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Enhancing Regional Revenue Growth through Hotel Tax Potential and Contribution in Malang City Tourism Areas

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Abstract

This study analyzes the potential and contribution of hotel tax to Local Own-Source Revenue (Pendapatan Asli Daerah/PAD) of Malang City during the 2020–2024 period. The research employs a descriptive qualitative approach, utilizing primary data obtained through interviews and observations, as well as secondary data sourced from the Regional Revenue Agency (Bapenda) and the Central Statistics Agency (BPS). The results indicate that the hotel sector possesses substantial tax potential, supported by the growing number of hotels and diversified hotel services such as restaurants, spas, parking facilities, and advertising. However, the realization of hotel tax revenue has not yet been optimal. Although hotel tax revenue increased from IDR 25.42 billion in 2020 to IDR 61.08 billion in 2023, before slightly declining to IDR 60.19 billion in 2024, its contribution to total PAD remained low, ranging from 4.58% to 7.71%, and was classified as "very low." This condition is influenced by fluctuations in room occupancy rates, changes in tourist spending patterns, inaccurate turnover reporting by taxpayers, and limitations in tax supervision and e-tax system implementation. The study recommends strengthening technology-based supervision, enhancing the capacity of tax authority personnel, integrating hotel transaction systems with tax collection mechanisms, and combining persuasive approaches with law enforcement to improve taxpayer compliance. These measures are expected to optimize hotel tax revenue and strengthen the regional fiscal capacity to support sustainable public services.

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1. Introduction

East Java Province is one of the largest economic contributors in Indonesia, with a Gross Regional Domestic Product (GRDP) reaching Rp. 2,730.91 trillion (Badan Pusat Statistik, 2023b), or approximately 14% of the total national GDP. This position makes East Java the province with the second-highest economic contribution in Indonesia, as well as a strategic region that plays a vital role in national economic growth. Malang City, as one of the metropolitan cities in East Java, contributes Rp. 65 trillion to the province's GRDP, with the trade, services, education, and tourism sectors as the main drivers.

Malang is one of the cities in East Java. Malang encompasses the potential of natural resources, culture, and the creative economy (Armanu et al., 2023). If optimally managed, this diversity will not only strengthen local identity but also drive sustainable economic growth. The main challenge is optimizing resource management through integrated strategies, such as increasing the capacity of MSMEs, strengthening the culture-based tourism sector, and leveraging technology to drive innovation in the education and creative sectors.

In supporting regional development, regional taxes play a vital role as a key component of Regional Original Revenue (PAD). Under Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments, PAD provides regions with the flexibility to independently finance their communities' needs, reduce dependence on central transfer funds, and accelerate infrastructure development. For Malang City, with its high tourism potential, hotel tax is one of the most significant instruments in the PAD structure.

Current state revenues are still dominated by revenues from the tax sector, which contributes significantly to 75% of total state revenues (Sirait, 2023). This indicates that the tax sector is the main backbone of the state revenue structure, reflecting a high dependence on tax revenues as a source of financing for national development. This dominance also emphasizes the importance of efforts to improve tax compliance, expand the tax base, and optimize a fairer and more efficient tax system to ensure fiscal sustainability amidst global and national economic dynamics (Firdausy, 2021).

At the regional level, in supporting development, regional taxes play a crucial role as a source of Regional Original Income (PAD), directly contributing to strengthening regional budgets (Saraswati & Nurharjanti, 2021). Furthermore, taxes also have significant potential to support the central budget and drive overall national development. Optimizing regional tax revenues is a strategic step to strengthen synergy between the central and regional governments in realizing sustainable development.

According to, Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, regional original revenue (PAD) is income earned by regions, collected based on Regional Regulations in accordance with statutory regulations. With this revenue, local governments have greater freedom to manage their budgets according to the needs of their communities. For example, they can focus on repairing roads, building schools, or providing better healthcare facilities. With strong PAD, regions are also less dependent on financial assistance from the central government, allowing for faster and more targeted development decisions.

Each region can leverage its unique potential to strengthen its regional revenue (PAD). For example, regions rich in tourism can invest in tourism infrastructure, such as roads to tourist attractions, hotels, or public facilities. Meanwhile, agricultural-based regions can support their farmers with modern technology, training, and broader market access. Ultimately, all of this not only helps increase regional income but also creates jobs and improves community well-being.

