THE CONTRIBUTION OF REGIONAL TAX TO REGIONAL ORIGINAL INCOME OF WEST NUSA TENGGARA PROVINCE IN 2018-2022

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ABSTRACT

This article analyzes the trend of regional tax contributions to Regional Original Income (PAD). The paper used descriptive quantitative approach by using secondary data. The secondary data used over period 2018-2022. The results show that the regional Income is a component of budgeting system in one province or district. In the regional income, regional tax plays an essential role as source of regional income. The higher regional tax, the higher regional original income of west Nusa Tenggara Province. The data explained that there is a slightly increase in both target and realization of regional tax. From 2018 to 2019, the realization always over to the target. On the other hand, from 2020 to 2022, the realization always under the target. Furthermore, the proportion of regional tax contributions to regional original income (PAD) is very high. Even though there are fluctuations from 2020 to 2022, the percentage is always above 50 percent of PAD.

Keywords: Regional Tax, Regional Income

INTRODUCTION

Referring to the Constitution Number 32 of 2004 concerning Regional Government and Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, it is the responsibility of each region to meet the needs of their respective regions. In order to meet all local financing needs, each region must be able to raise as much money as possible for sustainable development. The progressive development should be supported by good costs and human resources. The province and regencies' areas begin with the handover of authority from the central government to the local government concerned. The transfer of various authorities within the context of decentralization accompanied by the transfer of financing, which is the he most important is regional original income (PAD).

In order to maximize local own-source revenue, the regional government is working hard to find potential sources of revenue by optimizing the local revenue sources that have been collected so far. Based on the Constitution Number 33 of 2004 concerning Regional Original Income (PAD), the financial balance between the central government and local governments states that the sources of regional income are revenue, balancing funds, and legitimate regional income. Regional Original Income according to constitution Number 33 of 2004, namely, Regional Taxes, Regional Levies, Results of Separated Regional Wealth Management, and others.

Based on the implementation of decentralization, consequently the government must independently explore the potential for local revenue so that it can finance infrastructure development (Pitaloka & Fatimah, 2022). One source that can be optimized is to maximize regional taxes as one of the original regional revenues. Optimizing regional taxes can provide a better opportunity for each region to accelerate its development (Lores et al., 2022).

According to the Constitution Number 28 of 2007 concerning tax, tax is a contribution to the state owed by private persons or bodies in nature force based on Act, with no reward in a manner direct and used for state needs - profusely prosperous people. Taxation is the most common form of payment in most countries, particularly in Indonesia. Nearly 75% of current state revenue is sourced from taxes. Payment tax is the embodiment of state obligations and roles as well as public raising funds for financing the country and national development. Taxes are used to improve the well-being of the entire population through repairs and additions to public services. Taxes are also used to benefit people who do not have to pay taxes.

In general, the applicable taxes in Indonesia can be divided into central taxes and regional taxes. Central taxes are taxes managed by the central government, which in this case is partly managed by the Directorate General of Taxes Finance Department. Meanwhile, regional taxes are taxes managed by the regional government, both at the provincial and regional/city levels. Since the enactment of regional autonomy, each region has been given the right to manage the affairs of their respective regions, including exploring sources of regional income. This is because the regions know better about their potential.

This paper describes the trend of regional tax from 2018 to 2022. Furthermore, the paper will analyze the possible answer of the changes in regional tax recorded as a source of regional income in West Nusa Tenggara province.

LITERATURE REVIEW

Tax is a financial contribution from people to their country (Farouq, 2018). The functions of tax are budgeting some of strategic planning and expenditures (Idris, 2021). According to Novita (2021), tax is an obligation of people to give financial support to the country. People will pay the tax to government because they can see the benefit directly in their area (Davey, 1988). Taxes are generally divided into two types, there are central taxes and regional taxes. According to Davey (1988), regional tax can be interpreted as: First: Taxes collected by the Regional Government with arrangement from area alone; Second: Tax collected based on regulation national but determination the rate carried out by the government area; Third: Stipulated tax and/or collected Regional Government; Fourth: Taxes collected and administered by the Central Government but results the collection given to share with, or burdened levies addition by the Regional Government.

Based on the Constitution Number 28 of 2009, regional taxes are divided into provincial taxes and regency taxes. Siahaan (2010) argues that regional taxes are mandatory contributions made by regions to individuals or entities without a balanced direct reward, which can be enforced based on applicable laws and regulations, and which are used to finance regional government administration and regional development.

