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### The Effectiveness and the Contribution of Regional Taxes for Regional Original Income in Ex-Karesidenan Madiun

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#### ABSTRACT

The establishment and regional development require the availability of large funds; therefore, it is necessary to maximize the sources of regional acceptance. The region of East Java West that has a potential source of regional income that is quite a lot derived from regional tax funds that function to be able to further improve the system and mechanism of development of autonomous regions. The focus of this research is knowing the effectiveness and contribution of regional taxes on regional indigenous revenue. This research was conducted in the local government of the ex-karesidenan Madiun. The data used in this research is secondary data. Data is analysed quantitatively. The Data was analysed by using tax effectiveness analysis, analysis of tax contributions, and then classified based on the effectiveness and contribution of local taxes. The result of regional tax effectiveness assessment can be concluded that the regional tax effectiveness for three years shows maximum results with very effective criteria, because of the effect given to the targets that want to was declared more than 100%. Local tax contributions can be concluded that regional tax contributions to indigenous revenue in the Western East Java region for three years contributed to the criteria of 20%-30% of the regional original revenue. The highest regional tax in the year 2015 – 2017 is found by the Revenue Board of Kota Madiun. While the lowest level of regional tax contribution in 2015-2016 is on the local revenue board of Ngawi and in 2017 is on the Regional Revenue Board of Ponorogo.

#### INTRODUCTION

Regional autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the system of the Republic of Indonesia in accordance with statutory regulations. The statement is in accordance with general provisions in Constitution No.23 of 2014 concerning Regional Government. The consequence of carrying out

regional autonomy is that each region must strive to increase the source of local revenue so that it is able to finance government operations and further improve the quantity and quality of services to the community.

According to Siregar (2015:3), the most important public sector organization is government. Halim, et al (2013: 3) state public sector accounting is a process of identifying, measuring, recording and reporting economic

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(financial) transactions of an organization or public entity such as government, NGOs, and others that serve as information in order to make decisions economy by parties who need it.

Constitution Number 23 of 2014 concerning Regional Government states that regional autonomy is the right, authority and obligation of autonomous regions to regulate and administer Government Affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia. Adisasmita (2011: 27) states that regional autonomy is (1) Regional authority to regulate and manage the interests of local communities according to their own initiatives based on community aspirations in accordance with statutory regulations, (2) The legal community unit that has certain regional boundaries has the authority to regulate and take care of the interests of the local community according to their own initiatives based on the aspirations of the people in the ties of the Unitary Republic of Indonesia.

Sumarsan (2010: 3) states that tax is a public contribution to the state (which can be forced) owed by those who are obliged to pay it according to general regulations (laws) by not getting a performance that can be directly appointed and the purpose is to finance public expenditures related to the duty of the state to administer government. Official (2011: 1) explains that taxes are people's contributions to the state treasury based on the Act (which can be forced) by not getting reciprocal services (contra-performance) which can be directly shown, and which are used to pay public expenses.

Regional government financing sourced from local revenue must be managed more efficiently and effectively by local governments. In line with the demands of development and the provision of services to the community and efforts to increase regional economic growth today, it is very necessary to provide adequate sources of local revenue.

The ex-Karesidenan Madiun is an autonomous region consisting of 5 districts and 1 city. Implementation and development of the region requires the availability of large funds, and therefore it is necessary to maximize the sources of regional revenue. The Western East Java Region which has a considerable source of regional income originating from regional tax funds whose function is to further enhance the system and mechanism of autonomous regional development.

Implementation and development of the region requires the availability of large funds, and therefore it is necessary to maximize the sources of regional revenue. Based on the background above, the authors formulate a problem namely how to assess the level of tax effectiveness as a

source of Regional Original Revenue (PAD) of East Java Region in the West 2015-2017 and the contribution of Regional Tax on Regional Original Revenue (PAD) of the East Java Region in the West 2015-2017.

Limitation of the problem regarding the object of research used is the Regional Revenue Agency of West Java Region which includes: Kota Madiun, Kabupaten Madiun, Kabupaten Magetan, Kabupaten Ngawi, Kabupaten Pacitan and Kabupaten Ponorogo. Local taxes in the Western East Java Region include: hotel tax, restaurant tax, entertainment tax, advertisement tax, street lighting tax, parking tax, ground water tax, swallow bird nest tax, nonmetallic mineral and rock tax, land tax and buildings and fees for the acquisition of land and building rights.

### **MATERIALS AND METHODS**

The object of this research is the 2015-2017 local tax collection at the Regional Revenue Agency in Ex-Karesidenan Madiun. The West Java region levies local tax types which include hotel taxes, restaurant taxes, entertainment taxes, advertisement taxes, street lighting taxes, parking taxes, ground water taxes, swallow nest taxes, non-metallic mineral and rock taxes, land and building taxes, as well as land and building rights acquisition fees. This research was conducted at the Regional Revenue Agency in the West Java Region which covers Kota Madiun, Kabupaten Madiun, Kabupaten Magetan, Kabupaten Ngawi, Kabupaten Pacitan and Kabupaten Ponorogo.