One of the main components of PAD that significantly supports regional finances is hotel tax, which plays a crucial role, especially in regions with high tourism potential, such as Malang City. One of the tourism sectors, specifically the hotel industry, has a significant impact on the regional economy. In areas visited by many tourists, demand for accommodation continues to increase, which then generates a significant contribution to hotel tax revenue. The growth of the tourism sector, both from domestic and international tourists, increases hotel occupancy rates and expands opportunities for local governments to maximize regional tax revenue from this sector. According to Law Number 1 of 2022, Article 1, Paragraph 21, Regional

Tax, hereinafter referred to as Tax, is a mandatory contribution that must be paid by individuals or entities to the Region. This payment is mandatory in accordance with the provisions of the Law, without providing direct benefits to the payer, but is used entirely for the benefit of the Region for the welfare of the people.

Hotel taxes collected can be allocated to various public needs, such as improving healthcare, education, road infrastructure, and other public facilities that play a direct role in improving public welfare. According to records, land and building acquisition fees (BPHTB) have currently reached Rp 168 billion, out of a target of Rp 225 billion in 2024. Hotel taxes, out of a target of Rp 56 billion, have already realized Rp 46.8 billion. The positive trend in hotel tax revenue, which is the largest contributor to Malang City's PAD, is predicted to continue until the end of 2024 (Wijaya, 2024).

Based on the data, the Hotel Room Occupancy Rate (TPK) in Malang City has fluctuated. In 2022, the TPK was recorded at 58.26%, decreasing to 48.56% in 2023, but increasing again to 57.33% in 2024. On the other hand, tax revenue from the hotel sector showed a different pattern. In 2022, tax revenue reached IDR 51,771,500,000.00 and increased to IDR 55,000,000,000.00 in 2023. However, in 2024, tax revenue actually experienced a significant decline to IDR 44,100,000,000.00. This indicates a mismatch between the Room Occupancy Rate (TPK) and tax revenue from the hotel sector. Some possible causes include lower hotel room rates due to promotions or discounts, reduced length of stays for tourists, or poor compliance by hoteliers in reporting their tax revenues. Furthermore, changes in visitor composition, such as an increase in tourists with lower purchasing power, may also contribute to the decline in tax revenue. Therefore, a more in-depth analysis is needed to understand the root causes of this discrepancy and provide a guide for the Malang City government in optimizing revenue from the hotel sector.

Meanwhile, the contribution of international visitors over the two years showed more varied dynamics. In 2022, the contribution of international visitors ranged from 0.35% (in March) to 1.66% (in August). 2023 showed a slightly different trend, with a significant spike at the end of the year. The contribution of international visitors in 2023 ranged from 0.92% (in February) to 8.31% (in December). December 2023 recorded a sharp increase compared to the same period the previous year, indicating Malang's growing attractiveness to international tourists.

The composition of hotel guests in Malang City in 2024 was generally dominated by domestic tourists. Throughout the period from January to August, domestic guests consistently made up the absolute majority, with a percentage always above 92%, with the highest figure recorded at the beginning of the year (January) at 97.9%. On the other hand, there is a visible trend of increasing interest from international guests over time. Although in January the contribution of foreign guests was only 2.1%, this figure continued to rise gradually, especially towards the middle of the year, reaching a peak in August of 7.83%. This surge in foreign guests in August also marked the lowest point for the percentage of domestic guests, at 92.17%. It should be noted that this data only covers the first eight months, while data for September to December is not yet available.

This phenomenon indicates that Malang City may be gaining popularity among foreign tourists, particularly in the middle of the year. This upward trend in international tourist visits could present an opportunity for tourism and hotel industry players in Malang City to further optimize services, facilities, and promotions targeting international visitors. Improving service quality to meet the needs and preferences of foreign tourists could be a long-term strategy to attract more international visitors, particularly during the months that show such an increase.

