CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND ECONOMIC WORLDWIDE
(CASHFLOW)
VOLUME 1 ISSUE 2 (2022)

ANALYSIS OF THE EFFECTIVENESS, EFFICIENCY, AND CONTRIBUTION OF REGIONAL TAXES IN EFFORTS TO INCREASE REGIONAL ORIGINAL INCOME IN MAGELANG REGENCY 2016-2020

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Abstract

This study aims to find out the level of effectiveness, efficiency, and local tax levy in an effort to increase Regional Income (PAD) in Magelang Regency for five consecutive years, namely in 2016, 2017, 2018, 2019, 2020. Local taxes are a supporting part of PAD so that it can help increase PAD. This analysis uses qualitative descriptive methods to determine the level of effectiveness, efficiency, and contribution of local taxes in efforts to increase PAD in Magelang Regency. The data used is secondary data produced from the Revenue, Financial Management and Regional Assets Agency of Magelang. The results of this analysis reveal that the effectiveness of local taxes for five consecutive years as well as the efficiency of local taxes is very effective, and local tax contributions is in fairly good contribution levels.

Keywords: *Effectiveness, Efficiency, Contribution, Local Tax, Regional Income*

1. INTRODUCTION

Magelang Regency is one of the regencies that has adopted regional autonomy in accordance with Regional Government Law No. 23 of 2014. The government must seek to promote transparency and accountability in regional financial management in the period of regional autonomy. Regional autonomy is the right, authority, and obligation of autonomous regions in the system of the Unitary State of the Republic of Indonesia to regulate and manage their own government issues and the interests of the local community. Therefore, a region has the freedom to develop its own policies in the framework of promoting the welfare and prosperity of the community in conformity with the goals of the Indonesian nation as expressed in the 1945 Constitution of the Republic of Indonesia. This is done so that local governments can promote the welfare of the community by strengthening community services and regional independence, thereby increasing the effectiveness and efficiency of financial resource usage. Since natural resources or other resources have a distinct potential revenue potential in each region, thus each region places a different emphasis on a different source of regional income in order to maximize its overall revenue potential (Astuti & Hartoyo, 2013).

According to 1945's Constitution of the Republic of Indonesia, the government must be able to distribute the outcomes of local tax revenues and local levies in order to establish an equal and successful society (Mononimbar, 2017). The central government delegated authority to local governments by transferring total funding responsibility to regional

governments. Regional governments are funded in two ways: through the utilization of prospective regional funds and through central government transfers. Potential sources of regional revenue must be managed appropriately in order to increase regional revenue independence. Regional revenue is generated by Regional Income (hereinafter referred to as PAD), which includes regional taxes, regional levies, regionally owned companies, and separate regional wealth management, as well as other valid Regional Income (PAD).

Regional taxes as a component of Regional Income (PAD) are critical to the government's implementation of regional autonomy, serving as an economic stabilizer and a source of funding for regional government administration and development. In this instance, the regional government requires a substantial quantity of finances, and thus must develop a plan for implementing the regional tax budget in order to meet regional financial needs. Local governments must enhance Regional Income (PAD) because the greater the contribution of Regional Income (PAD), the less reliant regional governments are on the central government and the more effectively regions may exercise regional autonomy.

Magelang Regency has a significant potential for regional revenue generation through local taxes, which include hotel taxes, restaurant taxes, entertainment taxes, advertisement taxes, street lighting taxes, non-metallic minerals and rocks taxes, parking taxes, groundwater taxes, rural land and building taxes, and fees for land and building rights acquisition. All local taxes are controlled by the Magelang Regency Government, which is constantly striving to enhance the quality of services in order to meet annual targets and so boost Regional Income (PAD). This increase is critical for the Magelang Regency Government to use as regional development capital for the community's benefit.

The following is a table of the budget and realization of local taxes and Regional Income (PAD) of Magelang Regency from 2016 to 2020:

Table 1 budget and realization of local taxes and Regional Income (PAD) of Magelang Regency from 2016 to 2020

Period	Local Tax		Regional Income	
	Budget (Rp)	**Realization (Rp)**	**Budget (Rp)**	**Realization (Rp)**
2016	90.183.814.000	97.101.522.117	276.334.438.862	288.485.678.128
2017	103.470.498.000	112.344.030.430	399.425.826.000	403.561.238.310
2018	115.445.097.000	124.444.072.963	363.038862.200	325.089.093.092
2019	142.014.208.000	156.886.789.644	441.347.020.000	417.178.099.961
2020	91.323.655.000	115.530.759.532	265.502.524.500	329.769.193.224

Source: Regional Revenue, Financial and Asset Management Agency, Magelang Regency, 2016-2020 Regional Revenue and Expenditure Budget Realization Report.

