

The Effectiveness of the Management of the Local Tax Revenue of the Government of Surabaya City

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ABSTRACT

The focus of the study was the effectiveness of Local Tax Revenue of Surabaya City which could influence the original local revenue. The result indicated that the average of the regional tax revenue contribution towards the original local revenue was more than $\frac{3}{4}$ of income of the original local revenue. The realization of the Regional Tax increased every year and in the last 4 years, from 2008 to 2012, the Regional Tax was achieved its effectiveness. However, some ineffective taxes in street lighting and land and buildings need to be improved. The most potential of the annual Local Tax Revenue of Surabaya City, which is used to build the city, are the taxes of street lighting and BPHTB.

Keywords: taxes, efficient, effectiveness, potential, targets

INTRODUCTION

The Economic Development of the District/City is the starting point for the implementation of the development, so that the local governments can be more aware of the potential and needs of their regions. According to Blakely (in Kuncoro, 2004), the local economic development is a process of the local government and the entire components of the community to manage a variety of existing resources and form a partnership to create new jobs and stimulate economic activities.

According to Act No. 32 of 2004 on Regional Government, it is stated that through decentralization, the local economic development is expected to be realized through the management of the local sources. Koswara (2000) has the opinion that the main features of the regional autonomy are the authority and the ability to obtain the original revenue sources so that the local government is not dependent on the central government assistance.

Based on the acts of the local tax, the sources of the original local revenue include the local taxes, which serves as a source of revenue (budgetary function) and regulator (regulatory function). According to Bachtiar (2003), the local governments issue some local regulations to organize the implementation of the tax.

Surabaya is the capital city of East Java Province and it is also the economic center. One of the significant incomes of the city of Surabaya is the local tax, and it is regulated through the Local Government Act No. 4 of 2011 It covers the taxes of hotels, restaurants, entertainments, advertisements, street lighting, parking, land and building, and Acquisition of Land and Buildings.

REGIONAL REVENUE

Based on the Act of the Republic of Indonesia No. 33 of 2004 on the financial balance between the central and local governments, it is regulated that the local/regional governments are highly required to have such a capability to organize and manage their own self-supporting in the field of finance.

Original Revenue of Local Governments

Local Tax Revenue

Local taxes are the local taxes levied according to the taxation regulations set or determined by the local governments to finance their regions as public entities. The local tax as the levies is conducted by the local governments used to finance the general expenditure of the government and the response to give the compensation is not directly provided, but the is its implementation can be enforced.

Local Income of Retributions

Local retributions are the legitimate levies or dues used as the payment for the services or jobs, or business owned by government.

LOCAL TAX

Act No. 28 of 2009 on the amendment of Act No. 18 of 1997 regulates the Local Taxes and Levies. Local Taxes are compulsory contributions diverted by individuals and entities to the regions without any direct reward which is balance, can be enforced by valid, existing regulations, and is used to finance the regional administration and development ".

Taxes of Level II Local Government or District/City Tax

Hotel Tax

Hotel tax is a tax on the services provided by the hotel. Hotels are the providers of accommodation services and facilities/resort including other related services charged. They include motels, inns, tourist huts, tourist guesthouse, guesthouse, lodging houses, and the like, as well as a boarding house with a number of rooms of more than 10 (ten).

Restaurant Tax

Restaurant Tax is a tax on services provided by the restaurant. The restaurant is a provider of food and/or drinks facilities charged. They include restaurants, cafeterias, canteens, shops, depots, bars, food courts, bakery, catering services and other kind of business activities alike.

Entertainment Tax

Entertainment tax is tax levied for its implementation. Its includes all kinds of shows, games and or events enjoyed by paying some charges.

Advertisement Tax

Advertisement Tax is the implementation of a tax on billboards. Billboards are objects, instruments, acts or media in manifold shapes and patterns designed for commercial purposes to introduce, advocate, promote, or draw public attention to goods, services, person or body that can be seen, read, heard, felt, and/or enjoyed by the public.

Street Lighting Tax

Street lighting tax is a tax on the use of electric power generated either by individuals or obtained from other sources.

Parking Tax

Parking tax is a tax on the operation of parking space outside the road, both of which are provided due to the related business run and as a business, including the provision of motor vehicle daycare.

