



THE ANALYSIS OF THE ACQUISITION OF TAXES, LEVIES AND OTHER LOCAL REVENUE'S EFFECT TOWARDS ORIGINAL LOCAL GOVERNMENT REVENUE (PAD) IMPROVEMENT IN THE CITY OF SURAKARTA

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ABSTRACT

Acquisition of taxes, levies and other local revenue is very important in supporting Original Local Government Revenue (PAD). With the local autonomy validated, it provides an opportunity for local government to explore the products of regional assets from local revenue in Surakarta. It is because if Original Local Government Revenue (PAD) is increasing every year, the local development will be done well in deciding the local expenses and local development purposes. Therefore, researchers analyze the effect of taxes' acquisition, levies and other local revenue partially and also to find out which variables are the most dominant of the three variables in the research that influences the increase of Original Local Government Revenue (PAD) in Surakarta. Based on the results of data processing, it can be seen that there is no irregularity in the classical assumption test of regression model. The t test's results explains that acquisition of taxes, levies and other local revenue gives significant effect on the increasing of Original Local Government Revenue (PAD), while from contribution side, local taxes more dominant to improve Original Local Government Revenue (PAD) which is equal to 84.9%, while the contribution of local levies is only 16.074 %, and the other contribution is 0.026%.

Keywords: Acquisition of taxes, levies, local revenue and Original Local Government Revenue (PAD)

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1. INTRODUCTION

Taxes have an important role in funding the Regional purposes (Vina et al, 2010). In the interest of the development and supporting local government, the local government has the right to do tax collection to all citizens of the society (Ismail, 2011) and (Mohammad Riduansyah, 2003). The policy of central government about autonomy, requires government to manage their own needs directly.

In this case, local governments are required to be wise in taking a decision concerning the rights of their people, in another word, the local government should be fair in collecting taxes, levies and other local revenue legitimately to all of their people. In addition, local governments are also required to allocate the taxes, levies and other local revenue for the purposes of achieving development and supporting the local government itself. As an autonomous region, the area required to be able to develop and optimize all the potential things of the region, which was obtained from the local region derived from the Original Local Government Revenue (PAD) (Zhou Gidion, 2013). The components of Original Local Government Revenue (PAD) are: local taxes, levies, separated yield of the local wealth (Other revenue), and other legitimated Original Local Government Revenue.

Four components of Original Local Government Revenue (PAD), especially taxes, levies are expected to give positive contribute to increase of Original Local Government Revenue (PAD). The statement is supported by the research done by (Timothy Besley, 2014) and Robert (2002) who explain that the role of the tax sector, levies give the greatest contribution to Original Local Government Revenue (PAD), which is the management is delegated to the local governments themselves. In organizing the local development, the factors of local revenue sources and levies determine the implementation of regional development itself (Magdalena, 2010).

The sources of local taxes revenue derived from city taxes consist of hotel taxes, restaurant taxes, entertainment taxes, advertisement taxes, street lighting taxes, tax collection and management of excavated materials of category C, and the parking taxes (Andreas and Firma, 2013). Except local taxes, levies are also important in Original Local Government Revenue (PAD). Levies can be classified into three categories, they are general service levies such as health services levy, cleaning services levy, ID cards printing and civil registration certificates levy, parking service on public roads levies, and the testing of motorized vehicles levy. The type of business' levies consists of terminal and slaughterhouses levies, while certain licensing levies consist of levies of building permits, levies of crowd permits, levies of route permits, levy of fishery permits, levy of transferring motorized vehicles, and levies job seekers permits.

Then to support the stuffs mentioned above, local governments should provide good public services, promote economic growth, create new vocation and improve people's income/prosperity (Mahi, 2002). It is because with those all will increase Local revenue itself. The tax revenue is also supported by Rizal (2011) describes that one of the factors affecting the increase in tax revenue is the economic of society.

1.1. Problems of Research

- 1) Does the local tax revenue effect on increasing Original Local Government Revenue (PAD) in Surakarta?
- 2) Does the local levies revenue effect on increasing Original Local Government Revenue (PAD) in Surakarta?

