

## The Existence of Regional Tax Regulations in Increasing Regional Original Income

Catur Deski Pamungkas<sup>1)</sup> & Sri Kusriyah<sup>2)</sup>

<sup>1)</sup>Faculty of Law, Sultan Agung Islamic University, Semarang, Indonesia, E-mail: [nvctr8581@gmail.com](mailto:nvctr8581@gmail.com)

<sup>2)</sup>Faculty of Law, Sultan Agung Islamic University, Semarang, Indonesia, E-mail: [srikusriyah@unissula.ac.id](mailto:srikusriyah@unissula.ac.id)

**Abstract.** *This study aims to determine and analyze how far the existence of regional tax regulations in increasing regional original income in Central Java Province in the 2013-2016 budget year. The data analysis method used is empirical juridical. The results of this study indicate that simultaneously there is an influence of Regional Taxes on Regional Original Income of 90% and fragmentarily Regional Taxes have a substantial positive effect on Regional Original Income and a significant positive effect on Regional Original Income. The results of the study indicate that legal institutions in the form of laws and regulations in regional taxes provide a legal basis for regional policies in the field of regional taxes and are also positive laws in regulating regional taxes, namely Law No. 28 of 2009 concerning Regional Taxes and Regional Retributions. As a consideration of changes to the Law on regional taxes, firstly with the enactment of Law No. 23 of 2014 concerning Regional Government and Law No. 33 of 2014 concerning Regional Financial Balance, secondly in the implementation of regional autonomy it is deemed necessary to emphasize the principles of democracy, community participation, equality and justice, and accountability as well as paying attention to regional potential and diversity, thirdly Regional Taxes and Regional Retributions are one of the sources of regional income used to finance the implementation of regional government and regional development to establish broad, real and responsible regional autonomy (Law No. 28 of 2009 concerning Regional Taxes and Regional Retributions).*

**Keywords:** *Existence, Income, Regional.*

### 1. Introduction

Indonesia is a unitary state that adheres to the principle of decentralization in the framework of governance by providing opportunities and flexibility to regions in implementing Regional Autonomy. Regional autonomy based on Law Number 23 of 2014 concerning Regional Government, discusses the rights, authorities and obligations of autonomous regions in regulating and managing their own

government affairs and the interests of the local community in accordance with laws and regulations. The implementation of Regional Autonomy is directed at accelerating the realization of community welfare through improvement, service, empowerment, and community participation. One of the regional financial sources owned and managed by the Regional Government is Regional Original Income (PAD) which is income obtained by the Region that is collected based on Regional Regulations in accordance with laws and regulations.

Local Original Income comes from Local Taxes, Local Retributions, Results of management of separated Local assets and other legitimate Local Original Income. Local Original Income is the level of independence of a region.<sup>3</sup> The higher the Local Original Income, the higher the level of independence of a region. Therefore, the Local Government needs and must optimize the management of local income sources originating from Local Original Income. So far, the contribution of PAD has not been optimal in its management and the level of regional independence of Central Java Province still depends on the Balancing Fund provided by the Central Government.

According to Budi Waluyo (2012), basically the receipt of Regional Taxes and Regional Levies has a close relationship with the service provided by the regional government to the community so that economic growth and improvement also encourages the receipt of Regional Taxes and Regional Levies.

The suboptimal PAD in contributing to regional income sources, indicates a lack of management of regional taxes, regional levies, results of separated regional wealth management and other legitimate PAD. Optimization of PAD is carried out by emphasizing more in exploring the potential of regional resources. Regional Taxes which are one of the main sources of income for a Region paid by the community which are mandatory based on the Law which are used for the needs of the region for the greatest prosperity of its people and the realization of community participation in regional development.

The problem in this study is why it is necessary to have regulations related to regional taxes in Central Java Province, how is the Existence of Regional Tax Regulations in increasing Regional Original Income in the Central Java Provincial Government, what are the obstacles and efforts of the Central Java Provincial Government in increasing the potential for regional original income in the field of regional taxes.

## **2. Research Methods**

Research method is a way of doing something by using the mind carefully to achieve a goal by searching, recording, formulating, and analyzing until compiling a report.

The term methodology comes from the word method which means path, however, according to custom, a method is formulated with the possibilities of a type used in research and assessment.