Hotel tax is also a strategic instrument to support long-term economic development. When hotel tax revenue is used to improve tourism infrastructure and facilities, it creates a mutually beneficial cycle between the economy and tourism. Improvements in public facilities, security, and the aesthetics of a region will strengthen its appeal to tourists, ultimately increasing the number of visits and hotel occupancy. In the long term, these improvements can make tourism a sustainable and more stable source of revenue for local governments. However, optimizing hotel tax revenue is not without challenges. Several factors can hinder the maximum contribution of hotel tax to local revenue (PAD). One such factor is low taxpayer compliance. Some hoteliers may be less disciplined in paying their taxes, either due to a lack of awareness of the importance of taxes for regional development or due to the perception that taxes are not managed transparently. Furthermore, the sometimes limited oversight capacity of local governments also hinders ensuring optimal hotel tax collection.

Table 1 Number of Hotels, Hotel Revenue, and Realization of Locally-Generated Revenue (PAD) 2020–2024

Year	Number of Hotels	Hotel Tax Revenue	Realization of PAD
2020	1623	25,424,516,595	484,833,720,453
2021	1644	26,022,885,823	568,567,358,421
2022	1718	48,488,896,057	718,337,293,395
2023	1771	61,082,251,539	792.120.013.218
2024	1786	60,191,994,317	885,338,711,145

Source:(Badan Pendapatan Daerah Kota Malang, 2024)

Based on the data above, the dynamics of hotel tax revenue can be explained through the perspective of business cycle theory, which encompasses phases of contraction and expansion. In 2020, revenues reached their lowest point at IDR 25.4 billion due to the economic contraction caused by the COVID-19 pandemic. Entering the recovery phase from 2021 to 2023, a significant positive trend occurred. Hotel tax revenues jumped sharply from IDR 26 billion in 2021 to IDR 61 billion in 2023. This increase was in line with the increase in the number of hotels, which grew from 1,644 to 1,771 units during the same period, indicating a recovery in the investment and tourism climate. However, an anomaly was a major concern in 2024. Although the number of hotels continued to grow to 1,786 units and the total realization of Malang City's PAD increased significantly to IDR 885 billion, hotel tax revenues actually decreased to IDR 60.1 billion compared to the previous year. This decline contradicts the theory of aggregate demand, where improvements in accommodation facilities and regional economic growth should drive an increase in demand for hotel services and tax revenues.

The gap between hotel growth and hotel tax revenues in 2024 indicates a problem in optimizing potential. Several factors suspected to be contributing include fluctuations in room occupancy rates (TPK), changes in tourist spending patterns, or suboptimal taxpayer compliance. Furthermore, data shows that although food and beverage service taxes exceeded their targets, hotel taxes still fell short of their targets. This phenomenon is further reinforced by findings of inaccurate revenue reporting practices and weak oversight, leading to discrepancies between actual transaction data and tax payments.

Entering 2021, there was a significant increase in hotel tax revenues as the economy began to improve and tourism activity increased. This increase aligns with business cycle theory, which states that after a contraction phase, an expansion phase usually follows, where the economy begins to recover and demand for products and services grows again. However, in 2022, although there was an increase in hotel tax revenues, the increase was not as large as the previous year, and in fact, the number of hotels decreased significantly. This can be explained by Keynes's theory of aggregate demand (in) Meirzia et al., 2024), where demand for hotel services tends to slow after the initial recovery phase, and the hotel sector is still affected by the long-term impact of the pandemic. Aggregate demand itself refers to the total amount of money spent by all levels of society on goods and services during a one-year period. Many hotels, perhaps unable to survive the crisis, ended up closing their doors, which also impacted tax revenues from this sector.

Fluctuations in hotel tax revenues demonstrate how fluctuations in economic activity and public demand can impact regional income. It also demonstrates that certain sectors, such as the hotel industry, are highly vulnerable to external factors. For example, the pandemic has significantly impacted economic stability, reducing tourism activity and reducing the contribution of hotel taxes to Regional Original Income (PAD). This situation reminds us of the importance of seeking alternative revenue sources and having flexible policies to address unexpected changes.