- 3) Is the local tax revenue more dominant in giving contribution than the other local levies revenue in influencing the increase of Original Local Government Revenue (PAD) in Surakarta?
- 4) Does the other revenue effect on increasing Original Local Government Revenue (PAD) in Surakarta?

2. THEORETICAL BASIS

2.1. Original Local Government Revenue (PAD)

Income is an increase of assets and/ or decrease of debts from various activities running in certain accounting periods. While the definition of Original Local Government Revenue (PAD) according to Abdul Halim (1999: 154) is that Original Local Government Revenue (PAD) are all local revenues derived from local economy resource.

According to Badrul Munir (2002: 102) Original Local Government Revenue (PAD) is the revenue that is obtained from the resources within its own territory collected under the regulations of local laws.

Law No. 33 of 2004 of article 3, section 1 on financial balance between central government and local governments. Original Local Government Revenue (PAD) aims to give authority to local governments to fund the implementation of regional autonomy appropriate for the local potential as the realization of Decentralization.

1) Local Tax

Local tax is local revenue from taxes. This is regulated in Law No. 34 of 2000 on Regional Taxes and Levies. According to the Act, the kind of tax revenue for the province include the following income objects, Halim (2004: 67)

2) Definition of Levies

In particular the sources of Original Local Government Revenue (PAD) contained in Article 157 of Law Number 32 of 2004 on Regional Government and Article 1 of Law No. 34 of 2000 on concerning amendments to the legislation of the Republic of Indonesia Number 18 of 1997 on local taxes and levies. Local levies, hereinafter referred as levies, is local collection for payments of certain services or permits which are specifically provided by the regional government for the benefit of private or groups/ agencies. While according to Munawir (1990: 4) Levies are the contributions of the people to the government by law (enforceable) to receive services or contribution by the government who are directly chosen.

3) Other legitimate Original Local Government Revenue (PAD)

Law No. 33 of 2004 explains that the legitimate Original Local Government Revenue (PAD), provided for estimating local revenue which is not included in this kind of taxes and managing separated local wealth. This revenue is also a local revenue from the others belongs to the local government. Law number 33 of 2004 classifies the legitimate Original Local Government Revenue (PAD) consist of:

- a) Non separated sales revenue of local wealth.
- b) Current account service.
- c) Interest income.
- d) The benefit is rupiah exchange rate to foreign currencies.
- e) Commissions, discounts, or other forms of sale, providing goods or services by the government.

3. RESEARCH METHODS

3.1. Research design

In this study, researchers using a quantitative approach with the type of associative, and consists of three independent variables: local taxes, levies and other local revenue which have a direct relationship with the dependent variable Original Local Government Revenue (PAD). To give a clear outlook of this research, it is illustrated in the following picture:

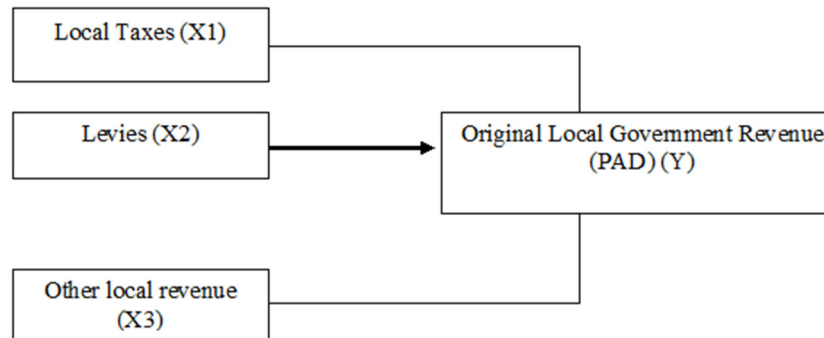


Figure 1 Research Design

Location or scope of this research is in Surakarta

3.2. Object of research

The object of this study is the target report and realization of Original Local Government Revenue (PAD) of Surakarta in the period of 2010 up to 2015, particularly Original Local Government Revenue (PAD) of Surakarta on local taxes, levies and other local revenue of Surakarta

3.3. Data types

The object of this study is the target report and realization of Original Local Government Revenue (PAD) of Surakarta in the period of 2010 up to 2015, particularly Original Local Government Revenue (PAD). Quantitative data of this study is the realization of Original Local Government Revenue (PAD) of Surakarta in the period of 2010-2015.

