



The Effectiveness of Local Taxes on Local Revenue of Bojonegoro Regency

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ABSTRACT

This study aims to examine the effectiveness of local taxes in Bojonegoro Regency in increasing local revenue. The data shows that the effectiveness of local taxes consistently exceeds 100%, indicating a very high level of effectiveness. The growth of local tax realization in real terms also shows a positive trend. Results and discussion include analysis of local tax effectiveness based on actual local tax data, comparison with previous research, research limitations, and deductive arguments. The conclusion contains a summary of the results and discussions that refers to the research objectives and suggestions for further research. In addition, this study presents a collection of academic journal articles focusing on consumer satisfaction, purchase decisions, and the impact of corporate brand symbolism on consumer satisfaction and loyalty. The article also includes tables with factor loadings for various measurement items relating to empathy, delivery service, reliability, brand image, product quality, price satisfaction, food quality, promotion satisfaction, and consumer hospitality. The research methodology uses quantitative methods with a descriptive approach, analyzing data from 2015 to 2019. Local tax effectiveness is calculated using a specific formula. This article aims to provide a deeper understanding of the impact of local taxes on local revenue and contribute to the literature on local tax effectiveness, particularly in the context of Bojonegoro Regency. Overall, this research offers insights into local tax effectiveness, its implications for local revenue, and broader implications for consumer satisfaction and loyalty in the context of corporate branding.

Kata Kunci: Efektivitas Pajak, Pajak Daerah, Pendapatan Asli Daerah.

ABSTRAK

Penelitian ini bertujuan untuk meneliti efektivitas pajak daerah di Kabupaten Bojonegoro dalam meningkatkan Pendapatan Asli Daerah (PAD). Data menunjukkan bahwa efektivitas pajak daerah secara konsisten melebihi 100%, menunjukkan tingkat efektivitas yang sangat tinggi. Pertumbuhan realisasi pajak daerah secara riil juga menunjukkan tren yang positif. Hasil dan pembahasan mencakup analisis efektivitas pajak daerah berdasarkan data aktual pajak daerah, perbandingan dengan penelitian terdahulu, keterbatasan penelitian, dan argumen deduktif. Kesimpulan berisi rangkuman dari hasil dan pembahasan yang mengacu pada tujuan penelitian, serta saran untuk penelitian selanjutnya. Selain itu, penelitian ini menyajikan kumpulan artikel jurnal akademis yang berfokus pada kepuasan konsumen, keputusan pembelian, dan dampak simbolisme merek perusahaan terhadap kepuasan dan loyalitas konsumen. Artikel ini juga menyertakan tabel dengan muatan faktor untuk berbagai item pengukuran yang berkaitan dengan empati, layanan pengiriman, keandalan, citra merek, kualitas produk, kepuasan harga, kualitas makanan, kepuasan promosi, dan keramahtamahan konsumen. Metodologi penelitian menggunakan metode kuantitatif dengan pendekatan deskriptif, menganalisis data dari tahun 2015-2019. Efektivitas pajak daerah dihitung dengan menggunakan rumus tertentu. Artikel ini bertujuan untuk memberikan pemahaman yang lebih dalam tentang dampak pajak daerah terhadap pendapatan daerah dan berkontribusi pada literatur tentang efektivitas pajak daerah, khususnya dalam konteks Kabupaten Bojonegoro. Secara keseluruhan, penelitian ini menawarkan wawasan tentang efektivitas pajak daerah dan implikasinya terhadap pendapatan asli daerah, serta implikasi yang lebih luas terhadap kepuasan dan loyalitas konsumen dalam konteks pencitraan perusahaan.

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INTRODUCTION

Fiscal decentralization is related to the degree of fiscal autonomy and responsibility given by the central government to local governments. "Fiscal decentralization has to do with the degree of fiscal autonomy and responsibility given to subnational governments" (Bahl & Linn, 1992). Meanwhile, according to Musgrave (1983) in (Ebel & Yilmaz, 1999) the real essence of decentralization is that local governments have the authority and responsibility to self-finance local services within a certain margin.

Public finance is the study of the economic activities of the government as a unit (Montemartini, 1958). In another view, Rosen & Gayer state that public finance is the study of the use of funds by the government to meet the payment of government activities. Therefore, the above definition makes the term public finance synonymous with the terms state finance, public economics, and public sector economics (Rosen & Gayer, 2008). In Rosen's view, "public finance is the branch of economics that studies the taxing and spending activities of government" (Rosen & Gayer, 2008). Public finance is the study of government intervention in regulating the marketplace. With a different view, according to the Continental orientation, public finance is the study of how society participates through political and fiscal institutions to achieve fiscal patterns and objectives (Rosen & Gayer, 2008).