Land and Building Tax

Tax is levied on land and buildings because of the benefits and/or the better socio-economic status and it is for the person or entity that has a right to it or gets some benefit from it.

BPHTB or Tax on Acquisition of Land and Building

BPHTB is a tax levied on the acquisition of land and buildings. Acquisition of land and buildings is a legal act that results in obtaining or having the rights to the land and buildings by a private individual or entities.

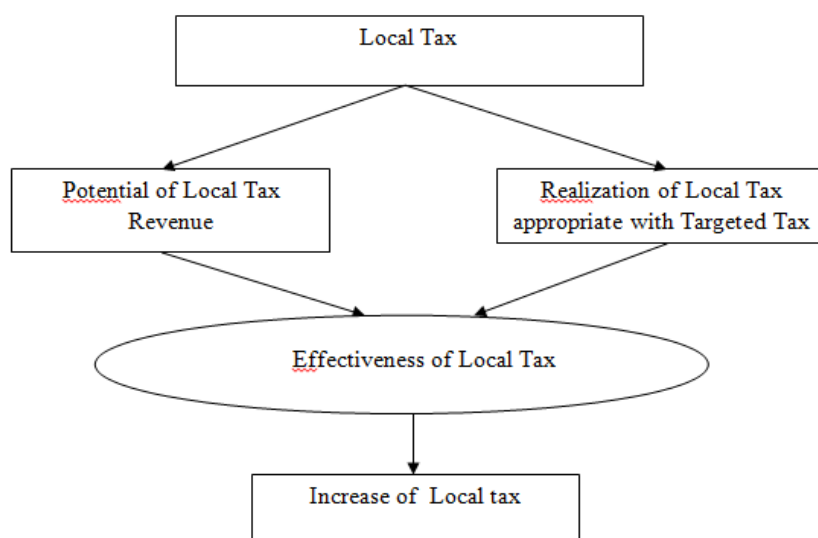
THE EFFECTIVENESS OF THE ORIGINAL LOCAL REVENUE

According to Simanjuntak (2001) effectiveness is a measure of the output results and the results of a tax collection with the potential of the tax itself. It is used to measure the success of the relationship of the results of a tax levy with the goal or target already determined or set (Mardiasmo, 2002). The effectiveness of tax levy is measured with the following formula:

$$\text{EFFECTIVENESS} = \frac{\text{Tax Revenue Potential}}{\text{Tax Revenue Realization}} \times 100 \%$$

Effectiveness aims to measure the ratio of the success of the tax collection. The greater the ratio, the more effective it is. The minimum standard of the success ratio is 100% or 1 (one) in which the realization is equal to the targets determined. Ratio below the minimum standard is said to be ineffective. So far there is no standardized measurement of the effectiveness category. The effectiveness measure is usually expressed qualitatively in terms of the statement only (judgment).

Conceptual Framework



Picture 1. Conceptual Framework

RESEARCH METHODS

Primary Data

Primary data is used to determine the profile of Regional Tax and revenue. These data explain how the real conditions of Local Government Revenue, and the execution in the field.

Secondary Data

The data used in this study is that the data obtained indirectly - they are the data of Daeray Tax Revenue and the Realization of Local Tax Revenue and original local revenue from the Department of Revenue and Finance Management of Surabaya.

Interview

Interview is a meeting of two people to exchange information and ideas through questions and answers so that the meaning can be constructed in a particular topic (Esterberg, 2002). Two related officers were interviewed in the study. First, the Head of the Department of Revenue and Finance Management of Surabaya was interviewed. The purpose was to know about the revenue realization of the street lighting tax. Secondly, the interview was conducted to the Head of Street Lighting Section, the Department of Hygiene and Garden Affairs of Surabaya. The targets were to find out the amount of the budget of Surabaya City earmarked for the construction of public street lighting, and to know the profile of the street lighting, its field implementation and the planning whcih will be done in conjunction with street lighting in the city of Surabaya.

Methods of Data Analysis

The descriptive qualitative research method with a grand tour question was implemented in the study. The research was done interactively through a process of data reduction, display and verification (Miles and Huberman).