3.4. Data resource

Secondary data in this study were obtained from the Local Revenue Offices of Surakarta and the Central Bureau of Statistics (BPS) of Surakarta such as target report and the realization of Original Local Government Revenue (PAD) of Surakarta in 6 year period.

3.5. Data Analytical Techniques

3.5.1. Multiple Linear Regression Analysis

The used analytical technique is multiple linear regression analysis which can be tested with the significance level of 0.05. This analysis (multiple linear regression) is used to find out or get an outlook of the influence of independent variables local taxes (X1), levies (X2) Other revenue (X3) on dependent variables the increase of Original Local Government Revenue (PAD) (Y). The regression model according Ebimobowei (2013)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad (1)$$

Information:

Y = Original Local Government Revenue (PAD)

α = Constant

Regression coefficient β =

X1 = local taxes revenue

X2 = Levies Revenue

X3 = Other Local Government Revenue

e = error

Hypothesis testing

1) F Test

Simultaneous Test (F test) is conducted to determine the feasibility of multiple linear regression model as an analysis tool that examines the effect of independent variables on the dependent variable. If the value of F_{cal} less than F_{table} it means that this model is suitable.

2) t Test

Partial test (t test) is used to determine whether or not each independent variable affect the dependent variable partially. This testing is done with the following steps:

4. RESULTS OF MULTIPLE LINEAR REGRESSION ANALYSIS

Based on the classic assumption test above, it can be concluded that the regression model passed the classical assumption test. The results of multiple linear regression analysis are shown in the following table:

Table 1 Results of Multiple regression

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.660E9	4.459E9		1.269	.332
	Pajak Daerah	1.001	.009	.887	116.817	.000
	Retribusi Daerah	1.052	.057	.142	18.313	.003
	Pendapatan lain	.770	.223	.026	3.458	.074

Adjusted R Square = 1.000 F = 1.389E5; Sig =.000^a

Top of Form

From the results of the regression analysis in Table 1 above, it can be arranged regression equation as follows: $PAD = 5.660E9 + 1,001 X1 + 1,052 X2 + X3 + 770 e$
The regression equation above has the following meanings:

- Constant (α) = 5.660E9 means that if the local tax revenue variable (X1) and the levies revenue(X2) equal to zero. Then the amount of Original Local Government Revenue (PAD) (Y) is 5.660E9 or 5.66%.

- Local Tax Revenue (β_1X_1) = 1.001 means that if there is an increase in the variable of local taxes in one unit, it can increase Original Local Government Revenue (PAD) equal to 1.0010 or 1.0010%.
- Levies Revenue (β_2X_2) = 1,052 means that if there in an increase on variable of levies in one unit, then it can increase Original Local Government Revenue (PAD) equal to 1,052, or 1.052%.
- Other Local Revenue (β_3X_3) = 770, or 0.770% means that if there is an increase on other local revenue in a single unit, it can increase Original Local Government Revenue (PAD) equal 770 or 0.770%
- After the tests, it means that Local Tax Revenue is the greatest revenue or the most dominant than the other variables.

Table 2 Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 ^a	1.000	1.000	1.620E8

a. Predictors: (Constant), Pendapatan lain, Pajak Daerah, Retribusi Daerah

4.1. Coefficient of Determination

Based on the results of coefficient of determination test, it can be seen from the R square value of 1,000 or 100%. This shows that the Original Local Government Revenue (PAD) can explained by the variables of taxes, levies and other revenue equal to 100% means that all the factors effect on Original Local Government Revenue (PAD) of Surakarta.