The table above shows that local taxes have the ability to generate local tax revenue, as indicated by an increase in the budget and the realization of local taxes, which together support an increase in Regional Income (PAD) each year. However, the regional tax for 2020 even had a decline in realization, albeit it still managed to meet the budget. When it comes to realizing regional income (PAD), which has not been able to meet the budget in recent years (2018 and 2019), the realization of regional income (PAD) has achieved the target in 2020, but at a lower level than in the previous year.

The following is data on the realization of Magelang Regency local tax revenues from 2016 to 2020:

Table 2 Magelang Regency local tax revenues realization of 2016 - 2020

Type of Tax	Period				
	2016	2017	2018	2019	2020
Hotel Tax (Rp)	11,317,863,615	12,475,762,260	14,259,466,439	16,136,254,566	9,313,371,310
Restaurant Tax (Rp)	8,672,916,769	10,377,681,366	13,265,681,310	18,938,329,070	13.304.010.466
Entertainment Tax (Rp)	1,710,482,399	1,941,758,593	3,388,992,989	3,910,873,455	1,611,029,293
Advertising Tax (Rp)	911.997.157	1,057,198,331	1,158,383,871	1,121,265,805	1,109,814,945
Street Lighting Tax (Rp)	25,534,154,672	30,784,340,030	33,465,346,161	35,517,773,032	32,989,571,766
Non-Metal and Rock Mineral Tax (Rp)	11,064,178,405	14,600,418,166	16,046.119,240	24,892,951,192	9,557,585,826
Parking Tax (Rp)	1,306,542,300	1,588,909,100	1,778,574.239	1,875,857,572	785,319,312
Groundwater Tax (Rp)	1,238,775,732	1,284,019.023	656,793,041	879,678,828	752.135,620
Rural and Urban Land and Building Tax (Rp)	25,626.022,518	25,764,291,495	25,807,217,483	33,057,309,182	31,505,074.451
Land and Building Rights Acquisition Fee (Rp)	9,718,588,460	12,469,652,066	14,617,498,190	20,556,496,942	14,602.846.543

Source: Regional Revenue, Financial and Asset Management Agency of Magelang Regency, 2016-2020 Regional Revenue and Expenditure Budget Realization Report.

In light of the foregoing situation, the objectives of this paper are to establish the effectiveness, efficiency, and contribution of local taxes to raise regional income (PAD) in Magelang Regency from 2016 to 2020. Hopefully, this paper will help readers get new insights and expand their knowledge and perspective of the effectiveness, efficiency, and contribution of local taxes in an effort to increase Regional Income (PAD) in Magelang Regency from 2016 to 2020.

2. THEORETICAL REVIEW

2.1. Local Tax Effectiveness

According to Mardiasmo (2009), the effectiveness of a program is determined by a comparison of the results expected or to be reached with the actual results realized. As a practical matter, the effectiveness of local taxes indicates how effective the ability of local governments to collect local taxes is in relation to the amount of local tax revenues that have been targeted for collection.

Based on the Decree of the Minister of Home Affairs Number 690,900,327 of 2006, the criteria used in assessing the effectiveness of local taxes are as follows:

Table 3 Criteria of Local Tax Effectiveness

Percentage	Criteria
>100%	Very effective
90% - 100%	Effective
80% - 90%	Quite Effective
60% - 80%	Less effective
<60%	Ineffective

2.2. Local Tax Efficiency

Efficiency is the precise method of accomplishing tasks without wasting time, effort, or money (Mardiasmo, 2009). The efficiency of a tax collection system is measured by the proportion of tax income that is used to cover the costs of collecting the applicable tax. Local tax efficiency is a metric that is computed by dividing the proportion of tax collection costs by the amount of local tax revenues that are actually collected.

According to the Minister of Home Affairs' Decree Number 5 of 2002, local tax management with an efficiency ratio of not more than 5 percent is a criterion for determining whether or not local tax management is efficient.

2.3. Local Tax Contribution

The contribution of local taxes is defined as the extent to which local tax revenues have an impact or participate in regional original income (Halim, 2004). Local governments must raise local taxes in order to boost regional original income, because the more the contribution of regional original income, the greater the ability of the regional government to reduce its reliance on the central government to which it is subjected.

Based on the Decree of the Minister of Home Affairs Number 690,900,327 of 2006, the criteria used in assessing the contribution of local taxes in an effort to increase PAD are as follows:

Table 4 Criteria of Local Tax Contribution

Percentage	Criteria
0% - 10%	Very Poor
10% - 20%	Poor
20% - 30%	Moderate
30% - 40%	Fairly good
40% - 50%	Good
>50%	Very good

2.4. Regional Income (PAD)

Regional Income (hereinafter referred to as PAD) is the revenue earned by a region and collected by the regional government in accordance with regional regulations. This source of regional revenue empowers the Regional Government to support development activities associated with establishing regional autonomy in a manner consistent with the region's capabilities. This PAD is derived from the following sources:

1) Local tax;
2) Regional levies;
3) Results of separated regional asset management; and
4) Other valid PAD.