Measurement Tool of Effectiveness

Analysis of the potential calculations is absolutely necessary to determine the targets. With the existing potential, after compared to the next expected revenue, the amount of the total potential revenue is found, so that it will be able to set some actions undertaken to explore them and to determine how much revenue for the coming year will come. Measuring instrument used is as follows:

$$\text{Effectiveness} = \frac{\text{Realization of Local Tax}}{\text{Targeted Local Tax}} \times 100 \%$$

RESULTS OF ANALYSIS

The Original Local Revenue which comes from the local tax and the contributions of the local tax towards the Original Local Tax Revenue was used for the analysis by applying the descriptive, qualitative methods with a grand tour question, namely display and verification. The Contributions of the Original Local Tax Revenue is calculated by dividing the local tax revenue with the original local revenue and multiplied by 100.

Table 1. Local Tax Revenue and Original Local Revenue Surabaya City and Local Tax Contributions towards Original Local Revenue (LTCTOLR) 2009 - 2012

<i>Year</i>	<i>Local Tax Revenue (Rp.)</i>	<i>Original Local Revenue (Rp.)</i>	<i>LTCTOLR (%)</i>
2009	442.852.257.428,00	809.755.526.042,25	54,69
2010	525.403.484.538,00	908.647.775.730,37	57,82
2011	1.488.358.147.753,27	1.887.112.473.639,79	78,87
2012	1.851.680.115.707,00	2.270.113.399.292,00	81,57

Source: DPPK of Surabaya City

Table 1 describes that each year the amount of the local tax revenue shows its increase. The local tax revenue has contributed greatly to the original local revenue. The Contributions to the Local Tax Revenue in 2009 amounted to 54.69 percent, in 2010 it was 57.82 percent, in 2011 was 78.87 percent and in 2012 was 81.57 percent. The Original Local Revenue in 2009-2010 was more than half (1/2) derived from the local taxes, and in 2011-2012 the local Revenue was more than ¾ obtained from the local taxes, and those numbers were very large for the development of the city of Surabaya.

Realization of Tax Revenue

Table 2. Realization of Local Tax Revenue 2009 – 2012 (Rupiah)

No.	Local Tax	2009	2010	2011	2012
1.	Hotel Tax	87.442.034.4 51,00	100.508.232. 155,00	108.205.704. 969,00	129.647.494. 580,00
2.	Restaurant Tax	94.758.955.0 98,00	115.459.616. 842,00	131.138.493. 688,00	173.107.921. 664,00
3.	Entertainment Tax	22.887.628.3 68,00	26.612.846.4 80,00	29.896.451.5 97,00	35.395.207.1 11,00
4.	Advertisement Tax	75.599.591.2 75,00	.705.063.186, 98 00	90.232.362.7 28,38	117.376.218. 951,00
5.	Street Lighting Tax	146.240.506. 576,00	165.055.792. 194,00	192.089.354. 040,00	224.331.776. 746,00
6.	Parking Tax	15.923.541.6 60,00	19.061.933.6 81,00	21.841.038.4 27,00	27.286.524.3 44,00
7.	Land & Building Tax	-	-	498.640.108. 489,44	577.976.679. 248,00
8.	Tax on Right of Acquisition of Land & Building	-	-	416.314.633. 814,45	566.558.293. 063,00
	Total	442.852.257. 428,00	525.403.484. 538,00	1.488.358.14 7.753,27	1.851.680.11 5.707,00

Source: DPPK of Surabaya City

Table 2 describes that in 2009 - 2010 there were 4 kinds of local taxes which had contributed great amount of income. They covered taxes of street lighting, restaurant, hotel, and advertisement. Type of the local tax revenue with the least amount received was the parking tax, and the street lighting tax was the highest one of all local taxes. It could be categorized as the potential and productive local tax revenue. However, in 2011 and in 2012 the rank of the Street Lighting Tax went down to the third after the taxes of Land and Building Tax and of Acquisition of Land and Buildings.

Effectiveness of Tax Revenue per Year

Table 3 describes the realization of the Local Tax towards the targeted Local Tax of 2009. It indicated that the highest tax revenue was the street lighting tax, followed by the restaurant tax, next was parking tax, then Entertainment Tax and Advertisement Tax and the last one was Hotel Tax. The average achievement of the Local Taxes of Surabaya City was good, but the effectiveness degree of the realization of the local taxes were less effective, because the level of the effectiveness was less than 100%. It indicated that the realization of the local taxes in the city of Surabaya in 2009 still had to be improved.

