International Journal of Business and Applied Economics (IJBAE)
Vol. 2, No. 1, 2023 : 35-44

Analysis of the Effect of Regional Taxes and Regional Levies on Increasing Regional Original Revenues of North Sumatra for 2016-2021

Jhoni Laris Simbolon[1*], Khairul Syabirin Daulay[2], Sarah Claudya Nainggolan[3]
Fakultas Ekonomi, Universitas Negeri Medan
Corresponding Author: Jhoni Laris Simbolon jhonilarissimbolon1@gmail.com

A R T I C L E I N F O
Keywords: Local Taxes, Levies, Increased Income

Received : 05 November
Revised : 06 December
Accepted: 07 January

A B S T R A C T
This study aims to determine the effect of local taxes and regional levies on local revenue in North Sumatra. The population in this study is the entire data on local taxes, regional levies, and local revenue in North Sumatra. The research sample is data on local taxes, regional levies, and local revenue in North Sumatra from 2016 to 2021, namely for seven years. Data collection technique is documentation. Data analysis was carried out using multiple linear regression analysis, the data obtained was classified, tabulated and processed using Eviews Version 12. The results showed that local tax variables had a significant effect on regional original income in North Sumatra, while regional retribution variables had no significant effect on regional original income. in North Sumatra.

DOI: https://10.55927/ijbae.v2i1.2169
ISSN-E: 2963-6124
https://journal.formosapublisher.org/index.php/ijbae/index

INTRODUCTION

So far, development has been continuously carried out by the government which aims for the welfare of the people. Well, of course this requires a fairly large budget. To realize this development, it is necessary to explore sources of funds originating from within the country, namely taxes. Taxes are the dominant source of revenue in the state revenue and expenditure budget (APBN). Nearly 70% of government revenue comes from the tax sector. State income from year to year always increases, because people's living standards will increase if the budget also increases. In this case, regional taxes and regional levies are regulated in Law no. 28 of 2009. Sources of funding for local government implementation consist of Regional Original Revenue (PAD), balance funds, regional loans and other legal income. Regional Own Revenue (PAD), one of which is in the form of regional taxes, is expected to be one of the sources of financing for governance and regional development, to improve and distribute people's welfare. Thus, the region is able to carry out autonomy, that is able to regulate and manage its own household. The greater the local taxes and local levies received, the higher the PAD will automatically increase.

According to Government Regulation Number 10 of 2021 concerning Taxes where Regional Taxes, hereinafter referred to as Taxes, are mandatory contributions to regions owed by individuals or entities that are coercive based on the Law, by not getting compensation directly and used for regional needs for the greatest extent people's prosperity. Meanwhile, according to Government Regulation Number 10 of 2021 concerning regional levies, regional levies, hereinafter referred to as levies, are regional levies as payment for services or granting of certain permits specifically provided and/or granted by the regional government for the benefit of individuals or entities. Tax is an instrument that can be relied upon by many countries, including Indonesia, which in response to state finances is also supported through local governments. so as to produce the Independence of the Regency or City Government which can be seen from the amount of PAD obtained by the Regency or City Government. The greater the regional taxes and levies obtained by these regencies and cities in financing expenditures to carry out their authority and responsibilities to the community.

The management of the collection of fees itself is a series of activities starting from the collection of data on objects and subjects of fees owed to the collection of fees or fees owed to the obligatory fees owed and supervision of their deposits. Where the levy period is a certain period which is the time limit for the mandatory levy to utilize certain services and permits from the regional government concerned. Local Own Revenue is an income earned from regional revenue sources from each region, managed by the local government itself and as a source of finance area that is used to finance the procurement of purchases and maintenance of regional development facilities and infrastructure in the framework of administration of regional government as reflected in the Budget Regional Revenue and Expenditure (APBD). Thus, the existence of regional original income is also one of the components of the source of state financial revenue. Even though regional own-source revenues are not entirely able to finance the APBD, the proportion of regional-owned revenues to total revenues remains an indication of the degree of financial independence of a regional government. With the Regional Original Revenue, it makes a good contribution to regional finance and state finance. Therefore, the presence of PAD from local tax collection and levies provides an overview of the latest regulations to make guidelines and regulatory references in writing this research which will lead to the research being researched, namely "The Effect of Regional Taxes and Regional Levies on Increasing North Sumatra PAD 2016-2021 ".