The hotel tax sector in Malang City is a major contributor to local revenue (PAD), but still faces challenges in achieving its target. In the third quarter of 2024, although several other tax sectors exceeded their targets, hotel tax revenue was recorded as remaining approximately Rp 8.2 billion short of the set target. This reflects challenges in optimizing hotel taxes compared to other sectors, such as food and beverage services taxes, which have already exceeded their targets. However, the hotel tax problem is reflected in the low achievement of Malang City's

PAD, which as of October 2023 had only reached 58.56%, particularly in the regional tax sector, a major contributor. The discovery of hotels underreporting revenue, with significant discrepancies between occupancy transaction data and reported tax payments, indicates discrepancies that need to be addressed to improve PAD optimization. This situation indicates weak tax oversight and suboptimal implementation of sanctions for violations. Furthermore, the success of raids and tax inspections conducted by the Malang City Regional Revenue Agency (Bapenda) also deserves evaluation (Bimantara, 2023).

Based on research conducted by (Maulita & Nailufaroh, 2022), profitability significantly influences compliance levels. As profitability increases, companies tend to engage in tax avoidance by reducing their tax burden. Furthermore, profitability significantly influences tax avoidance, with higher profitability leading to lower tax avoidance. Company size also significantly influences tax compliance, with larger companies tending to be more compliant with tax obligations.

While previous studies on regional taxation primarily focus on stable economic periods or general compliance issues, the novelty of this research lies in its specific examination of the post-pandemic recovery anomaly in Malang City. This study highlights a critical research gap: the paradoxical situation where a continuous increase in the number of hotel establishments and rising room occupancy rates does not directly translate to proportional increases in tax contributions. By addressing this gap, the study provides a nuanced understanding of the evolving dynamics of tourism-based regional revenue.

2. Methods

This study uses a descriptive research type with a qualitative approach that aims to provide an in-depth overview of the potential and contribution of hotel taxes to the Regional Original Income (PAD) of Malang City. The research location is centered in Malang City, specifically the Regional Revenue Agency (Bapenda) and the hotel sector, considering the strategic position of this city as a tourist destination with a high occupancy rate. The data collected consists of primary and secondary data; primary data is obtained through direct observation of the number of hotel visitors and *in-depth interviews* with informants selected through *criterion sampling techniques* (Bapenda employees and hotel management), while secondary data is obtained through documentary studies such as BPS data and tax revenue reports.

The primary data was collected through an in-depth interview with a key informant selected via criterion sampling. The informant purposefully chosen was an official from the Regional Revenue Agency (Bapenda), specifically Ramdhani Adhy Pradana, serving as the Head of the Regional Tax Sub-division II (*Kasubbid Pajak Daerah II*), who directly handles tax collection and supervision in Malang City.

3. Results and Discussion

The hotel tax potential analysis aims to determine the extent of the hotel tax revenue potential that can be maximized. To obtain a realistic picture, an interview was conducted with the Malang City Regional Revenue Agency (Bapenda). According to Ramdhani Adhy Pradana S.STP. (November 26, 2025),

> *"So, regarding the potential in Malang City over the past five years, we've seen fluctuations. Our realization often fluctuates due to numerous factors and influences. Especially during the COVID-19 pandemic, when arrivals were very low, which reduced hotel occupancy rates. Secondly, we recovered, then started to rise, and then continued to rise. Although in 2025, we adopted a policy of efficiency, where many activities—especially by local, provincial, and central governments—were carried out at very minimal levels in hotels. Meanwhile, that represents Bapenda's revenue in collecting hotel taxes on hotel PBJT services. Because there are so many factors in hotels. It's not just hotels or room service. There are restaurants, entertainment (like gyms, water rides), massages, spas, and there's parking. Besides parking, hotels also have groundwater. Furthermore, beyond groundwater, we have advertising. So, there's a lot of potential that we need to explore based on these impacts." (Ramdhani Adhy Pradana S.STP., November 26, 2025)*

A thorough review and thematic extraction of the interview transcript mapped the hotel tax base into several distinct and measurable revenue sources. Specifically, the qualitative analysis identified three primary streams of regional revenue within the sector: core accommodation (direct room rentals), complementary hospitality services (food and beverage, spas, and fitness centers), and operational externalities (parking levies, advertising, and groundwater utilization). This finding objectively confirms that the hotel tax base extends well beyond basic room rentals. It encompasses a highly diversified network of supporting business units, creating a multiplex revenue stream for the region that theoretically should buffer against isolated economic shocks in room occupancy alone.