To obtain precise and accurate information as a foundation in this study, the authors use secondary data. Nazir (2013: 50) explains that secondary data is a record of events, or records that are far away from the original source. Secondary data needed is in the form of: Local tax realization data, Tax target data, and actual local revenue realization data for 2015-2017 in Kota Madiun, Kabupaten Madiun, Kabupaten Magetan, Kabupaten Ngawi, Kabupaten Pacitan and Kabupaten Ponorogo.

### **RESULTS AND DISCUSSION**

The effectiveness of local taxes in Kota Madiun in 2015 was 120.17%. This shows that the realization of the local tax revenue collected by Regional Revenue Agency of Kota Madiun in 2015 could exceed the target set. The effectiveness of local taxes in 2016 amounted to 112.36%. This shows that the realization of local tax revenue collected by the Regional Revenue Agency of Kota Madiun in that year could exceed the target set. In 2016 the effectiveness of local taxes decreased by 7.81% from 2015. All tax revenue collected by the Regional Revenue

Agency of Kota Madiun in 2017 could exceed the predetermined targets with very effective criteria.

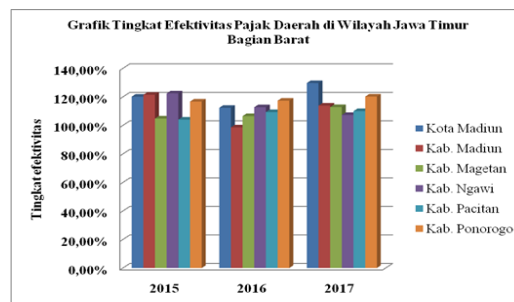
The effectiveness of local taxes in Kabupaten Madiun in 2015 was 121.46%. In 2016 the effectiveness of local taxes decreased by 22.83% from 2015. The effectiveness of local taxes in 2017 was 113.87%. This shows that the realization of the local tax revenue collected by the District Revenue Agency of Madiun in 2017 can exceed the target set. In 2017 the effectiveness of local taxes increased by 15.24% from 2016.

The effectiveness of local tax in Kabupaten Magetan in 2015 was 104.82%. The effectiveness of local taxes in 2016 amounted to 106.54%. In 2016 the effectiveness of local taxes increased by 1.72% from 2015. The effectiveness of local taxes in 2017 amounted to 112.82%. This shows that the realization of local tax revenue collected by the Magetan Regency Revenue Agency in 2016 could exceed the target set. In 2016 the effectiveness of local taxes increased by 6.28% from 2016.

The effectiveness of local tax in Kabupaten Ngawi in 2015 was 122.48%. The effectiveness of local taxes in 2016 amounted to 112.77%. In 2016 the effectiveness of local taxes decreased 9.71% from 2015. The effectiveness of local taxes in 2017 amounted to 107.32%. The swallow nest tax plays the highest level of effectiveness with a yield of 134.55%, which previously in 2016 the highest level of effectiveness was held by restaurant tax. Street lighting tax is the lowest level of effectiveness with a yield of 89.21%. This is because the taxpayer is late or does not pay restaurant taxes.

The effectiveness of local taxes in Kabupaten Pacitan in 2015 was 104.08%. The effectiveness of local taxes in 2016 amounted to 109.36%. In 2016 the effectiveness of local taxes increased by 5.28% from 2015. The effectiveness of local taxes in 2017 was 110.00%. This shows that the realization of local tax revenue collected by the Pacitan Regency Regional Revenue Agency in 2017 can exceed the target set. In 2016 the effectiveness of local taxes increased by 0.64% from 2016.

The effectiveness of local taxes in Kabupaten Ponorogo in 2015 was 116.72%. The effectiveness of local taxes in 2016 amounted to 117.33%. This shows that the realization of local tax revenue collected by the Regional Revenue Agency of Kabupaten Ponorogo in that year could exceed the target set. In 2016 the effectiveness of local taxes increased by 0.61% from 2015. The effectiveness of local taxes in 2017 amounted to 120.20%.



**Figure 1 Effectiveness of Local Taxes in the Ex-Residency of Madiun**

The contribution of local taxes in Kota Madiun in 2015 amounted to 35.79%, in 2016 amounted to 32.90% decreased 2.89%, and in 2017 amounted to 25.15% decreased 7.75%. The largest contribution of regional tax in 2015 reached 35.79%, while the lowest contribution of regional tax in 2017 was 21.15%.

The contribution of local taxes in Kabupaten Madiun in 2015 amounted to 24.44%, in 2016 amounted to 26.19% increased 2.89%, and in 2017 amounted to 20.61% decreased 5.58%. The highest contribution of regional tax in 2016 reached 26.19%, while the lowest contribution of local tax in 2017 was 20.61%.

