Article

Analysing the Contribution and Effectiveness of Restaurant Tax on Regional Original Revenue in Batubara Regency North Sumatra Province, Indonesia

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Abstract: Regional original revenue (PAD) is income earned and collected by regional regulations under statutory. Restaurant tax is one sector that has great potential in contributing to regional income in Batu Bara regency, Sumatera Utara, Indonesia. Thus, this study identifies the contribution and effectiveness of restaurant tax revenues to local revenue (PAD) in Batu Bara Regency, North Sumatra Province. This study is designed using descriptive statistics considering the regional tax and retribution management agency of Batu Bara regency. The results of this study indicated that the restaurant tax target realization in Batu Bara Regency in 2017 was 105.51 percent, in 2018 was 92.34 percent, in 2019 was 109.22 percent and in 2020 was 95.42 percent and the contribution of tax revenue to PAD each year fluctuated equally. In conclusion, the restaurant tax is one of the local incomes and an important contribution to Regional Original Revenue (PAD).

Keywords: contribution; effectiveness; regional original revenue; restaurant tax.

1. Introduction

In order to support the implementation of maximum national development, where revenue in the tax sector is the largest income in financing national development, the government issues a policy on regional revenues with the hope that regions will have the ability to finance development in their regions with real regional autonomy and following the Act. No.33 of 2004 concerning the financial balance between the Central Government and Regional Governments and Law No. 23 of 2014 concerning Regional Government. Referring to Law No.33 of 2004 Regional Original Revenue (PAD) consists of (1) Regional tax proceeds, (2) Regional retribution proceeds, (3) Regionally owned companies and separated regional wealth management results, and (4) Original Revenue other areas. PAD is an indicator of success in implementing regional autonomy. The higher the PAD of a region, the higher the ability of the regional government to

finance its own needs, on the contrary if the PAD owned by a region is lower or decreasing, the implementation of regional autonomy has not been maximized (Estiningsih & Nurranto, 2020).

PAD sources based on article 6 of Law no. 33 of 2004 paragraphs 1 and 2 consist of regional taxes, regional levies, results of operations/management of regional assets from regional companies, and other legitimate regional original revenues. According to Agustin & Kadarwati, (2022), a restaurant tax is a type of tax whose potential is growing along with an increase in the business of recreation or tourism. According to Estiningsih & Nurranto (2020), Restaurant tax is a tax on restaurant service. Batu Bara Regency is one of the regencies in the province of North Sumatra which is an autonomous region that is currently carrying out development and regional development. Until now, the obstacles faced in tax revenue, one of which is the lack of compliance of taxpayers in paying taxes so that the contribution given from tax revenues to PAD is also not maximized. Thus, the purpose of this study is to find out how the contribution and effectiveness of restaurant tax revenues to local revenue (PAD) in Batu Bara Regency, North Sumatra Province.

2. Literature Review

2.1. Definition of Tax

Tax is a mandatory contribution to the state owed by an individual or entity that is coercive under the law, without receiving direct reciprocity and being used for the state for the greatest prosperity of the people. Taxes according to Triyani (2017) are people's contributions to the state treasury based on the law (which can be enforced) without receiving reciprocal services (contra-achievements) that can be directly shown and which are used to pay general expenses.

2.2. Type of Tax

According to Law Number 28 of 2009 concerning regional taxes and regional levies, regional taxes are divided into 2 (two) types (Samudra, 2015), namely:
1.   Provincial Taxes, including:
- Motor Vehicle Tax
- Transfer Fee for Motorized Vehicles
- Motor Vehicle Fuel Tax
- Surface Water Tax
- Cigarette Tax

2.   District taxes, including:
- Hotel Tax
- Restaurant Tax
- Entertainment Tax
- Advertising Tax
- Street Lighting Tax
- Tax on Non-Metal and Rock Minerals
- Parking Tax
- Swallow's Nest Tax
- Rural and Urban Land and Building Tax,
- Land and Building Rights Acquisition Fee.
- Groundwater tax

2.2.1. Local Tax

Regional Tax is a mandatory contribution to the region owed by an individual or entity that is coercive and does not receive direct compensation and is used for regional purposes for as much as possible. the prosperity of the people. Meanwhile, according to Wahyuni & Utara (2018), regional taxes are mandatory contributions made by individuals or regional head bodies without receiving a balanced direct reward, which can be imposed by applicable laws, which are then used to finance regional government expenditures and regional development.