Table 1. Realization Data of Regional Tax Revenue, Regional Retribution and North Sumatra's PAD

Year	Local tax	Regional Retribution	PAD
2016	4,446,394,796	34,505,501	4,954,833,101
2017	4,823,549,139	34,289,674	5,287,469,402
2018	4,823,549,139	34,289,674	5,287,469,402
2019	5,058,443,945	38,408,031	5,761,270,412
2020	6,087,369,134	36,744,960	7,583,849,755
2021	5,438,098,178	30,370,035	5,991,151,366

THEORETICAL REVIEW

Grand Theory

Stakeholder theory is a group of people, communities or people who have relationships and interests with an organization as a whole or in part (Putro, 2013). Stakeholder theory says that an organization is not an entity that only operates for personal gain but must be able to provide benefits to its stakeholders. Thus, the existence of an organization/institution is greatly influenced by the support provided by the organization's stakeholders (Ghozali, 2007 in Putro, 2013). So in measuring the success of public and private organizations by looking at the extent to which the organization can guarantee the satisfaction of its main stakeholders, namely the community.

As the holder of government, the government must be able to manage regional wealth, regional income, and regional wealth which are the authority of the 1945 Constitution to maintain people's welfare. Article 33 of that article states that all natural resources controlled by the government must be used for the welfare of the people, one of which is by using regional revenues for capital expenditures. It can be used directly as a community or as a stakeholder. If taxes, levies, general distribution funds and special distributions are allocated for capital expenditure, it will affect community satisfaction with local government as a shareholder.

Local Own Revenue (PAD)

1. Definition of Regional Original Income (PAD)

Regional Original Revenue or hereinafter referred to as PAD. Is income generated by an area from local sources of income within its territory and collected based on regional regulations in accordance with regional regulations or applicable laws. The local revenue sector plays a very important role. Because through this sector, we can see how much the region can fund state activities and regional development (Baldric, 2017: 23) Local Own Revenue (PAD) is a source of regional income that can be used as a measure of regional economic performance. Based on Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments, Regional Original Revenue (PAD) is generated by the regions based on regional regulations in accordance with statutory regulations.

There are many ways to bring regional original income closer to or equal to potential income, but in general there are two ways to increase and maximize PAD. That is, improvement and expansion. That form of enhancement acts as retaliation. That is, calculate the potential as accurately as possible so that your income target can be close to that potential. The method of expansion is carried out by extracting taxable sources or acquiring new taxpayers. (Carunia, 2017: 30) As for the sources of local revenue (PAD) as stipulated in Law Article 6 paragraph (1) Law No. 33 of 2004 Article 6 paragraph (1), PAD can be sourced from; (1) Taxes Regional; (2) Regional Retribution; (3) Results of separated Regional wealth management; (4) Other legitimate PAD.

a. Local Tax Results

Regional taxes according to Law no. 34 of 2000 concerning Regional Taxes and Levies are obligatory contributions made by individuals or entities to the regions without a balanced direct reward, which can be enforced based on applicable laws and regulations, which are used to finance regional government administration.

b. Regional Retribution

Regional levies according to Law no. 34 of 2000 concerning Regional Taxes and Levies are regional levies as payment for certain services or permits specifically provided and or granted by the Regional Government for the benefit of individuals or entities.

c. Wealth Management Results

Regions separated Regional companies based on Law no. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, consisting of companies engaged in financial and banking services (BPD and Market Banks) and industry, agriculture, plantations and others.

2. The Role of Regional Original Revenue

In an effort to enlarge the role of local governments in development, local governments are required to be more independent in financing their household operations. The existence of rights, authorities and obligations given to the regions is an effort to increase the role of local governments in developing their regional potential by managing sources of regional income efficiently and effectively, especially Regional Original Revenue (PAD) itself. The main objective of the decentralization policy is on the one hand to support strategic national macro policies, and on the other hand decentralization will experience an important empowerment process by decentralizing government power to the provinces.