Furthermore, to gain a comprehensive understanding of the evolving tax base, a subsequent interview was conducted with Ramdhani Adhy Pradana S.STP., the Head of the Regional Tax Sub-division II (*Kasubbid Pajak Daerah II*). The findings objectively revealed a significant regulatory impact on the hotel tax structure. Ramdhani stated, *"There is about IDR 6.2 billion lost since boarding houses (kos) are no longer collected under the hotel tax category... around 1,400 kos had their NPWPD closed due to regulatory changes."* To compensate for this structural loss, the agency has expanded its tax base to actively encompass digital economy accommodations. *"We ensure that all hotels in Malang City, especially OYO, RedDoorz, Airy, apartments, and so on, have been collected,"* Ramdhani confirmed (November 26, 2025).

Additionally, empirical field observations and interviews confirm that the tax potential is not solely dictated by a hotel's star classification, but rather by its operational capacity and the frequency of regional events. Ramdhani emphasized this by stating, *"The factor is visitors, automatically. The numerous events in Malang strongly influence the surge in visitors... Every event indirectly strengthens hotel activity."* This is further supported by his assessment of revenue scales: "*It's not just about the stars, but how the hotel's capacity accommodates consumers... Even a 5-star hotel's revenue can be lower than a 3-star if it is quiet and has fewer rooms."* These objective statements highlight that municipal events and total room capacity are the primary drivers of hotel tax potential."

Table 2 Hotel Tax Realization for 2020-2024

Year	Realization
2020	25,424,516,595.44
2021	26,022,885,823.89
2022	48,488,896,057.75
2023	61,082,251,539.00
2024	60,191,994,317.00

Source: (Bapenda Kota Malang, 2025)

At the beginning of the observation period, tax revenues were at their lowest point due to strict pandemic mobility restrictions, reaching IDR 25.42 billion in 2020 and slightly increasing by approximately 2.3% to IDR 26.02 billion in 2021. A major turning point occurred in 2022 when revenues surged dramatically by 86.3% to IDR 48.48 billion, reflecting the reopening of the tourism sector and the resumption of travel. This positive trajectory eventually peaked in 2023 at IDR 61.08 billion. However, this aggressive growth halted in 2024, experiencing a slight decrease to IDR 60.19 billion, despite the continued addition of new hotel establishments in the city. Furthermore, to measure the exact level of contribution, this study utilized data on the realization of hotel tax revenue compared to the total PAD of Malang City

Table 3 Results of Hotel Tax Contribution Calculation

Year	Contribution	Criteria
2020	$\frac{25.424.516.595}{484.833.720.453} \text{ x } 100\% = 5{,}24\%$	Very less
2021	$\frac{26.022.885.823}{568.567.358.421} \text{ x } 100\% = 4{,}58\%$	Very less
2022	$\frac{38.288.896.057}{718.337.293.395} \text{ x } 100\% = 6{,}75\%$	Very less
2023	$\frac{61.082.251.539}{792.120.013.218} \text{ x } 100\% = 7{,}71\%$	Very less
2024	$\frac{60.191.994.317}{885.338.711.145} \text{ x } 100\% = 6{,}80\%$	Very less

Source: Author's Processing (2025)

Table 4 Hotel Tax Contribution to Malang City's Locally-Generated Revenue (2020–2024)

Year	Hotel Tax Realization (Rp)	Total PAD Realization (Rp)	Contribution (%)
2020	25,424,516,595	484,833,720,453	5.24
2021	26,022,885,823	568,567,358,421	4.58
2022	48,488,896,057	718,337,293,395	6.75
2023	61,082,251,539	792.120.013.218	7.71
2024	60,191,994,317	885,338,711,145	6.80

Source: Author's Processing (2025)

The calculation reveals an interesting fiscal dynamic: while hotel tax revenue nominally increased over the five years, its contribution percentage to the total regional budget consistently fell below the 10% threshold. The lowest contribution was recorded at 4.58% in 2021, and the highest was 7.71% in 2023. Based on the formal assessment criteria set by the Ministry of Home Affairs No. 690.900.327 of 2006, these percentages are strictly classified within the "very low" category across the entire observation period.