Table 3. Realization of Local Tax Revenue towards Targeted Local Tax of 2009

No.	Types of Tax	Target	Realization	Effectivitas (%)
1.	Hotel	100.756.473.000,00	87.442.034.451,00	86,79
2.	Restaurant	103.899.977.000,00	94.758.955.098,00	91,20
3.	Entertainment	26.066.945.000,00	22.887.628.368,00	87,80
4.	Advertisement	85.250.000.000,00	75.599.591.275,00	88,68
5.	Street Ligting	152.809.225.000,00	146.240.506.576,00	95,70
6.	Parking	17.800.000.000,00	15.923.541.660,00	89,46
7.	Land & Building	-	-	-
8.	Acquisition of Land and Building	-	-	-

Source: DPPK of Surabaya City, 2012, processed and analyzed data

Table 4. Realization of Local Tax towards Targeted Local taax in 2010

No.	Types of Tax	Target	Realization	Effectiveness (%)
1.	Hotel	115.021.000.000,00	100.508.232.155,00	87,38
2.	Restaurant	117.000.000.000,00	115.459.616.842,00	98,68
3.	Entertainment	29.000.000.000,00	26.612.846.480,00	91,77
4.	Advertisement	119.000.000.000,00	98.705.063.186,00	82,95
5.	Street Ligting	179.810.810.000,00	165.055.792.194,00	91,79
6.	Parking	21.750.000.000,00	19.061.933.681,00	87,64
7.	Land & Building	-	-	-
8.	Acquisition of Land and Building	-	-	-

Source: DPPK of Surabaya City, 2012, processed and analyzed data

Table 4 above indicates that the realization of the Local Tax towards the targeted Local Tax in 2010. It can be seen that the highest tax revenue is the restaurant tax, next is the street lighting tax, then the Entertainment Tax, and finally followed by taxes of Parking, Hotels and Advertisement. There were three (3) types of Local Taxes Realization declining in their acheivement. In 2009 and 2010 the realization of the taxes of street lighting, parking and advertisement decreased. It was concluded that the realization of the local taxes of the city of Surabaya in 2010 still had to be improved.

Table 5. Realization of Local Tax towards Targeted Local Tax of 2011

No.	Types of Tax	Target	Realization	Effectiveness (%)
1.	Hotel	117.500.000.000,00	108.205.704.969,00	92,09
2.	Restaurant	124.000.000.000,00	131.138.493.688,00	105,76
3.	Entertainment	29.500.000.000,00	29.896.451.597,00	101,34
4.	Advertisement	126.000.000.000,00	90.232.362.728,38	71,61
5.	Street Ligting	188.800.000.000,00	192.089.354.040,00	101,74
6.	Parking	25.250.000.000,00	21.841.038.427,00	86,50
7.	Land & Building	710.000.000.000,00	498.640.108.489,44	70,23
8.	Acquisition of Land and Building	370.000.000.000,00	416.314.633.814,45	112,52

Source: DPPK of Surabaya City, 2012, processed and analyzed data

Table 5 above shows that the realization of the Local Taxes towards the targeted Local taxes of 2011 has already achieved the effectiveness, especially for the Taxes of Acquisition of Land and Building, Restaurant, Street Lighting and Entertainment. The achievement of some Local Taxes has not been effective, such as the one of taxes of hotel, parking, advertisement and Land and Building. The 4 (four) types of Local Taxes must be improved.