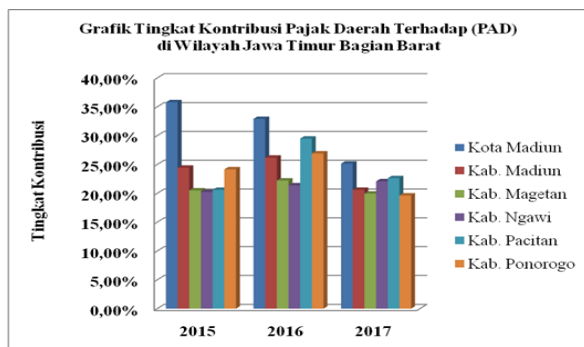
The contribution of local tax in Kabupaten Magetan in 2015 amounted to 20.51%, in 2016 amounted to 26.19% increased 1.70%, and in 2017 amounted to 19.95% decreased 2.26%. The highest contribution of regional tax in 2016 reached 22.21% while the lowest contribution of local tax in 2017 was 19.95%.

The contribution of local taxes in Kabupaten Ngawi in 2015 amounted to 20.22%, in 2016 amounted to 21.39% increased 1.17%, and in 2017 amounted to 22.08% an increase of 0.69%. The highest contribution of regional tax in 2017 reached 22.08% while the lowest contribution of local tax in 2015 was 20.22%. The contribution of the Kabupaten Ngawi tax for three years is included in the medium criteria.

The level of local tax contribution collected by the Regional Revenue Agency of Kabupaten Pacitan over the past three years, from 2015 to 2017, shows the influence of local tax collection on local revenue. The contribution of local taxes in 2015 amounted to 20.59%, in 2016 amounted to 29.46% increased 8.90%, and in 2017 amounted to 22.62% decreased 6.87%. The highest contribution of regional tax in 2016 reached 29.46% while the lowest contribution of local tax in 2015 was 20.59%.

The level of local tax contribution collected by the Regional Revenue Agency of Ponorogo Regency during the last three years, namely in 2015 to 2017 shows in 2015 amounted to 24.15%, in 2016 amounted to 26.91% an

increase of 2.76%, and in 2017 amounted to 19.63% decreased 7.28% the highest was in 2016 reached 26.91%, while the lowest contribution of local taxes was in 2017 amounted to 19.63%.



**Figure 2: Level of Local Tax Contribution to PAD in the Madiun Residency**

In the early 2019 researchers conducted primary data collection from the sample the researchers chose. The data acquisition was done by conducting interviews with each BPKAD respondent. Researchers conducted interviews in four districts and one city Ex-Karesidenan Madiun, namely Kota Madiun, Kabupaten Madiun, Kabupaten Magetan, Kabupaten Ngawi, Kabupaten Pacitan and Kabupaten Ponorogo.

Interviews in Kota Madiun were conducted by researchers with BPKAD respondents in accounting. The interview results stated that BPKAD synchronized work programs according to the mayor's work program as a basis for determining income. BPKAD Kota Madiun handles retribution while taxes are issued by Bapenda. The BPKAD of Madiun City specifically handles the leasing of local government assets. Examples of Suncity, Plaza Lawu, Carrefour. The Madiun City parking tax reaches around 500 million. The development of hospital revenue in 2013 around 13 billion is now 80 billion. Growth tax is getting better from year to year. Supported by the hotel sector.

Unlike BPKAD in Kota Madiun City, Kabupaten Madiun has other income potentials. In Madiun district, taxes and levies are managed by Bapenda, while administration and records relating to PAD are to BPKAD. For potential it cannot be known by BPKAD in Kabupaten Madiun because it does not manage directly. Because there is an office move that is becoming neater and more organized, management is also better.

Ngawi Regency has income potential from market and terminal user fees. For the tax sector, the potential income is in the PBHTB and PBB. Then also the subscription parking, there is an MoU between BAPENDA and the Polres paid including vehicle tax. Ngawi, income is relatively small, but efforts are made to increase. In certain objects the local government does not get a contribution because the assets are owned by other parties (for example: Benteng Pendem tourism objects owned by the TNI). Efforts to explore potential are proactively approaching new objects with an approach first, then recorded, analysed, then action is taken.

## CONCLUSIONS AND SUGGESTION

The conclusions from the research at BPKAD in the Ex-Karesidenan of Madiun show that the contribution of local taxes to local original income in the West Java Region for three years contributed moderately to the criteria of 20% - 30% of regional own-source revenues. The highest Local Tax in 2015 - 2017 is found by the Revenue Agency of Kota Madiun. While the lowest level of Local Tax contribution in 2015-2016 is in the Regional Revenue Agency of Kabupaten Ngawi and in 2017 is in the Regional Revenue Agency of Kabupaten Ponorogo. The local government is trying to be proactive to explore the potential in the context of increasing local revenue.

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