

The role of local taxes on regional development in Jambi Province

Siti Hodijah

Development Economics Department, Faculty of Economics and Business,
University of Jambi

Correspondence e-mail: sitihodijahfdl@yahoo.co.id

Abstract

Regional tax is a compulsory duty made by an individual or entity to a region without equal direct repayment that can be enforced under applicable legislation, which is used to finance the administration of local government and regional development. The role of local taxes is to assist the development of APBD (Local Government Budget) activities. Local governments are also exploring new local taxes annually that can be used for regional expenditure. This research was conducted in Jambi Province. This research uses descriptive method that the data obtained then arranged in such a way and analyzed correctly based on theory relevant to the problem. From the research results obtained growth of Jambi provincial tax in 2011-2015 fluctuate and tend to increase. Local tax contribution on Jambi provincial expenditure has decreased from year to year.

Keywords: Local Tax, Regional Expenditure, Regional Development

INTRODUCTION

Since of the existence of regional autonomy in 1999, each region is expected as far as possible to meet the needs of development financing in the region by using the sources of local own revenue. This is in line with the spirit of regional autonomy that in the implementation of autonomy, the region is required to be able to meet its financial needs independently. The greater the financial capacity of the region, the greater the degree of independence and the less the level of dependence on the central government.

The main characteristics of a region capable of implementing regional autonomy are: (1) regional financial capacity, which means the region has the ability and authority to explore financial resources, manage and use its own finances to finance its administration; (2) dependence on the largest financial resources supported by the central and local government financial balancing policies as a prerequisite in the system of state government. In other words, the successful development of regional autonomy can be seen from the degree of regional fiscal autonomy that is the ratio between PAD with the total revenue of its APBD (Local Government Budget) is increasing (Soamole, 2015).

In order to improve the region's independence, all of the regions in Indonesia are employ to explore sources of financing originating from their own regions. In this concern, local taxes become one of the sources of local revenue that has a significant role. This fact is in line with the opinion of Samrotun and Kustiyah (2015) which states that the tax is one source of local revenue that has a very important role in the implementation of development in the region.

Local tax is a levy by the local government to the local taxpayer without any direct contracting that can be received by the taxpayer for the tax payment. Local tax

laws have been amended several times. Legislation in the field of local taxes, among others, Law no. 11 Drt Year 1957 on the General Regulation of Local Taxes, Law no. 18 of 1997 on Regional Taxes and Levies, Law no. Law No. 34 of 2000 on Amendment to Law no. 18 of 1997 on Regional Tax and Levy. Then in 2009 the government issued Law no. 28 of 2009 on Regional Taxes and Levies to replace Law no. 34 of 2000. In the Law no. 28 of 2009 on Regional Taxes and Regional Retributions, provincial taxes consist of: (Mahmudi, 2010).

The tax types of the province consist of: 1) Vehicle tax, 2) Transfer of Motor Vehicle Title Fee; 3) Motor Vehicle Fuel Tax; 4) Surface Water Tax; 5) Cigarette Tax. Funds collected from taxes used for development can be seen from tax contributions to development spending. Development expenditure is the expenditure used to carry out development and its benefits tend to exceed one budget year and will increase the assets or wealth of the region. Implementation of budgetair function is with the inclusion of taxes in the APBD (Mardiasmo, 2011). The greater the contribution taxes make to development spending, the greater the tax role in regional development.

In practice, however, increased development financing needs are less rapid than revenue growth from the tax sector. This is as found in the research Is (2013) which examines the role of Local Taxes and Levies on the Department of Revenue Management and Finance Rokan Hulu Regency. This research also found that from 10 types of Regional Tax which is the authority of Regency/City Government as regulated in Local Tax and Levy Law, Rokan Hulu Regency Government only apply 9 Local Taxes and from 27 types of Regional Levies which become the authority of Regency / City as stipulated in the Regional Tax and Levy Act, the Government of Rokan Hulu Regency has only applied 20 types of regional levies, meaning that there are still 7 types of regional levies that have not been applied in Rokan Hulu regency. This is what causes the revenue from the local tax sector is still not optimal so can not contribute significantly to the financing of development in Rokan Hulu Regency.