2.2.2. Restaurant Tax

The restaurant tax is a tax on services provided by restaurants. Meanwhile, the definition of a restaurant is a facility that provides food and/or drinks for a fee, which includes restaurants, cafeterias, canteens, stalls, bars, and the like, including catering/catering services. And restaurant taxpayer means a taxpayer who must collect from the buyer and deposit the restaurant tax into the state treasury (Pajak ID). Tax Subjects are individuals/organizations who provide a sum of money for the services they receive to restaurants/cafes and the like. (Willy, 2020). Under Article 37 paragraphs

(1) and (2) of the PDRD Law, the object of the Restaurant Tax is the service provided by the restaurant from the sale of food/beverage consumed by the buyer, whether consumed at the service place or elsewhere (take-away). The amount of the restaurant tax rate in Article 40 paragraph (1) of the PDRD Law states that the maximum limit for the Restaurant Tax rate is 10%.

2.3. Regional Original Revenue (PAD)

Regional original revenue is income earned by the regions which are collected on the basis of regional statutory regulations. Regional original income is one component of the source of state financial revenue in addition to other revenues in the form of balancing funds, regional loans and others (Estiningsih & Nurranto, 2020). Besides that, Regional Original Revenue (PAD) defines as the income obtained by the regional government for the implementation of government activities and services to the community, as well as the utilization of resources owned by the regional government, and this income is often used as an indicator of the level of progress of a region (Schernewski et al., 2014). Halim (2004) stated that local revenue is all regional revenues originating from regional original economic sources. Also, Regional Original Revenues are sourced from local tax, levy tax, separated regional wealth management and other valid PAD.

3. Materials and Methods

This study is designed using a quantitative approach. The data were collected from the central bureau of statistics in North Sumatra, Indonesia. This quantitative design aims to examine the natural condition of an object (Sugiyono, 2008). The nature of the research is descriptive, namely, to explain the contribution and effectiveness of restaurant taxes in increasing local tax revenues in the Batubara regency. Sources of research data come from primary and secondary data. According to Sujarweni (2015), primary data are data sources that directly provide data to data collectors, while secondary data are sources that do not directly provide data to data collectors. In this study, the primary and secondary data were obtained from interviews and reports related to restaurant taxes and PAD, taxpayer lists, realization reports of the 2017 to 2020 budget as well as other data related to the research conducted from regional tax and retribution management agency (Silalahi, 2020). The analytical method used is the descriptive analysis aims to determine the contribution of restaurant tax to PAD by the following formula:

$$\text{Contribution} = \frac{\text{Restaurant tax realization}}{\text{Realization of Regional Original Revenue}} \text{X } 100\% \tag{1}$$

Meanwhile, Halim (2004) stated to measure the effectiveness of tax revenue ca be used by the following formula:

$$\text{Effectiveness} = \frac{\text{Realization of Tax Revenue}}{\text{Tax Revenue Target}} \text{X } 100\% \tag{2}$$

After being calculated as a percentage, it can then be classified how much effectiveness the restaurant tax collection is based on the following criteria:

Table 1. Criteria of Effectiveness

Effectiveness Category	Criteria
> 100 percent	Extremely effective
100 percent	Very effective
90 – 99.99 percent	Effective
80 – 90.99 percent	Enough effective
60 – 79.99 percent	Less effective
<59.99 percent	Ineffective

Source : Setiawan & Gayatrie (2018)

Table 1 displays the effectiveness criteria. The effectiveness category consists of higher than 100 percent is extremely effective. 100 percent is very effective. 90 – 99.99 percent is effective. Category of 80 – 90.99 is enough effective. 60 – 79.99 is less effective and 59.99 percent and below is ineffective. Also, the criteria for identifying the tax revenue contribution as seen in Table 2 below:

Table 2. Criteria of Contribution

Contribution Category	Criteria
0-10 percent	Very low
10.01% - 20 percent	Low
20.01 - 30 percent	Enough
30.01 - 40 percent	Currently
40.01 - 50 percent	Good
>50 percent	Very good

Source : Setiawan & Gayatrie (2018).

Table 2 displays the contribution criteria. The contribution category consists of higher than 50 percent is very good. 40.01 – 50 percent is good. 30.01 – 40 percent is currently. 20.01 – 30 percent is enough. 10.01 – 20 percent is low and 0 – 10 percent is very low.

4. Results

The restaurant taxes data, both targets and realizations as well as other data needed in this study obtained from interviews and documentations received from the studied department. Then, this study analyzed the data and the results obtained are described in Table 3.

Table 3. The Data of Restaurant Tax Target and Realization 2017-2020.