### **3. Results and Discussion**

#### **3.1 Urgency of Regional Tax Regulations**

The enactment of Law Number 34 of 2000 is one of the efforts to realize broad, real and responsible regional autonomy. Financing of government and regional development originating from regional original income, especially from regional taxes or regional levies, needs to be increased so that regional independence in terms of financing the implementation of regional government can be realized. Based on Law Number 23 of 2014 concerning Regional Government, almost all matters have been given to the Province, Regency and City in the framework of full Regional Autonomy. This means that provinces, regencies and cities must take care of their own regions at their own expense. With the enactment of Law Number 23 of 2014 concerning Regional Government, regional governments are expected to be able to increase regional original income to reduce dependence on financing from the center, so that it will increase regional autonomy and flexibility. An important step that must be taken in increasing regional original income is to give authority to the provincial government to explore sources of regional original income that are quite potential to be explored, one of which is from the regional tax sector.

Regional Tax Regulation in Central Java Province has referred to the applicable regulations, namely Law Number 28 of 2009 concerning Regional Taxes and Regional Retributions which have been realized in the form of regional regulations governing Regional Taxes, namely Regional Regulation Number 2 of 2011 concerning Regional Taxes of Central Java Province, but in its realization it has not been optimal. This is because the DPRD's right of initiative (initiative) has never been used and only the executive makes the Draft Regional Regulation mandated in Law Number 28 of 2009, so that there are several contents of the Regional Regulation that have not been implemented properly.

Discussing the Regional Regulation is related to regional authority. In Dutch legal literature, the issue of authority has always been an important part and the initial part of administrative law is government authority (*bestuursbevoegtheid*). Steenbek in his writing states that in constitutional law authority (*bevoegtheid*) is described as power (*rechtmacht*). So in the concept of public law, authority consists of at least three components, namely, influence, legal basis and legal certainty.

The way to obtain authority in administrative law is known as two ways to obtain authority, namely, attribution and delegation. Attribution is also the authority to make decisions (*besluit*) which are directly sourced from the law in the material sense.

The one who can form the authority is the authorized organ based on the laws and regulations. Delegation is defined as the transfer of authority (to make a decree) by a government official to another party and the authority becomes the responsibility of the other party.

Thus it can be seen that the authority obtained by the regional government through attribution, namely the authority of the provincial government obtained from the attribution of positive law. The positive law is Law No. 23 of 2014 concerning Regional Government. The authority of the provincial government in this case is limited to the authority in the laws and regulations relating to regional regulations. The authority of the provincial government in the regional autonomy system, especially the creation of Regional Regulations, is obtained through attribution. The formation of laws and regulations (including regional regulations) cannot be separated from the aspects of legal politics and democracy.

### **3.2 The Influence of the Existence of Regional Tax Regulations on Regional Original Income**

Regional Tax is a mandatory contribution made by individuals or bodies to the regional government without any direct compensation that can be designated, which can be enforced based on applicable laws and regulations. Regional tax is a mandatory contribution by individuals or bodies to the region that is mandatory in nature without receiving any direct compensation.

Legal institutions which are positive laws in the regulation of regional taxes based on Law Number 28 of 2009 and Central Java Provincial Regulation Number 2 of 2011, Regional Taxes is a mandatory contribution to the region owed by individuals or bodies which is of a mandatory nature based on the Law without receiving direct compensation and is used for regional needs to the greatest extent of the people's ability.

Regional Tax is one of the mainstays of Regional Original Income in addition to Regional Retribution, Results of Regionally-Owned Companies and Results of Management of Other Regional Assets that are separated. The collection of regional taxes and regional retributions in Indonesia is based on Law Number 28 of 2009 concerning Regional Taxes and Retributions.

Regional taxes are a source of regional revenue that plays an important role originating from the original regional income itself. This is because the greater the amount of Regional Tax revenue, the greater the amount of Original Regional Income. Because Regional Tax is one source of original regional income, every increase in Regional Tax will affect the increase in Original Regional Income. The study explains that the contribution of Regional Tax has a positive effect on Original Regional Income.

### **2.3 Constraints and Efforts in Increasing the Potential for Regional Original Income in the Regional Tax Sector**

The regulation of regional taxes in the Central Java Provincial Government has not been able to optimally increase the source of regional original income. This can be seen from the results of the realization of regional tax levies and regional tax contributions to Regional Original Income in Central Java Province. The executives and legislatures have not optimally explored all existing potentials, both the

potential of Natural Resources, Human Resources and the utilization of certain services owned by the regional government.