The term public finance for economic studies in Indonesia usually uses the term state finance. In (Soetrisno, 1981) view, state finance is a science that studies or examines the expenditures and revenues made by the government and the state. Meanwhile, in the view of M. Suparmoko, state finance is a part of economics that studies government activities in the economic field, especially regarding revenues and expenditures along with their effects on the economy (Suparmoko, 2003). In a broad sense, the term "public" does not only describe government activities, but also describes "utilities" (which handle the needs or livelihoods of many people), and also the activities of charitable associations. The term "public finance" as explained earlier is interpreted in the narrow sense of "government finance", while the meaning of "finance", which describes all activities (government) in finding sources of funds (sources of funds) and then how these funds are used (uses of funds) to achieve government goals (Suparmoko, 2003).

Local taxes have an important role in increasing local revenue (Yahaya & Revoldai, 2020). Local taxes are the main source of local revenue in supporting development and community empowerment to improve the social welfare of local communities. Local taxes are the main pillar of revenue, and an in-depth understanding of the types of taxes, their administration, and their impact on society is crucial (Atikah, 2021).

Local tax is a mandatory contribution to the region owed by individuals or entities that is compelling based on the Law by not getting a direct reward and used for regional purposes for the greatest prosperity of the people (Mardiasmo, 2011). Tax collection has been regulated as Law No. 28 of 2007 concerning General Provisions and Tax Procedures which was later updated to Law No. 7 of 2021 concerning Harmonization of Tax Regulations (Jayabaya et al., 2023). Changes related to tax regulations are made so that the tax system can be more effective and efficient, in line with the development of globalization that demands competitiveness and can bring prosperity.

According to Law No. 1 of 2022 on Financial Relations between Central and Local Governments, there are 16 types of local taxes and the authority of the Local Government.

Seven of which are the authority of the Provincial Government and nine of which are the authority of the Regency / City Government are as follows:

- A. Taxes levied by the Provincial Government:
 1. Motor Vehicle Tax (PKB)
 2. Motor Vehicle Title Transfer Fee (BBNKB)
 3. Heavy Equipment Tax (PAB)
 4. Motor Vehicle Fuel Tax (PBBB)
 5. Cigarette Tax
 6. Tax on Non-Metallic Minerals and Rocks (MLB) "Opsen"
- B. Taxes levied by the Regency/City Government:
 1. Rural and Urban Land and Building Tax (PBB-P2)
 2. Fees on Acquisition of Land and Building Rights (BPHTB)
 3. Specific Goods and Services Tax (PBT)
 4. Billboard Tax
 5. Groundwater Tax (PAT)
 6. Non-metallic Mineral and Rock Tax (MLB)
 7. Swallow Nest Tax
 8. Motorized Vehicle Tax (PKB) "Opsen"
 9. Motor Vehicle Title Transfer Fee (BBNKB) "Opsen"

In recent years, local tax effectiveness has become a major focus in efforts to increase local revenue. Tax effectiveness plays a crucial role in managing local government finances (Pandelaki et al., 2021). Revenue generated from taxes is the backbone of state finances, enabling the government to finance various development programs and public services (Maulina et al., 2021). An effective tax system not only creates adequate revenue but also promotes wealth distribution and supports sustainable economic growth (Kurniawan, 2019). By using the right redistribution instruments, taxes can be a tool to reduce economic inequality and improve people's welfare.

In addition, tax effectiveness plays an important role in creating fiscal order, providing certainty to economic actors, and overcoming budget deficits. (Setiady, 2023). Local tax effectiveness is one of the important indicators in evaluating the financial performance of a region. Local taxes are the main source of revenue for local governments to finance various development programs and activities. Therefore, it is important to analyze the extent to which local taxes are effective in generating optimal revenue.

First of all, local tax effectiveness can be measured by comparing tax realization with the predetermined tax target. The formula for calculating the effectiveness of local taxes is by dividing the tax realization by the tax target, then multiplying by 100%. Financial performance effectiveness criteria are determined based on the percentage of financial performance achieved. A percentage above 100% indicates an excellent level of effectiveness, while a percentage below 60% indicates a low level of effectiveness. Furthermore, the analysis of local tax effectiveness also involves the growth of tax realization from year to year.

The growth of local tax realization shows the extent to which local taxes have succeeded in increasing local revenue over time. Positive growth indicates an increase in effectiveness in collecting taxes, while negative growth indicates obstacles or constraints in tax collection. In addition, the effectiveness of local taxes can also be seen from the level of

taxpayer compliance in paying taxes. A high level of compliance indicates the awareness and obedience of taxpayers in fulfilling their obligations so that taxes can be collected properly. Conversely, a low level of compliance can be an indication of a problem in the local taxation system, such as a lack of socialization regarding the benefits of paying taxes for regional development.