Year	Tax Revenue Target	Tax Revenue Realization	Percentage	Decision
2017	1,500,000,000	1,582,624,234	105.51	Very effective
2018	3,150,000,000	2,908,621,559	92.34	Effective
2019	3,216,739,042	3,513,320,880	109.22	Very effective
2020	3,000,000,000	2,862,572,453	95.42	Effective

Table 3 displays the data of restaurant tax target and realization in 2017-2020. The tax revenue target in 2017 is 1,500,000,000.00 and tax realization is 1,582,624,234 with achievement percentage is 105.51 and categorized as very effective. For 2018, tax revenue target is 3,150,000,000 and tax realization is 2,908,621,559 with achievement percentage is 92.34 and categorized as effective. The tax revenue target in 2019 is 3,216,739,042 and tax realization is 3,513,320,880 with achievement percentage is 109.22 and categorized as very effective. For 2020, tax revenue target is 3,000,000,000 and tax realization is 2,862,572,453 with achievement percentage is 95.42 and categorized as effective. The level of tax revenue contribution to PAD as seen in Table 5 bellow:

Table 4. Restaurant Tax Contribution to the PAD of Batu Bara Regency 2017-2020.

Year	Tax Revenue Target	Tax Revenue Realization	Percentage	Decision
2017	1,582,624,234,000	66,944,796,374.52	2.4	Enough
2018	2,908,621,559,000	64,385,292,862.07	4.5	Good
2019	3,513,320,880,000	129,221,846,896.99	2.7	Enough
2020	2,862,572,453,000	165,747,157,551.82	1.7	Low

Table 4 captures the result of tax contribution to the regional original revenue. The tax revenue target in 2017 is 1,582,624,234,000, tax realization is 66,944,796,374.52 with achievement percentage is 2.4 and categorized as enough. For 2018, tax revenue target is 2,908,621,559,000, tax realization is 64,385,292,862.07 with achievement percentage is 4.5 and categorized as good. The tax revenue target in 2019 is 3,513,320,880,000, tax realization is 129,221,846,896.99 with achievement percentage is 2.7 and categorized as enough. For 2020, tax revenue target is 2,862,572,453,000 , tax realization is 165,747,157,551.82 with achievement percentage is 1.7 and categorized as low

5. Discussion

The result of this study found that in 2017 to 2020, the realization of restaurant tax revenues in Batu Bara district has fluctuated where in 2017 the realization achieved was Rp. 1,582,624,234 and increased the following year to Rp. 2,908,621,559. Then in 2019 it increased again to the highest realization level from 2017 to 2020, which was Rp. 3,513,320,880, while in 2020 the realization of restaurant invites decreased to 2,862,572,453. Also, the level of effectiveness of restaurant tax revenues in Batu Bara Regency is based on calculations made by comparing the

realization of restaurant tax revenues with the targets set by the regional tax and retribution management agency of Batu Bara Regency. The results obtained are in 2017 the effectiveness level is 105.51% and is in the very effective category. In 2018 the level of effectiveness decreased to 92.34% and was in the effective category. In the following year the level of effectiveness again increased to 109.225 and was in the very effective category then decreased again in 2020 to 95.42% and was in the effective category.

Besides that, the contribution of restaurant tax to local revenue (PAD) in Batu Bara regency is used to determine the extent to which local taxes contribute to local revenue. In knowing the contribution, it is done by comparing the regional tax revenue for a certain period with the revenue for the regional original income for a certain period (Lombogia, 2016). In 2017, it is contributed 0.024 or 24% which was in the sufficient category. In 2018 the restaurant tax contribution to PAD was 0.045 or 45% and was in the good category. For 2019, the contribution given was 0.027 or 27% and was in the sufficient category, while in 2020 the contribution was only 0.017 or 17% which was in the less category. Although 2019 was the highest realization rate of restaurant tax receipts compared to other years, the contribution given was not the highest level and the highest contribution of tax revenue was 2018 at 45%.

The level of effectiveness and contribution of tax revenue to PAD each year fluctuates equally. And the fluctuations are disproportionate between the effectiveness and the contribution made. This result is in line with research by Estiningsih & Nurranto (2020), Subardo (2012) and Mintahari & Lambey (2016) which show the effectiveness of tax revenue fluctuates every year. The results of this study are different from the results of Memah (2013) which shows that the overall contribution of hotel taxes and restaurant taxes in 2007-2011 made a good contribution to PAD. In addition, the results of Pratiwi (2020) show that the contribution of tax revenue every year decreases and is in the poor and very poor category, while the effectiveness of tax revenue is in very good and constant criteria every year. Constraints faced in restaurant tax receipts in Batu Bara Regency are the lack of compliance of taxpayers in paying taxes, the lack of tax audits carried out by the local revenue office and the lack of understanding of the legislation by taxpayers as revealed by Yudiawan et al. (2021), that one of the factors supporting tax revenue is the law itself, while the factor that cause the tax revenue target is not achieved, one of which is cultural actors such as taxpayers who do not want to pay taxes.

6. Conclusion

In conclusion, the restaurant tax is one of the local taxes that can make an important contribution to PAD. The results of the research show the percentage of restaurant tax target realization in Batu Bara Regency in 2017 was 105.51 2018 was 92.34 percent, 2019 was 109.22 percent and 2020 was 95.42 percent and contribution of tax revenue to PAD each year fluctuates equally.

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