Interpreting these findings theoretically, regional tax potential is dictated not only by the physical availability of taxable objects but also by the economic capacity of the sector and the behavioral level of taxpayer compliance. While the structural potential of the hotel sector in Malang City is vast, given its diversified services ranging from spas to advertising, this capacity remains heavily underutilized. The revenue fluctuations and the anomalous slight decline in 2024, despite an increasing number of hotels, can be understood through the lens of macroeconomic shifts. Applying Keynesian aggregate demand theory, the initial post-pandemic surge represented pent-up consumer demand. This profound vulnerability of the tourism sector to sudden external health shocks and its complex recovery phases align directly with global assessments of COVID-19 impacts on tourism (Gössling et al., 2020). However, the subsequent stagnation suggests market stabilization, coupled with government efficiency policies that actively reduced institutional spending and MICE (Meetings, Incentives, Conferences, and Exhibitions) activities in hotels.

Moreover, the discrepancy between the growing number of hotels, room occupancy rates, and the actual tax realization highlights a fundamental compliance and institutional monitoring issue rooted in the self-assessment tax mechanism. Theoretically, while the self-assessment system empowers taxpayers to independently report their turnover, it creates a structural vulnerability to under-reporting if not coupled with rigorous cross-verification. To mitigate this, Bapenda implemented a dual-verification mechanism utilizing Point of Sales (POS) or e-tax systems. Ramdhani explained the operational dynamic: *"Bapenda's primary basis is Self-Assessment... To ensure we do not miscalculate the tax obligation, we equip several hotels with POS... If the e-tax records 10 million, but they report 8 million, we investigate the* *discrepancy."*

However, despite the deployment of this technology to enforce transparency, the institutional monitoring framework is heavily constrained by socio-technical hurdles. The technical resistance to fully integrating these tapping boxes reflects a broader behavioral phenomenon in regional taxation. Frequent unstable internet connectivity disrupts real-time data synchronization, while persistent resistance from business operators—who often perceive the tapping boxes as an intrusion—prevents optimal fiscal supervision. Hoteliers' reluctance to transparently report turnover, combined with Bapenda's limited human resources to conduct physical cross-verifications and handle non-compliance, allows significant potential revenue to remain uncollected. These specific dynamics align closely with previous empirical studies in

Semarang City (Zulhuda, 2017), Bitung City (Raco et al., 2021), Bandung City (Trisnadi et al., 2024), and Deli Serdang Regency (Nugraha & Jayusman, 2021). The similarity of these findings reinforces the academic premise that hotel tax optimization is fundamentally constrained by administrative management and technology-based supervision rather than a lack of actual tourism potential. In this context, implementing effective bounce-back and competitive revitalization strategies is crucial for the hotel industry to sustain operations, adapt to new market behaviors, and ultimately optimize regional revenue in the post-pandemic landscape (Vanegas-López et al., 2026).

Regarding the consistently "very low" contribution of hotel tax to PAD, the data analytically suggests that PAD growth in Malang City is driven far more aggressively by other regional revenue sources, such as the Land and Building Acquisition Fee (BPHTB) and Restaurant Tax. According to (Mahmudi, 2015), a consistently low tax contribution indicates that a specific sector has not yet matured into the backbone of regional fiscal policy, despite its inherent economic footprint. This phenomenon is further explained by (Halim & Kusufi, 2012) through the mathematical concept of the contribution ratio: an absolute increase in nominal tax revenue does not automatically yield a higher contribution percentage if the denominator, the total PAD, expands at a significantly faster rate.

When compared with previous literature, the findings of this study establish a robust and consistent pattern across Indonesian municipalities. Research in Yogyakarta City (Hertikasari et al., 2025), Bandung City (Hasan, 2020), and Bogor City (Kaaffah et al., 2023) similarly concluded that hotel tax contributions in recognized tourism-based cities paradoxically often fall into inadequate or very low categories. Therefore, this study confirms that in service and tourism-centric urban areas, the hotel sector acts primarily as a supporting revenue stream rather than the primary fiscal core. Enhancing its strategic role in the future will require an integrated policy framework that tightly couples cross-sectoral tourism development with aggressive, transparent, and technology-driven tax enforcement.