As long as with previous study was conducted by Is (2013), this paper aims to investigate the rate of growth of local taxes in Jambi Province and see the contribution of local taxes to the regional budget in Jambi Province in 2011-2015

METHODS

This research was conducted in Jambi Province. The data used are secondary data obtained from related parties such as Central Bureau of Statistics (BPS) of Jambi Province. The data and information collected are time series data for the period of 2011-2015. The data analysis used as follows;

To know the description of the development of Local Taxes in Jambi Province in the year used the formula:

$$PPD = \frac{PD_t^r - PD_{t-1}^r}{PD_{t-1}^r} \times 100 \%$$

Where :

- PPD : Growth of Local Taxes
- PD_t^r : Local Tax of the year concerned
- PD_{t-1}^r : Local Tax of the previous year

To know the description of tax variable contribution to capital expenditure used the following contribution formula:

$$KTax_i = \frac{\sum Tax_i}{\sum Regional Expenditure_i} \times 100 \%$$

Where :

- $KSPAD_i$: Tax Contributions in year i
- $SPAD_i$: Tax Amount in year i
- $\sum PAD_i$: Total Regional Expenditure in year i

RESULTS AND DISCUSSION

Growth rate of local taxes Jambi Province Year 2011-2015

Local taxes are a source of PAD which contributes greatly from year to year, following the realization of Jambi provincial tax in 2011-2015.

Table 1. Realization of local taxes Jambi Province Year 2011-2015

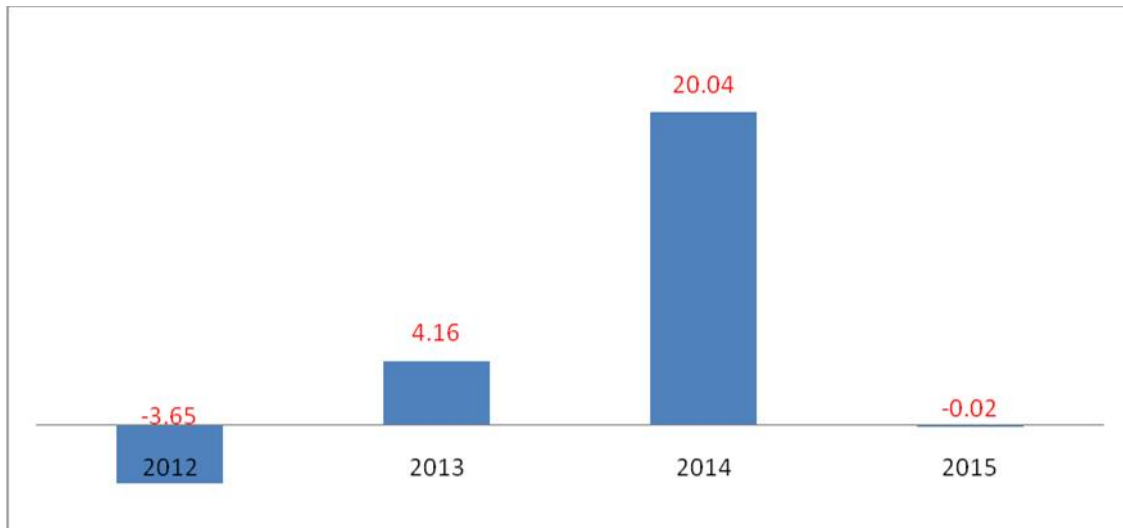
Tahun	Sumber Pajak	Realisasi (Rp)	Realisasi Pajak (Rp)
2011	Vehicle Tax	257.250.390.702.00	838.851.529.199.00
	Vehicle Tax on Water (PKDA)	67.777.300.00	
	Transfer of Motor Vehicle Title Fee (BBN-KB)	396.544.939.977.00	
	Transfer of Vehicle Duty Above Water (BBN - KDA)	1.821.100.00	
	Motor Vehicle Fuel Tax (PBB - KB)	183.844.593.314.00	
	Surface Water Tax	1.142.006.806.00	
2012	Vehicle Tax	274.997.858.908.00	808.258.511.161.00
	Transfer of Motor Vehicle Title Fee (BBN-KB)	330.686.924.900.00	
	Motor Vehicle Fuel Tax (PBB - KB)	201.536.633.029.00	
	Surface Water Tax	1.037.094.324.00	
2013	Vehicle Tax	299.115.576.871.00	841.884.751.200.00
	Transfer of Motor Vehicle Title Fee (BBN-KB)	301.258.119.575.00	
	Motor Vehicle Fuel Tax (PBB - KB)	240.371.585.823.00	
	Surface Water Tax	1.139.468.931.00	
2014	Vehicle Tax	318.466.618.198.00	1.010.560.585.180.50
	Transfer of Motor Vehicle Title Fee (BBN-KB)	316.823.957.130.00	
	Motor Vehicle Fuel Tax (PBB - KB)	275.881.206.722.50	
	Surface Water Tax	1.191.753.673.00	
	Cigarette Tax	98.197.049.457.00	
2015	Vehicle Tax	321.804.013.917.00	1.010.318.979.969.00
	Transfer of Motor Vehicle Title Fee (BBN-KB)	270.301.438.650.00	
	Motor Vehicle Fuel Tax (PBB - KB)	282.231.166.893.00	
	Surface Water Tax	1.209.826.550.00	
	Cigarette Tax	134.772.533.959.00	