Table 6. Realization of Local Tax towards Targeted Local Tax of 2012

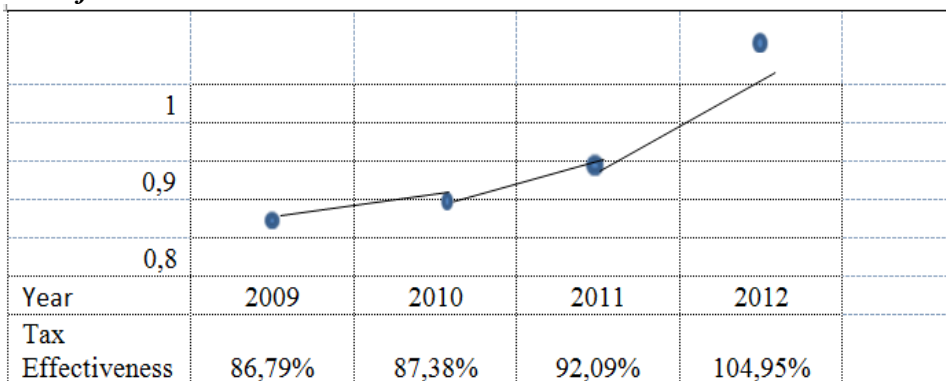
No.	Types of Tax	Target	Realization	Effectiveness (%)
1.	Hotel	118.319.197.000,00	129.647.494.580,00	109,57
2.	Restaurant	159.759.677.000,00	173.107.921.664,00	108,36
3.	Entertainment	32.794.821.000,00	35.395.207.111,00	107,93
4.	Advertisement	112.998.024.000,00	117.376.218.951,00	103,87
5.	Street Ligting	248.555.729.000,00	224.331.776.746,00	90,25
6.	Parking	26.000.000.000,00	27.286.524.344,00	104,95
7.	Land & Building	790.613.785.000,00	577.976.679.248,00	73,10
8.	Acquisition of Land and Building	419.270.247.000,00	566.558.293.063,00	135,13

Source: DPPK of Surabaya City, 2012, processed and analyzed data

Table 6 above shows that the effectiveness of the realization of the Local Taxes towards the targeted Local Taxes in 2012 has been reached. They were the taxes of Acquisition of Land and Buildings, hotel, restaurant, entertainment, advertisement, and parking. However, the achievement of two local taxes were considered ineffective. They included the taxes of street lighting and land and building. Their achievement needed to be improved.

Effectiveness of Each Type of Tax Revenue

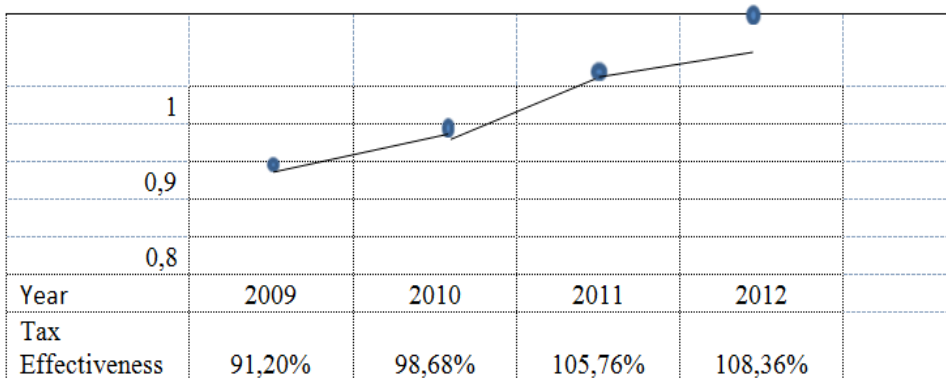
Effectiveness of Hotel Tax Revenue



Picture 1. Effectiveness of Hotel Tax Revenue 2009 – 2012

The achievement of the realization of Hotel tax during the last 4 years was very good. The fulfillment of the tax targets could support in the overall development of the city of Surabaya, so that the hotel tax could be said to be the potential of the local taxes.

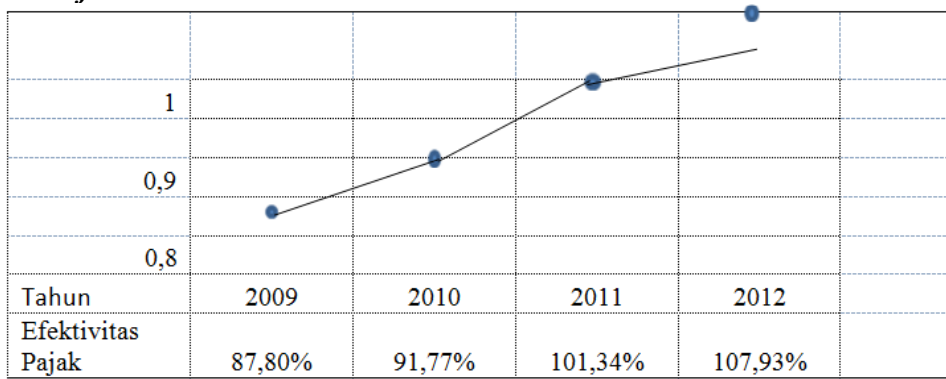
Effectiveness of Restaurant Tax Revenue



Picture 2. Effectiveness of Restaurant Tax Revenue 2009 – 2012

The achievement of the realization of the restaurant tax in 2011 was very good. The target was fulfilled so that it could support the overall development of the city of Surabaya. The restaurant tax could be said the potential of local taxes.