Local Tax

1. Definition of Regional Tax

Siahaan (2013: 9): regional taxes are taxes set by local governments with regional regulations (perda), whose collection authority is carried out by local governments and the proceeds are used to finance local government expenditures in implementing government administration and development in the regions. Mardiasmo (2011: 12) states that regional taxes are obligatory contributions made by individuals or entities to the region without a balanced direct reward, which can be implemented based on applicable laws and regulations that are used to finance local government administration. Regional Tax is a source of Regional Original Income (PAD) which is collected from the community without receiving direct compensation.

This is in accordance with Law Number 28 of 2009 concerning Regional Taxes and Regional Levies which states that regional taxes are mandatory contributions that can be enforced based on applicable laws and regulations that are used to finance regional governance and development. By exploring and increasing the potential of regional taxes in the regions and enabling PAD to be used later to build and improve people's welfare. Based on Law Number 34 of 2000 which amended Law Number 18 of 1997 concerning Indonesian Regional Taxes, it is divided into two areas, namely Regional Taxes and Regional/City Taxes. This division is made according to the authority responsible for the collection and collection of all types of local taxes in the state or district/city concerned.

2. Types of Local Taxes

According to Law no. 34 of 2000, there are two areas: local taxes and local taxes/city taxes. Based on Law Number 34 of 2000, there are 11 types of regional taxes, namely 4 types of regional taxes and 7 types of regional/city taxes. Local taxes include (1) vehicle tax and ship tax. (2) Travel expenses for cars and watercraft. (3) Car fuel tax. (4) Tax on taking and utilizing groundwater and surface water. For the second level of property tax, it consists of :

a. Hotel Tax

The imposition of hotel tax is not absolute in all districts/cities in Indonesia. This relates to the authority given to district/city governments. Therefore, in order to be charged in a district/city area, the local government must first issue a regional regulation on hotels. This regulation will become the operational legal basis for the technical implementation of the imposition and collection of hotel taxes in the regency/municipality concerned.

b. Restaurant tax

The object of restaurant tax is a service provided by a restaurant with payment. Included in the restaurant tax object are restaurants, cafes, bars, and the like. Services at restaurants/restaurants include the sale of food and/or drinks at restaurants/eateries, including the provision of sales of food/drinks that are delivered/takeaway.

c. Entertainment Tax

Tax for organizing entertainment which includes all kinds of shows, games, stunt games, and or crowds in whatever name and form that everyone watches or enjoys for a fee, excluding the collection of sports facilities.

d. Advertisement tax

Can be carried out by billboard organizers or advertising service companies registered with the district/city regional revenue service. Advertisements that are determined to be the object of advertisement tax include: board billboards, megatron billboards, cloth billboards, sticky billboards, leaflet billboards, walking billboards, aviation billboards, film billboards and demonstration billboards.

e. Street Lighting Tax

Tax consumption of electricity, provided that there is street lighting in the area, which is paid for by the local government. The use of electric power includes the use of electricity supplied by PLN and not PLN.

f. Tax on Extraction of Minerals C

Tax on the activity of extracting group C minerals in accordance with the applicable laws and regulations . Group C minerals include phosphate, nitrate, asbestos, alum, gemstones, marble, limestone and granite.

g. Parking Tax

Taxes imposed on the provision of off-street parking spaces by individuals or entities, whether provided in connection with the main business or provided as a business, including the provision of motorized vehicle storage or motorized vehicle garages that charge a fee or fee.

3. Local Tax Collection System

The local tax collection system can be divided into three systems (Mardiasmo, 2011: 7), namely as follows:

a. Official assessment system

A collection system that authorizes the government (fiskus) to determine the amount of tax payable by taxpayers .

b. Self Assessment System

A collection system that gives full authority to taxpayers to calculate, calculate, pay and report the amount of tax owed on their own.