4. Conclusion

The hotel sector in Malang City objectively presents substantial tax potential, driven by continuous infrastructure development, a growing number of accommodation establishments, and a diversified range of supporting hospitality services such as restaurants, spas, and parking facilities. Despite this structural potential and relatively stable post-pandemic tourism activity, this study concludes that the realization of hotel tax revenue remains sub-optimal. The data from 2020 to 2024 reveals a persistent gap between the inherent economic capacity of the sector and the actual revenue absorbed into the regional treasury. Consequently, the contribution of hotel tax to the total Local Own-Source Revenue (PAD) of Malang City is strictly classified within the "very low" category, consistently remaining below the 10% threshold. This fundamentally indicates that while the hotel sector acts as a vital economic driver for the city, it functions merely as a supplementary revenue stream rather than the primary fiscal backbone of the PAD structure. An increase in the physical number of hotels and overall room occupancy rates does not automatically translate into a proportional surge in regional tax revenues.

The qualitative analysis further attributes this discrepancy to several critical operational and behavioral bottlenecks. Foremost among these is the persistent issue of taxpayer compliance. The self-assessment mechanism is frequently undermined by inaccurate turnover reporting and a reluctance among certain hoteliers to transparently disclose their actual transaction volumes. Compounding this issue are institutional limitations within the local government, specifically technical constraints in fully implementing and enforcing the e-tax (tapping box) monitoring systems, as well as a shortage of specialized human resources required to conduct intensive field cross-verifications. These combined factors create vulnerabilities in the fiscal supervision framework, allowing significant potential revenue to remain uncollected.

However, the conclusions drawn in this study must be considered alongside several methodological limitations. First, the empirical data and hotel tax realization reports for the year 2024 were limited to the third quarter, thereby excluding the peak holiday seasons at the year's end, which historically exhibit distinct fiscal dynamics. Second, the descriptive qualitative approach and criterion sampling methods are deeply rooted in the specific administrative context of Malang City. As a result, these findings may not be universally generalizable to other municipalities or regencies that operate under different tourism ecosystems, fiscal policies, and macroeconomic conditions.

To address these challenges, it is highly recommended that the Malang City Government, particularly the Regional Revenue Agency (Bapenda), proactively revitalize its tax supervision strategies. This requires moving beyond conventional administrative collection toward robust technology-based enforcement, specifically by strictly integrating hotel transaction systems directly into the regional treasury network. Bapenda must also invest in enhancing the investigative capacity of its tax authority personnel and deploy a balanced approach that combines persuasive tax education with strict legal sanctions for chronic non-compliance. Concurrently, hotel business operators are expected to cultivate a stronger sense of civic responsibility, recognizing that transparent tax reporting directly funds the regional infrastructure and public utilities that sustain the tourism industry itself. Finally, future researchers are encouraged to build upon this foundational study by incorporating quantitative variables, such as measuring the statistical efficacy of the e-tax system, evaluating the direct impact of specific fiscal policies on taxpayer behavior, or conducting comparative studies across multiple tourism-based cities to formulate a more comprehensive framework for regional tax optimization.

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Conflict Of Interest

The authors declare that there is no conflict of interest, either financial or non-financial, that could have influenced the results, analysis, or interpretation of the data in this study.

Data Availability

The data used in this study consist of both primary and secondary data. Primary data were obtained through in-depth interviews with informants from the Regional Revenue Agency (Bapenda) of Malang City and field observations. Secondary data were collected from official reports of Bapenda, the Central Statistics Agency (BPS), and other supporting documents. Some data are not publicly available due to their confidential nature but may be accessed from the corresponding author upon reasonable request.

Author Contributions

The contributions of the authors in this study are as follows:

- **Conceptualization and research design:** all authors
- **Data collection (observations and interviews):** first author
- **Data processing and analysis:** all authors
- **Manuscript drafting:** first author
- **Reviewing and editing the manuscript:** second author
- **Final approval of the manuscript:** all authors

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