This research was conducted in Bojonegoro Regency with several considerations. First, Bojonegoro Regency has the highest regional revenue in Indonesia in fiscal year 2022 with a revenue realization achievement of 137%. Second, Bojonegoro Regency has a total APBD of IDR. 7.4 Trillion and is ranked second in the region with the largest APBD in East Java after Surabaya City in the first position. This indicates that the funds collected from taxes and other sources of income have exceeded the predetermined achievement targets so that various development programs, such as infrastructure improvements to the development of Human Resources (HR) in Bojonegoro Regency through scholarship programs for the community. (Bojonegoro Regency Government, 2023b). Therefore, this study aims to evaluate the effectiveness of local taxes in increasing Bojonegoro Regency's local revenue. This research is expected to provide a deeper understanding of the impact of local taxes on local income and provide valuable insights for policymakers in formulating more effective tax policies.

The research conducted by (Oktaviani et al., 2022) focused on analyzing macroeconomic factors such as inflation, population density, the number of hotels, and the number of tourists that affect local revenue (PAD) in Yogyakarta Special Region Province from 2016 to 2020. In contrast, research in Italy conducted by (Marattin et al., 2022) examined the impact of federal transfer cuts on tax and spending decisions in local governments, finding that local governments prefer to increase local taxes, especially property taxes, rather than reduce spending, and taking into account political factors such as electoral competition and party fragmentation. Meanwhile, research in Central Java Province from 2013 to 2019 used panel data and fixed effects methods to analyze the influence of population and Gross Regional Domestic Product (GRDP) on PAD (Nisa & Bahari, 2022). In Bojonegoro Regency, research conducted from 2018 to 2022 assessed the effectiveness of local taxes in increasing local revenue, showing that the effectiveness of local taxes exceeded 100% and highlighting the importance of local taxes as a major source of revenue for regional development and community welfare, providing insights for policymakers in tax policy improvement.

In addition, this research is also expected to contribute to the academic literature on the effectiveness of local taxes, especially in the context of Bojonegoro Regency. Thus, this research is expected to provide significant benefits for developing local tax policies in Bojonegoro Regency and other regions.

RESEARCH METHODS

This research uses quantitative methods with a descriptive approach. Descriptive research is a method used to describe or describe what actually happened in the process of conducting research. (Iswanto et al., 2021). The data source used is secondary data in the form of time series data taken periodically. The data used in this study is in the form of data on the target and realization of revenue from the Bojonegoro Regency Regional Original

Revenue during the 2015-2019 period. This research analysis method uses effectiveness analysis with the following formula:

Effectiveness calculation formula:

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

Source: (Abdul Halim, 2004)

Then, to find out how much the level of effectiveness of local taxes on local revenue (PAD) has been adjusted according to the following financial performance effectiveness criteria:

Table 1.

Financial Performance Effectiveness Criteria

Percentage of Financial Performance	Criteria
> 100%	Highly Effective
90% - 100%	Effective
80% - 90%	Effective Enough
60% - 80%	Less Effective
< 60%	Ineffective

Source: Decree of the Minister of Home Affairs Number 690.900.327 of 1996 on Guidelines for Financial Performance Assessment, n.d.

The ability of the region to carry out its duties is categorized as effective if the resulting ratio reaches a minimum of 90%. The higher the effectiveness ratio, the better the regional capacity.

RESULT AND DISCUSSION

Local tax effectiveness is one of the important indicators in evaluating the financial performance of a region. The formula for calculating the effectiveness of local taxes is by dividing the tax realization by the tax target, then multiplying by 100%. Financial performance effectiveness criteria are determined based on the percentage of financial performance achieved. A percentage above 100% indicates an excellent level of effectiveness, while a percentage below 60% indicates a low level of effectiveness.

The level of effectiveness of local taxes in Bojonegoro Regency can be calculated by using the comparison between the realization of local tax revenue and the target of local tax revenue (Widhis Anugerah et al., 2023). The results of this calculation show how much the effectiveness ratio of Bojonegoro Regency's local taxes is expressed in the form of a presentation (Maharani & Sari, 2021). Bojonegoro Regency local tax revenue has 13 kinds of tax revenue including Hotel Tax, PPB-P2, Restaurant Tax, Entertainment Tax, Billboard Tax, Street Lighting Tax, Non-Metal and Rock Mineral Tax, BPHTB, Bird's Nest Tax, Underground Water Tax, Parking Tax, Billboard Tax, Restaurant Tax (Bojonegoro Regency Government, 2023a). The following is the calculation of the percentage of effectiveness of local taxes in Bojonegoro Regency:

Table 2.
Bojonegoro Regency Local Tax Effectiveness Percentage

Year	Target (IDR)	Realization (IDR)	Realization towards Target	Criteria
2018	374.561.070.777,81	424.019.658.906,41	113%	Highly Effective
2019	530.438.101.233,74	558.959.871.222,10	105%	Highly Effective
2020	568.571.571.749,33	720.841.696.545,25	127%	Highly Effective
2021	912.984.095.584,00	955.627.986.619,39	104,67%	Highly Effective
2022	824.411.705.824,00	804.007.473.047,71	98%	Effective

Source: Management of Local Tax Collection By Institution of Regional Income Bojonegoro Regency (2023)

Based on the data above, it can be seen that in 2018 the realization of local taxes was IDR. 424,019,658,906.41 and the realization against the target was 113% which was categorized as very effective. In 2019 the realization of local taxes amounted to IDR. 558,959,871,222.10 and the realization against the target of 105% were categorized as very effective. Then in 2020, the realization of local taxes was IDR. 568,571,571,749.33 and the realization against the target of 127% were categorized as very effective. Furthermore, in 2021 the realization of local taxes was IDR. 955,627,986,619.39 and the realization against the target of 104.67% were categorized as very effective. Finally, in 2022 the realization of local taxes was IDR. 804,007,473,047.71 and the realization against the target of 98% was categorized as effective.

The data also indicates fluctuations over the past five years. From 2020 to 2021 there was a decrease of 22.33% caused by the emergence of the Covid-19 pandemic which had an impact on all sectors. Even though the realization has exceeded the target, the percentage growth in realization has decreased significantly. In 2021 to 2022 the realization also decreased by 6.67% due to the impact of the pandemic on the economic and social sectors still felt by the community.

Table 3.
Bojonegoro Regency Local Tax Realization Growth

Year	Target (IDR)	Realization (IDR)	Realization towards Target	Target Growth	Realization Growth
2018	374.561.070.777,81	424.019.658.906,41	113%	-14%	-7%

2019	530.438.101.233,74	558.959.871.222,10	105%	42%	32%
2020	568.571.571.749,33	720.841.696.545,25	127%	7%	29%
2021	912.984.095.584,00	955.627.986.619,39	104,67%	61%	33%
2022	824.411.705.824,00	804.007.473.047,71	98%	-10%	-16%

Sumber: Management of Local Tax Collection By Institution of Regional Income
Bojonegoro

Based on the data above, it can be seen that the realization of local taxes in 2018 was IDR. 424,019,658,906.41 and the realization growth was -7%. Furthermore, in 2019 the realization of local taxes amounted to IDR. 558,959,871,222.10 and the realization growth was 32%. Then the realization of local taxes in 2020 amounted to IDR. 720,841,696,545.25 and the realization growth was 29%. Then in 2021, the realization of local taxes amounted to IDR. 955,627,986,619.39 and the realization growth was 33%. And finally, the realization of local taxes in 2022 amounted to IDR. 804,007,473,047.71 and experienced a decrease in the growth of local tax realization by 49% so the growth of local tax realization was -16%.

The highest realization over the past five years occurred in 2019, at 33%. This is based on the existence of various government programs in national economic recovery both on a regency/city and provincial scale in economic development. Despite the pandemic in 2020-2021 which has an impact on all sectors, the growth of local tax realization is still at 32% and 29%. This means that the government has implemented tax collection effectively and the government has succeeded in maintaining economic stability during the pandemic in the taxation sector (Abumere, 2023).

The implications based on the results of the study indicate that the effectiveness of local taxes in Bojonegoro Regency is significantly high, consistently exceeding 100%. This suggests a strong capacity for the region to generate revenue through local taxation, which is crucial for local development and public welfare. The findings highlight the importance of local taxes as a primary source of revenue, which can inform policymakers in developing strategies to enhance tax compliance and optimize revenue generation. Additionally, the research contributes to the academic literature on local tax effectiveness, providing insights that could be beneficial for other regions facing similar challenges in tax revenue generation.

CONCLUSIONS

Local tax effectiveness is obtained through a comparison between tax realization and tax target then multiplied by one hundred percent. The higher the percentage of tax realization against the targeted amount, the more effective the tax is. Tax realization is influenced by several factors such as taxpayer compliance, regional socio-economic conditions, regulations, and changes in the structure of local government work units. It can be concluded that the effectiveness of Bojonegoro Regency Regional Tax in 2018-2022 is classified as very effective with an average of 109.53%. However, there was a decrease in the growth of local tax realization in 2022 due to the impact of the Covid-19 pandemic.

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