2.5. Local Tax

Regional tax is one of the necessary contributions that must be made by citizens or entities to regions that are coercive in nature, based on the legislation, and that do not provide any direct or balanced compensation to the taxpayer. It is the proceeds of this local tax collection that are utilized to fund regional development as well as local governance. In order to establish the amount of this local tax, local regulations are taken into consideration, as well as the ability of the region to collect taxes for its own benefit (Ayuningtyas, 2008).

2.6. Previous Research

According to Ni Wayan Ari Sucanti, Putu Sukma Kurniawan, and I Gusti Ayu Purnamawati (2018) in their research entitled "A Study of Analyzing the Effectiveness, Efficiency and Contribution of Regional Tax Revenue and Levies to Regional Original Income (PAD) (Case Study in Gianyar Regency Government) conclude that the effectiveness of local tax revenues in Gianyar Regency above 100% so that it is declared very effective with the highest level of effectiveness in 2014 and the lowest in 2016, the efficiency of local tax revenue in Gianyar Regency is above 2% so that it is can be said very efficient with an efficiency level highest in 2016 and lowest in 2013, as well as the contribution of local tax revenues to the Regional Original Revenue (PAD) of Gianyar Regency is stated to be very good with the highest contribution rate in 2016 and the lowest in 2012.

Furthermore, Yosia Dian Purnama Windrayadi and Mario Fahmi Syahrial (2018) in their research entitled "Analysis of the Effectiveness and Efficiency of Regional Taxes and Their Contribution to Local Revenue of Tuban Regency" highlight that the efficiency of local tax collection in Tuban Regency which has increased more frequently in 2013 until 2017, while the effectiveness of local tax collection decreased slightly from 2013 to 2017. So that the contribution of local taxes to Regional Income (PAD) also decreased, but the realization of Regional Income (PAD) continued to increase.

Moreover, Yenni Del Rosa, Ingra Sovita, and Mohammad Abdilla (2020) in their research entitled "Analysis of Regional Tax Effectiveness and Efficiency. Regional Retribution and Its Contribution to Local Revenue of the City of Bukittinggi" shed a light that the ratio of the effectiveness of local taxes to 98.86%, which means inefficient because it has not been used optimally, while the efficiency of local taxes is 98.86% which means efficient, and the contribution of local taxes to Regional Income (PAD) is 42.58%, which means it is quite good.

Last but not least, according to Jeiny Ribka Pandelaki, Daisy S.M. Engka, and Ita Pingkan Fasnie Rorong (2021) in their research entitled "Analysis of the Effectiveness, Efficiency, and Contribution of Regional Taxes and Levies to Regional Income in Southeast Minahasa Regency" conclude that the effectiveness of tax collection of 117.81% which is in very effective category, the efficiency of local taxes is at a very efficient level, and the contribution of local taxes to Regional Income (PAD) of 23.72% is stated in the medium category.

3. RESEARCH METHOD

The qualitative descriptive method was used in this study. The data used in this analysis is secondary data sourced from the 2016-2020 Regional Revenue and Expenditure Budget Realization Report from local taxes. This secondary data is data obtained indirectly by researchers. This data has been processed in advance by the Regional Revenue, Financial and Asset Management Agency of Magelang Regency. This analysis uses several variables, namely the efficiency of local taxes, the effectiveness of local taxes, and the contribution of local taxes to Regional Income (PAD).

This analysis uses a qualitative descriptive method where this analysis describes the variables, symptoms, or circumstances (Arikunto, 2013). The data that has been obtained can then be processed with the following formulas:

$$\textbf{Local Taxes Effectiveness} = \frac{\textbf{Realization of Local Tax Revenue}}{\textbf{Local Tax Revenue Target}} \times 100\%$$

$$\textbf{Local Tax Efficiency} = \frac{\textbf{Local Tax Collection Fees}}{\textbf{Realization of Local Tax Revenue}} \times 100\%$$

$$\textbf{Local Tax Contributions} = \frac{\sum \textbf{Realization of Local Tax Revenue}}{\sum \textbf{Realization of PAD Revenue}} \times 100\%$$

4. RESULT AND DISCUSSION

4.1. Regional Tax Effectiveness Analysis

Local taxes in Magelang Regency have a significant impact on helping local governments in their efforts to carry out regional development as a means of realizing their goals. The effectiveness of local taxes can be determined by whether or not the realized amount surpasses the goal amount and continues to increase with each passing year. The following is a table that can be used to calculate the effectiveness of the Magelang Regency regional tax from 2016 to 2020:

Table 5 Magelang Local Tax Effectiveness in 2016 - 2020

No	Period	LOCAL TAX			
		Target	Realization	Effectiveness Ratio	Information

1	2016	90.183.814.000	97.101.522.117	107,67 %	Very Effective
2	2017	103.470.498.000	112.344.030.430	108,57 %	Very Effective
3	2018	115.445.097.000	124.444.072.963	107,79 %	Very Effective
4	2019	142.014.208.000	156.886.789.644	110,47 %	Very Effective
5	2020	91.323.655.000	115.530.759.532	126,50 %	Very Effective

Source: Regional Revenue, Financial and Asset Management Agency, Magelang Regency, 2016-2020 Regional Budget Realization Report (processed)

Based on the table above, it can be seen that the effectiveness of the Magelang Regency regional tax in 2016 to 2020 has been very effective. It can be seen in the results of the calculation of the effectiveness of local taxes with the highest percentage of effectiveness in 2020, which is 126,50% and the lowest percentage of effectiveness in 2016 which is 107,67%.

4.2. Regional Tax Efficiency Analysis

The regional tax efficiency calculation is designed to determine whether the local taxes collected by the Magelang Regency administration have been effectively utilised to boost PAD. The following table provides an estimate of Magelang Regency's local tax efficiency from 2016 to 2020:

Table 6 Magelang Local Tax Efficiency in 2016 - 2020

No	Period	LOCAL TAX			
		Collection Fee	Realization of Revenue	Efficiency Ratio	Information
1	2016	4.332.678.075	97.101.522.117	4,39 %	Very Efficient
2	2017	4.806.597.000	112.344.030.430	4,27 %	Very Efficient
3	2018	6.111.334.000	124.444.072.963	4,81 %	Very Efficient
4	2019	7.031.344.000	156.886.789.644	3,78 %	Very Efficient
5	2020	955.177.750	115.530.759.532	0,68 %	Very Efficient

Source: Regional Revenue, Financial and Asset Management Agency, Magelang Regency, 2016-2020 Regional Budget Realization Report (processed)

Based on the table, it can be seen that the cost of collecting local taxes is very efficient with an efficiency percentage below 5%. The cost of collecting local taxes in Magelang Regency from 2016 to 2021 uses tax collection incentives because they are considered to be able to save costs incurred so that their use is more efficient.

4.3. Regional Tax Contribution Analysis

Furthermore, the following is a table for calculating the local tax contribution of Magelang Regency in 2016 to 2020:

Table 7 Magelang Local Tax Contribution in 2016 - 2020

No	Period	Local Tax Realization	Realization of PAD	Contribution Ratio	Information
1	2016	97.101.522.117	288,485,678,128	33,66 %	Quite Good
2	2017	112,344,030,430	403,561,238,310	27,84 %	Medium
3	2018	124.444.072.963	325,089,093,092	38,28 %	Quite Good
4	2019	156,886,789,644	417,178.099,961	37,61 %	Quite Good
5	2020	115,530,759,532	329,169,193,224	35,10 %	Quite Good

Source: Regional Revenue, Financial and Asset Management Agency, Magelang Regency, 2016-2020 Regional Budget Realization Report (processed)

Based on the table for calculating the contribution of local taxes in an effort to increase PAD, despite the fact that there is a decline in 2017 which is 27,84% compared to previous year which is in 33,66%, but in 2018 until 2020 is in quite good category because the percentage shows above 30%. This means that local taxes are sufficient to contribute to the increase in PAD, but the Magelang Regency Government still has to maximize the exploration of regional tax potential in the Magelang Regency environment.

5. CONCLUSION

After analyzing the effectiveness, efficiency, and contribution of local taxes in an effort to increase Regional Original Income in Magelang Regency from 2016 to 2020, the authors can conclude that:

1. The effectiveness of local taxes in Magelang Regency for 5 consecutive years is more than 100% so that local taxes can be stated in very effective category with the highest effectiveness ratio in 2020 and the lowest in 2016.
2. The efficiency of local taxes in Magelang Regency for 5 consecutive years is declared very efficient because the ratio is less than 5%, with the best efficiency ratio in 2020 of 0,68%.
3. The contribution of local taxes is in the range of 20%-40%, so it is stated that the contribution level is quite good with the best contribution ratio in 2018 of 38.28%.

Suggestion

The suggestion that the author can give after an analysis of the effectiveness, efficiency, and contribution of local taxes in Magelang Regency is that the Regional Government should further explore the potential of regional taxes in the Magelang Regency environment in order to maximize the existing potential to increase Regional Income. This can be done by increasing supervision of taxpayers, updating tax regulations, as well as improving the quality of human resources.

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