Zuraida (2014) stated that the characteristics of regional taxes are as follows:
a) collected by the regional government based on the power of laws and regulations;
b) the collection is carried out in the event that there are circumstances or events that, according to the laws and regulations, may be subject to regional tax;
c) the collection can be forced; if the taxpayer does not fulfill the obligation to pay regional taxes, he can be subject to administrative and criminal sanctions;
d) there is no direct relationship between the payment of local taxes and direct compensation;
e) regional tax revenues are deposited into the regional treasury; and
f) used for regional needs for the greatest prosperity of the people

In general, regional tax plays two important roles; 1) tax as budgetary or a source of regional income; and 2) tax as regulatory. The authority of the provincial government is motor vehicle tax, motor vehicle ownership tax, motor vehicle fuel tax, surface water tax, and cigarette tax. While district tax authorities cover hotel, restaurant, entertainment, billboards, street lighting, parking, groundwater, and other related taxes. (Pranajaya et al., 2020) stated that regional tax is usually functioned as a financial instrument for regional expenditure, including providing public goods. Similarly, tax is using to finance the development planning of one region (Suhasto et al., 2020).

According to the constitution Number 33 of 2004 concerning Financial Balance between the Center and the Regions, Article 1 Point 18, states that regional original income, hereafter referred to as PAD, is income earned by the regions and collected based on regional regulations in accordance with statutory regulations. According to the constitution Number 28 of 2009, regional original income, namely regional financial resources excavated from the area concerned, consisting of tax proceeds, regional retribution results, separated regional wealth management results, and other legitimate regional original income.

RESEARCH METHOD

The paper used descriptive quantitative approach by using secondary data. The secondary data used over period 2018-2022. The researchers collect the data from the website of NTB Satu Data managed by the Government of West Nusa Tenggara Province (https://data.ntbprov.go.id). The data used in this research is regional tax trend from 2018 to 2022 and also data of regional original income (PAD) from 2020 to 2022. The data are displayed in a form of table and chart, followed by descriptions.

DISCUSSION AND RESULTS

The regional Income is a component of budgeting system in one province or district. In the regional income, regional tax plays an essential role as source of regional income. The higher regional tax, the higher regional original income of west Nusa Tenggara Province. If we see the data, in the past three years (2020-2022), more than 50 percent of regional original income coming from regional tax.

Based on the data collection, the researcher described the data of regional tax and regional original income in two ways; 1) the regional taxes are described in trend for 5 recent years, both target and realizations, and 2) the proportion of regional tax to regional original income of West Nusa Tenggara Province over 3 years from 2020 - 2022. The researchers do not display the data for 5 years in the second section due to the lack of data availability.

Table 1. Target and Realization of Regional Tax 2018-2022

Year	Target	Realization	%
2018	362,500,000,000	389,092,415,685	107
2019	1,353,790,000,000	1,404,853,174,621	104
2020	1,374,719,991,582	1,328,307,081,373	97
2021	1,487,726,538,148	1,418,222,758,411	95
2022	1,766,560,250,000	1,706,111,440,816	97

Based on Table 1, the regional tax revenue target continues to increase every year. In 2018, the regional tax revenue target is IDR 362,500,000,000. This target is indeed quite small when compared to the revenue target for 2019–2022, which is over 1 billion rupiah. For example, in 2022, the local tax revenue target is IDR 1,766,560,250,000. On the other hand, in terms of tax realization, achievements exceeding one hundred percent occurred in 2018 and 2019, with achievement percentages of 107 percent and 104 percent, respectively. Meanwhile, from 2020 to 2022, the percentage of achievers will range from just 95 to 97 percent.