In order to increase the Regional Original Income, the government should increase the target, even though the result is that the % of achievement is lower than the % of target achievement. Because the target has been achieved, usually efforts to increase the Regional Original Income become relaxed. Meanwhile, efforts to overcome the above obstacles require an increase in tax autonomy, an increase in the tax base and improvement in tax administration.

The Central Java Provincial Government found obstacles in the process of implementing regional tax collection, including:

1. The rise and fall of these businesses has slowed down the business verification process for tax collection purposes.
2. There are still areas that have not been optimally explored
3. Lack of awareness among business people to pay taxes
4. There are limitations in supporting facilities and infrastructure for regional tax administration.

However, the Central Java Provincial Government as a developing Province has the potential to be explored in an effort to increase regional income. The Central Java Provincial Government continues to strive to overcome the limitations and obstacles in implementing regional tax collection by:

1. Improving the quality of human resources to support friendly, fast and transparent services
2. Increasing taxpayer compliance, Tax is an important component of income that requires maximum public compliance with the obligation to pay taxes based on an understanding of the benefits of paying taxes.
3. Increasing the intensification and extensification of income sources intensification means efforts to increase income from existing income sources by providing better services. While extensification is an effort to increase income by exploring new income sources.
4. Improving facilities and infrastructure to support regional tax administration.

#### **4. Conclusion**

The urgency of Regional Tax Regulation in Central Java Province has referred to the applicable regulations, namely Law No. 28 of 2009 concerning Regional Taxes and Regional Retributions which have been realized in the form of Regional Regulations regulating Regional Taxes, namely Regional Regulation Number 2 of 2011 concerning Regional Taxes of Central Java Province, but in its realization it has not been optimal. This is because the DPRD's right of initiative (Initiative) has never been used and only the executive makes the Draft Regional Regulation mandated in Law No. 28 of 2009, so that there are several contents of the Regional Regulation that have not been running as they should.

## 5. References

### Books:

- A. Hamid Attamimi, 1990, The Role of the Decree of the President of the Republic of Indonesia in the Implementation of State Government, Dissertation, Postgraduate Program, UI, Jakarta.
- Bagir Manan, 2001. Welcoming the Dawn of Regional Autonomy, First Edition, Center for Legal Studies (PSH), Faculty of Law, UII, Yogyakarta.
- Mariot P. Siahaan. 2005. Regional Taxes and Regional Levies. PT. Raja Grafindo Persada. Jakarta.
- Muhammad Fauzan. 2006. Regional Government Law; Study of Financial Relations between the Center and Regions. Yogyakarta.
- Pheni Cahalid. 2005. Regional Finance, Investment and Decentralization Challenges and Obstacles, Jakarta. Partnership. Page 24
- Riduansyah, Mohammad. (2003). Contribution of Regional Taxes and Regional Levies to Regional Original Income (PAD) and Regional Revenue and Expenditure Budget (APBD) to Support the Implementation of Regional Autonomy (Case Study of Bogor City Regional Government).
- Sari, Diana and Destria. (2013). Influence of Local Tax and Local Retribution Toward the Local Financial Independence. International Conference On Business and Economic Research (4th ICBER2013) Proceedings. Widyatama University, Bandung
- Sukismo, 2002. (b) Efforts to Understand Government Authority (Besteuer Begoegdheid), a one-day seminar organized by the Community Justice Forum, Yogyakarta.
- Tjip Ismail, 2007. Regional Tax Regulation in Indonesia. Jakarta.

### Journals:

- Adegustara, Frenadine, et al. Contribution of Regional Taxes and Regional Levies to Increasing Regional Original Income in the Context of Implementing Regional Autonomy, 2 (2) : 123
- Budi Waluy. 2012. The Effect of Advertising Tax, Restaurant Tax, Public Service Retribution, Population and Industry Number on Local Original Income of Depok City, West Java. Journal of Accounting Department, Faculty of Economics. Gunadarma University. Jakarta.
- Krisna, Made and Ni Gst. Putu. 2013. Analysis of the Influence of Regional Tax Revenue and Regional Retribution on the Increase in PAD of Regency/City in Bali Province. E-Journal of Accounting, Faculty of Economics and Business, Udayana University. Bali.

### Regulation:

1945 Constitution

Law Number 23 of 2014 concerning Regional Government

Law Number 28 of 2009 concerning Regional Taxes and Regional Retributions

Law Number 33 of 2004 Concerning Financial Balance between Central and  
Regional Governments

Regional Regulation Number 2 of 2011 Concerning Regional Taxes of Central Java  
Province