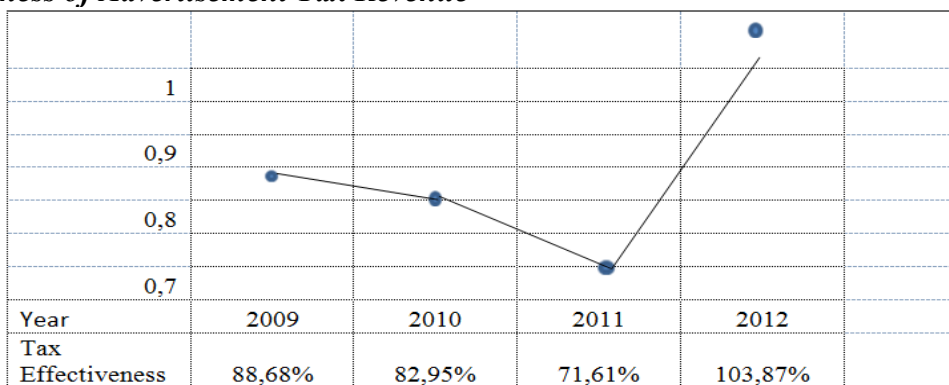
Effectiveness of Entertainment Tax Revenue



Picture 3. Effectiveness of Entertainment Tax Revenue 2009 - 2012

The achievement of the realization of the entertainment tax in 2011 was very good. The target was fulfilled so that it could support the overall development of the city of Surabaya.

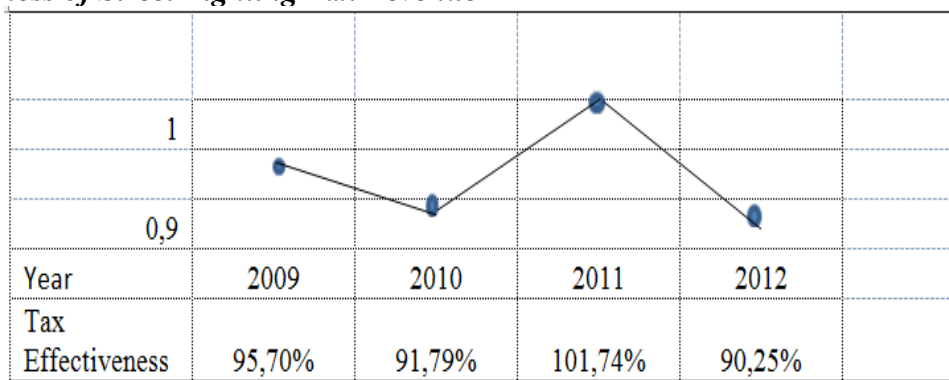
Effectiveness of Advertisement Tax Revenue



Picture 4. Effectiveness of Advertisement Tax Revenue 2009 - 2012

After a period of a four-year effort, the achievement of the realization of the advertisement tax met its target last year, and in 2012 the effectiveness of the advertisement tax in 2012 could support the overall development of the city of Surabaya.

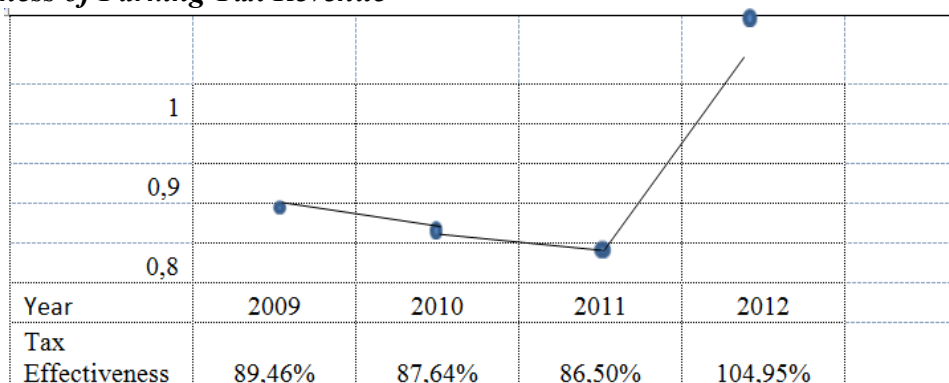
Effectiveness of Street Lighting Tax Revenue



