016

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Based on simultaneous results using the F test, it shows a significance value of 0.000 or less than 0.05 and a calculated F value of $34.376 > F_{table} 3.220$. So it can be concluded that simultaneously the contribution and effectiveness of local taxes have an effect on local original income. These results prove that the hypothesis is accepted, the contribution and effectiveness of local taxes have an influence on local original income.

The results of this research are not in line with Kuku's (2018) research which states that the level of effectiveness and contribution of regional taxes in 2013-2016 varied. However, the results of this research support previous research by Ratnasari (2019) which stated that the effectiveness of regional taxes and the contribution of regional taxes have a positive and significant effect on local original income.

4. Conclusions

Based on the results of the research and discussion in the previous chapter, the following conclusions can be drawn:

1. The regional tax contribution variable has a partial effect on local original income. This is in line with the hypothesis made by the researcher where the results obtained were that the significant value was smaller than 0.05 ($0.000 < 0.05$).
2. The regional tax effectiveness variable has a partial effect on local original income. This is in line with the hypothesis made by the researcher where the results obtained were that the significant value was smaller than 0.05 ($0.000 < 0.05$).

3. The contribution and effectiveness variables of regional taxes jointly influence regional original income. This is in line with the hypothesis made by the researcher where the results obtained were that the significant value was smaller than 0.05 ($0.000 < 0.05$).

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