Regional Retribution

1. Definition of Regional Retribution

Nurlan (2008: 35-36), regional levies regulated by Law of the Republic of Indonesia Number 28 of 2009, are regional levies as payment for services or granting certain permits issued/issued by local governments. Individual or group interests. Mursyidi (2009: 135) Regional fees are collected by the regional government for providing permits or services to individuals or business entities. Regional fees according to Law no. 34 of 2000 concerning Regional Taxes and Levies are regional levies as payment for certain services or permits specifically provided and or granted by the Regional Government for the benefit of individuals or entities.

2. Elements of Regional Retribution

There are four elements attached to the notion of retribution (Richard and Wirawan, 2004:6)

a. The collection of fees must be based on the law.
b. The nature of the collection can be forced.
c. Used for expenditure for the general public.
d. Contra-achievement (rewards) can be felt immediately

METHODOLOGY

The population and sample in this study are data taken from local taxes, regional levies and local revenue for North Sumatra for a six-year period, from 2016 to 2021. Data analysis technique is a method for carrying out data calculations in order to get answers from the problem formulation. The tests used in this research are the Classical Assumption Test and the Hypothesis Test. Where the classical assumption test consists of the Normality Test, Multicollinearity Test, Autocorrelation Test, and Heteroscedasticity Test. While the hypothesis test consists of Simultaneous Test (F Test), Partial Test (t-test) and Coefficient of Determination Test (R^2) . The type of data used in this study is secondary data where the data is obtained through intermediary media or information in an indirect way. The data source used in this study was taken from the old BPS of North Sumatra on November 28, 2022.

RESULTS AND DISCUSSIONS

Normality test

This test aims to determine whether the dependent variable and independent variable used in this study have a normal distribution or not. Whether or not the data used is normally distributed can be seen through the probability value which must be greater than 0.05. In this study, the results of the data Normality Test were **0.765923** which can be concluded that the data is normally distributed.

Multicollinearity Test

Multicollinearity test aims to determine whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between the independent variables. The test results can be seen from the value of *Variance Inflation Factors (VIF)* which is less than 10. In this study, the value of VIF **is 1.009176.** It can be concluded that there is no multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model has variance dissimilarity from the residuals to one another. The test results can be concluded through the prob chi-square probability value must be greater than 0.05. In this study the test results were **0.4495** . It can be concluded that the data used is free from heteroscedasticity .

Autocorrelation Test

The autocorrelation test aims to test whether there is a correlation between the confounding errors in the *t* - period and the interfering errors in the $_{t\text{-}1\ period}$. The test results can be seen that the chi-square probability value must be greater than 0.05. In this study the test results were **0.4157.** It can be concluded that the data in this study avoided autocorrelation symptoms.

T - Test

1. Variable X_1 (Regional Tax)

Based on the estimated model, the result is that the significance value is 0.0015. This means that the Regional Tax has a significant effect on the Increase in Regional Original Income of North Sumatra because the significance value is less than 0.05 with a positive relationship direction.

2. Variable X_2 (Regional Retribution)

Based on the estimated model, the results show that the significance value is 0.1568. This means that regional levies have no significant effect on the increase in North Sumatra regional original income because the significance value is greater than 0.05 with a positive relationship.

F-test

Based on the results of the test output through Eviews, the Prob(F-Statistic) value is 0.003279 <0.05. This shows that the variables Regional Taxes and Regional Levies together have an influence on increasing North Sumatra Regional Original Income, so that the regression model can be used to predict the dependent variable.

Coefficient of Determination

This test aims to measure the percentage of the total variation in the dependent variable that can be explained by the regression model. The calculation is intended to determine the good accuracy in the analysis indicated by the magnitude of the coefficient of determination R^2. It can be seen that the Adjusted R-squared value is 0.963215. This means that the variation of all independent variables (Regional Taxes and Regional Levies) can affect the dependent variable (Regional Original Income) of 96.32% and the remaining 3.68% is influenced by variables that cannot be studied.