Source: DISPENDA Jambi Province

Based on the Table 1 show that the realization of Jambi provincial tax in 2011-2015 is very fluctuating. In 2011, the realization of the number of local taxes that is Rp 838,851,529,199.00. In 2012, the tax realization of Jambi province show that is decreased up to Rp 808.258.511.161.00, due to one of the components of the tax, namely the Vehicle Tax on Water (PKDA) was abolished. Meanwhile, inn 2013, the realization of the number of local taxes increased till to Rp 841.884.751.200.00 this is due to a significant increase in the tax source of Motor Vehicle Tax and Vehicle Fuel

Tax (PBB - KB). In 2014 the realization of local taxes has increased significantly to be Rp 1,010,560,585,180.50 this is due to the new tax source of cigarette taxes that contribute Rp 98.197.049.457.00 to local taxes. In 2015 local taxes decreased to Rp 1,010,318,979,969.00 this is due to a decrease in one of the sources of tax revenues, namely the tax on transfer of title of motor vehicle (BBN - KB).

The development of tax realization can be seen on the growth chart of the province of Jambi following.



Graph 1. Growth realization of local taxes Jambi Province Year 2012-2015

From the graph above, it can be seen that the growth rate of Jambi Province tax in 2012 has decreased by 3.65 percent, this decrease is caused by one of tax source that is Vehicle Tax on Water (PKDA) is abolished so that impact to tax revenue in Jambi province in 2012. Year 2013 the provincial tax of Jambi increased by 4.16 percent. This increase was contributed to the Sub Vehicle Tax which increased by 8.77 percent from the previous year. In 2014 the rate of growth of local taxes is very significant at 20.04 percent, this is due to the addition of a local tax source that is a cigarette tax that contributes greatly to local taxes of 9.72 percent. In 2015, Jambi Province tax decreased by 0.02 percent due to a significant decrease in the tax on Transfer of Motor Vehicle Title (BBN - KB) which decreased by 14.68 percent.