Figure 1. Target and Realisation Trend of Regional Tax 2018-2022
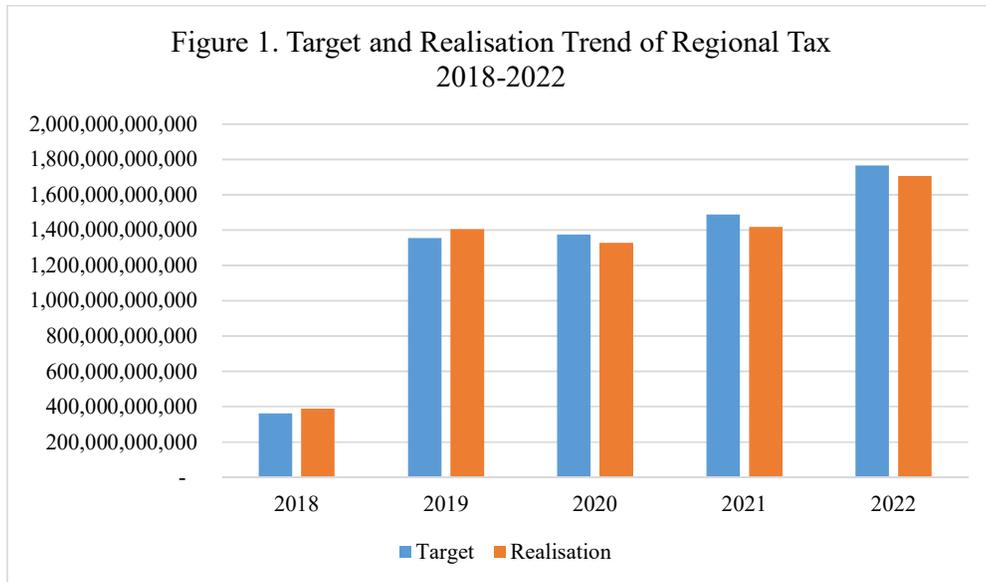
From figure 1, we can see that there is a slightly increase in both target and realization of regional tax. The first two year of regional tax of West Nusa Tenggara Province, the realization always over to the target. On the other hand, from 2020 to 2022, the realization always under the target.

Figure 2. The Contribution of Regional Tax to Regional Original Income (PAD) (%)
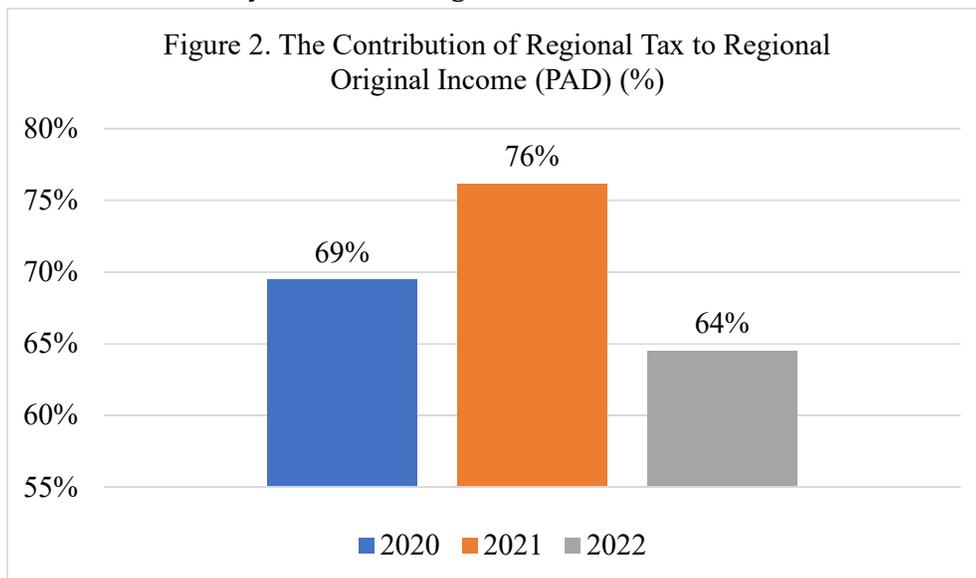
From Figure 2, we can see that the proportion of regional tax contributions to regional original income (PAD) is very high. Even though there are fluctuations from 2020 to 2022, the percentage is always above 50 percent of PAD. In 2020, the contribution to the realization of regional taxes counted to 69 percent of regional original income. This percentage increased in 2021 to 76 percent and then decreased to 64 percent in 2022.

CONCLUSION

The regional Income is a component of budgeting system in one province or district. In the regional income, regional tax plays an essential role as source of regional income. The higher regional tax, the higher regional original income of west Nusa Tenggara Province. The data explained that there is a slightly increase in both target and realization of regional tax. From 2018 to 2019, the realization always over to the target. On the other hand, from 2020 to 2022, the realization always under the target. Furthermore, the proportion of regional tax contributions to regional original income (PAD) is very high. Even though there are fluctuations from 2020 to 2022, the percentage is always above 50 percent of PAD.

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