Picture 5. Effectiveness of Street Lighting Tax Revenue 2009 - 2012

A good achievement in the effectiveness of street lighting tax occurred in 2011, but in 2012 it declined again. It was probably because the targeted tax was too high. It was highly considered to be improved to support the overall development of the city of Surabaya.

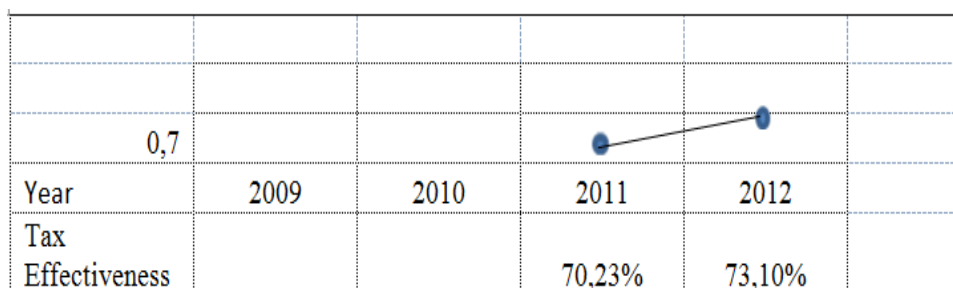
Effectiveness of Parking Tax Revenue



Picture 6. Effectiveness of Parking Tax Revenue 2009 - 2012

A good achievement in the effectiveness of parking Tax occurred in 2012. The target was acheived so it could support the overall development in the city of Surabaya.

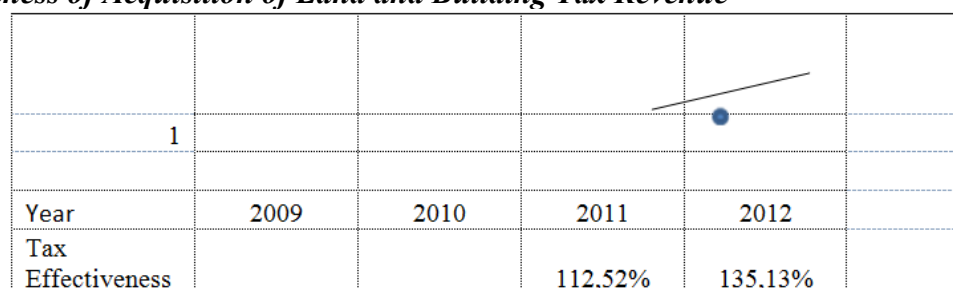
Effectiveness of Land and Building Tax Revenue



Picture 7. Effectiveness of Land and Building Tax Revenue 2009 - 2012

Based on the temporary data of Surabaya City Government the achievement of the land and building tax was less effective due to the bill arrears of land and building tax over the last 10 years. Until the end of 2012 the achievement could not be 100% resolved.

Effectiveness of Acquisition of Land and Building Tax Revenue



Picture 8. Effectiveness of Acquisition of Land and Building Tax Revenue 2009 - 2012

The achievement of the Tax on Acquisition of Land and Buildings have been very effective, so that it was very potential to support the overall development of the city of Surabaya.

CONCLUSION

The contribution of the local tax revenue towards the original local revenue is more than ¾ of the original local revenue so that the local tax revenue was the biggest support for the overall development of Surabaya. Every year the realization of the Local Tax showed its increase and during the last 4 years, in 2012 the achievement of the Local Taxes gained their effectiveness, but there were some that had not been effective, such as taxes of street lighting and land and buildings. They had to be improved. The Local Tax Revenue of Surabaya is very potential to support the development the city of Surabaya and the most potential ones are local tax revenues of street lighting and Acquisition of Land and Buildings.

ACKNOWLEDGEMENTS

This article is dedicated to civitas academica of Brawijaya University. They have already contributed significantly to this article.

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