The Effect of Local Taxes on Regional Original Income

From the regression results it can be seen that the regression coefficient value of 1.5690 indicates the amount of local tax input on the results of Regional

Own Revenue (PAD) of North Luwu Regency, which means an increase in local taxes every 1% assuming other inputs (regional levies) are constant, will increase revenue Regional Original (PAD) of 1.5690. According to Sunarto (2005: 15) "Regional taxes are taxes managed by regional governments, both provincial and district / city which are useful for supporting the receipt of regional original income and the results of these receipts are included in the APBD". Thus, there is a relationship between regional taxes and regional original income, namely if the amount of local tax revenue increases, the regional original income also increases.

The Effect of Regional Retribution on Regional Original Revenue

From the regression results it can be seen that the regression coefficient value of 56.19 indicates the amount of local tax input on the results of Regional Own Revenue (PAD) of North Luwu Regency, which means an increase in regional fees every 1% assuming other inputs (regional fees) are constant, will increase revenue Regional Original (PAD) of 56.19. Based on the theory explained by According to Darwin (2010: 166-167) regional levies are regional levies as payment for services or the granting of certain permits specifically provided or granted by the local government for the benefit of individuals or entities. According to Siahaan (2013: 6) explaining regional levies are regional levies as payment for services or granting certain permits specifically provided and or given by the local government for the benefit of individuals or entities .

CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the research that has been done, the conclusions that can be drawn are: 1) The increase in local taxes has an impact on the regional original income of North Sumatra Province in 2016 - 2021, because regional taxes contribute more than ninety percent of the original regional income of North Sumatra and 2) Regional levies have no impact on the regional original income of North Sumatra Province in 2016 - 2021, because regional levies contribute less than one percent of North Sumatra's original income in 2016 - 2021.

FURTHER STUDY

So far, development has been continuously carried out by the government which aims for the welfare of the people. Well, of course this requires a fairly large budget. To realize this development, it is necessary to explore sources of funds originating from within the country, namely taxes. Taxes are the dominant source of revenue in the state revenue and expenditure budget (APBN). Nearly 70% of government revenue comes from the tax sector. State income from year to year always increases, because people's living standards will increase if the budget also increases.

REFERENCES

Anggraini Vivi, Kusni Hidayati, Tri Lestari. The Effect of Regional Tax Revenue, Regional Retribution, and BUMD Profits on Regional Original Revenue (PAD) of Surabaya City. Vol. 3 Issue.3 (2017).

Bratakusumah, DS (2013). Autonomy of regional administration. Jakarta: Gramedia Pustaka Utama.

Da Costa, Andi Ernawati, and Muhammad Halim (2020). The Influence of Local Taxes and Special Allocation Funds on the Capital Expenditure Allocation of the Palopo City Government.

Fuad, Z. (2014). strategies for utilizing government-owned enterprises (BUMN and BUMD) in financing public works infrastructure. Center for Strategic Studies of the Ministry of Public Works.

Halim, A. (2013). Regional Financial Accounting (ed. 3) Koran. Jakarta: Salemba Empat

Anggoro, DD (2017). Regional Taxes and Regional Levies. UB Press

Yasser, H. Tituk Diah Widajantie (2022). The Effect of Regional Taxes and Regional Levies on Regional Original Revenues of East Java Province. MEA Scientific Journal. Vol 6 No 1.

Vika Saputri (2019). The Influence of Regional Taxes and Regional Levies on Regional Original Revenues of North Luwu Regency. Journal of Development Economics

Nugroho, IR (2020). The Influence of Regional Taxes and Regional Levies on Regional Original Income in Regencies/Cities of East Java Province. Journal of Accounting Science and Research, 9(9). Law of the Republic of Indonesia Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, Pub. L.No. 33 (2004).

Wenny Dhia Cherrya. 2000-2005. Analysis of the Effect of Regional Original Income (PAD) on Financial Performance in Regency and City Governments in the Province of South Sumatra

Sugianto. 2008. Regional Taxes and Levies (Management of Regional Governments in Financial Aspects, Regional Taxes and Levies). PT. Grasindo. Jakarta.

Samudra, Azhari A. 2015. Taxation in Indonesian Finance, Local Taxes and Levies. Printing 1. PT Rajagrafindo Persada, Jakarta.