Contribution of local tax on Jambi Provincial Budget, Year 2011-2015

Regional development is the main activity of local government. In practice, the regional development plan requires the participation of all elements of local government in the area and is supported by the community. One form of community participation in development is by paying taxes. Paying taxes is one form of the realization of the obligations of citizens to participate and play a role in national development in general and in particular in order to achieve a just and prosperous society (Is, 2013).

One effort to achieve independence of a region in financing the development is to explore the source of funds from within the country/region itself, the tax is primadonanya. Since the last decade, the role of taxes has placed the most important role in contributing to the State Budget. The same thing happened to the regions, taxes contributed to the Regional Budget. Local taxes are one of the largest and most important sources of local revenue for local governance and development implementation in the regions.

To find out how the role of local tax in Jambi Province in the implementation of development in Jambi Province, then analyzed the contribution of local taxes on development financing in this case using proxy local budget.

Table 2. Contribution of local tax on regional expenditure Jambi Province Year 2011-2015

Year	Realization of Local Tax Rp	Realization of Regional Expenditure	Contribution
2011	838.851.529.199.00	1.750.241.856.160.33	47.93
2012	808.258.511.161.00	2.259.162.243.597.75	35.78
2013	841.884.751.200.00	2.937.679.883.019.58	28.66
2014	1.010.560.585.180.50	3.185.400.231.266.69	31.72
2015	1.010.318.979.969.00	3.513.160.756.557.81	28.76

Source: DISPENDA Jambi Province

The main feature that indicates an autonomous region capable of berotonomi lies in the financial capacity of the region. That is, autonomous regions must have the authority and ability to dig their own financial resources, manage and use their own finances sufficient to finance the implementation of their local government. Dependence on Central aids should be kept to a minimum, so that PAD, especially local taxes should be part of the largest financial resources, supported by the Central and Regional financial balance policy as a fundamental prerequisite in local governance systems.

In this regard, the optimization of local tax resources needs to be done to improve the financial capacity of the region. Therefore, intensification and extensification of subject and object of local tax is required. In the short term the easiest and most immediate activity is by intensifying the existing object or source of local taxes primarily through the utilization of information technology. By doing the effectiveness and efficiency of the source or object of local taxes, it will increase the productivity of local taxes without having to do the expansion of sources or objects of new taxes that require studies, processes and long time. Integrated information technology support in order to intensify the tax is absolutely necessary because the tax collection system implemented so far tend not to be optimal. This problem is reflected in the conventional tax collection system and procedures and still many systems running partially, so that the possibility of information submitted is inconsistent, different versions of data and data not up to date. The problems with the tax collection system are quite numerous, for example in the case of taxpayer data, the determination of the tax amount, the number of tax bills and the non-optimal tax compliance targets (Sudrajat and Ompusunggu, 2015).

In addition, local governments must take firm action against corrupt tax officials, either by accepting bribes to lower the amount of taxes they ought to, or by diverting funds from tax collection. Law enforcement must be firm, not selective and uphold justice. This should be done, given the important role of taxes on development in the region.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the discussion conducted, it can be concluded as follows.

1. The growth of Jambi provincial tax in 2011-2015 is very fluctuating and tends to increase.

2. Local tax contribution to Jambi provincial spending in 2011-2015 has decreased from year to year.

Recommendations

Based on the conclusions obtained, the following suggestions are given.

1. The Provincial Government of Jambi is advised to intensify the object or source of existing local taxes through the utilization of information technology. Intensification using information technology is done in order to maintain taxpayer compliance by making it easier to pay taxes. An example of its application is to apply tax payments using the e-System taxation divided into e-registration, e-filling and e-billing. This system makes taxpayers do not need to come to the Tax Office to pay taxes, but simply calculate and pay taxes from home, from the office or from wherever he is. This system is one form of support from the self assessment system adopted in the taxation system in Indonesia.
2. Regional expenditure in Jambi province should be more efficient in accordance with the reference used in the budget, namely performance-based budgeting.

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