4.2. t - test

The t-test is used to determine or do further investigate which of the independent variables effect on Original Local Government Revenue (PAD). t test has done by comparing t_{cal} with t_{table} . In this study, using the significant level 5%: $2 = 2.5\%$ (two-sided test) with degrees of freedom (df) = $n-k-1$ or $72-3-1 = 68$ (n is the number of samples, and k is the number of independent variables). By testing the two sides (significance 0.025), the results obtained for t_{table} is 1.995469, so it obtains the test results as follows:

- 1) Variable local taxes have t_{cal} 116 817 with the significance level 0,000 below 0.05 (5%). Thus $t_{cal} > t_{table}$ or $116\ 817 > 1.995469$. It can be concluded that local taxes affect Original Local Government Revenue (PAD). The results prove that hypothesis (H1) is accepted. Local taxes affect the increase of Original Local Government Revenue (PAD).
- 2) Local Levies Variable has t_{cal} 18.313 with the significant level of 0003 below 0.05 (5%). Thus $t_{cal} > t_{table}$ or $18.313 > 1.995469$. It can be concluded that the levies affect Original Local Government Revenue (PAD). These results prove that hypothesis (H2) is received. Levies revenue affect the increase of Original Local Government Revenue (PAD) of Surakarta.
- 3) Other Local Revenue Variable has t_{cal} 3458 with significance level of 0.074 below 0.05 (5%). Thus $t_{cal} > t_{table}$ or $3458 > 1.995469$. It can be concluded that other local revenue affect Original Local Government Revenue (PAD). These results prove that hypothesis (H3) is received. Other local revenue affects the increase of Original Local Government Revenue (PAD) of Surakarta.

- 4) The contribution of local taxes more dominant in influencing Original Local Government Revenue (PAD) seen from the value of Standardized coefficients beta 0,887 or 88.87% (100% x 0,887), while for the contribution of levies seen from the value of Standardized coefficients beta 0,142, or 14.2% (100% x 0,142). And for the contribution of other local revenue seen from the value of Standardized coefficients beta 0.026 or 2.6% (100% x 0.026). Hence, it can be concluded that the contribution of local taxes gives high influence on increasing Original Local Government Revenue (PAD) of Surakarta.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

- 1) The results of partial testing, showed that the variable of local tax revenue significantly influence the increase of Surakarta's Original Local Government Revenue (PAD).
- 2) The results of partial testing, showed that the variable of levies revenue significantly influence the increase of Surakarta's Original Local Government Revenue (PAD).
- 3) The results of partial testing, showed that variable of other local revenue significantly influence the increase of Surakarta's Original Local Government Revenue (PAD).
- 4) The statistical results explained that the local tax revenue is more dominant to contribute in increasing Original Local Government Revenue (PAD) by 88.7%, while variable of local levies is only 14.2% and other local revenue only produces 2.6% of contribution to the Original Local Government Revenue (PAD) of Surakarta.

5.2. Suggestion

1) For Local Government

The local government should concentrate on improving/ increasing the revenue of the levy and contributions of other local revenue. One of the ways is to arrange socialization about local potential of each region so that people and investors are more interested to invest, because the revenue of levies and other local revenue are still far behind compared to local tax revenue which is more dominant in increasing Surakarta's Original Local Government Revenue (PAD).

2) For other researchers

The author is aware that there are many limitations in this study both in terms of year of research which is limited only 6 years, as well as the discussion is just about Original Local Government Revenue (PAD) which only focus on three variables, the local taxes, local levies and other local revenues. Therefore it is necessary to study with a broader scope, because the results could have been different.

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Lampiran Annex 1 Financial Data Government of Surakarta

Periode	PAD (Y)	Tax (X1)	Retribution (X2)	etc PD (X3)
2010	114.429.357.815	54.423.668.000	42.756.415.000	12.265.078.815
2011	152.366.413.000	88.850.559.00	46.645.308.000	11.086.350.000
2012	158.630.988.000	93.068.105.000	49.601.812.000	9.887.667.000
2013	206.508.748.000	138.376.302.000	52.788.700.000	9.066.674.000
2014	220.395.433.000	148.941.474.000	56.225.185.000	8.532.850.000
2015	235.608.440.000	160.427.073.000	59.932.151.000	8.218.498.000

Data Sources: Statistical data BPS Surakarta in numbers treated