

Potential Study and Strategy of Enhancement Local Tax in Bungo Regency

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Abstract

This research aims to analyze 1) tax potency in Bungo Regency 2) prompt strategy applied in increasing tax potential in Bungo Regency. Descriptive analysis is used to development of local tax by using secondary data. The result of this research is the development potency of local tax in Bungo Regency is still fluctuated. The enhancement of local tax contribution in Bungo Regency is caused factors are an increase income per capita and hotel development growth. On the contrary, the decline of local tax contribution in Bungo Regency is caused the lack of effectively tax collection, so as in certain years the realization of local tax is not appropriate on target. In addition, tax audit system is not optimal.

Keywords: local tax, Bungo Regency

Introduction

Development is continuous process encompass all fields leads to increase society's well-being. Therefore in carrying out development must be attempted to be balanced, consistent, mutual support in one field to another fields, then all development's yield will be enjoyed by everyone. The financial support is one of indications to achieve development goals. To support the success of pace development, required robust income source, whereby all expenditures still have support in domestic income. In the meantime, foreign income as complementary support only.

The independence of development is required both in national or regional. This condition is inseparable from the success of local government which inseperable part from center government with all its policies. The various policies of financial region from center government to local government in order to local government is able to increase its ability its financing for government affairs and developing its region by autonomous policy.

Given that the financial's source most are obtained from center government, locally generated revenue must be increased leading to government financing and developing the region optimally.

The stipulation regarding to local revenue's source, outlined in the subsection 157 constitution number 32/2004 about local government which is a change over constitution number 25/1999 about financial balance amongst of center government and local government. The source of local revenue, viz:

1. Locally Generated Revenue
 - a. Local Tax
 - b. Local Retribution
 - c. Regional Wealth Management
 - d. And Another Regional Legal Income
2. Balance Fund
3. Another Regional Legal Income

In fact, the contribution of locally generated revenue to income and local expenditure is still low. All this time, the financial aid from center government is higher than regional income. This condition shows the local government still reliants to center government. Therefore, to alleviate the dependency amongst of local

government to center government, local government must attempt to increase its revenue. One of manners through explore tax potential.

There are 2 types of local tax, there are tax of province and tax of regency/city. Types of tax province are 1) tax on motor vehicle and on water, 2) fees for transferring ownership rights of motorized vehicles and on water, 3) motor vehicle fuel tax, 4) tax for surface water and underground water. While the types of tax regency/city are 1) hotel tax, 2) restaurant tax, 3) entertainment tax, 4) advertisement tax, 5) street lighting tax, 6) tax for exploring and managing mineral C, 7) parking tax.

Local financial is the main key to carry out development in region, due to local financial is the form of authority possessed by region to explore its considerable financial source to finance regional development. In so doing, the local government is given mandatory to seek for the potential of own financial support according to applicable regulations.

Bungo regency is one of regencies in Jambi Province which has profound potential income to increase financial source and carry out development. It can be seen from source of income in Bungo, viz. tax sector and regional retribution. One of considerable sources in increasing locally generated revenue in Bungo regency is local tax.

As stated above, the composition of issues are 1) how much the potential tax in Bungo Regency, 2) what are the prompt strategies applied to increase tax potential in Bungo Regency?

Methods

Type and Data Source

This research utilising secondary data, consist of a) Realization of Local Tax Revenue Data, b) Local Tax Data. Moreover another related data according to this research and related institutions, Financial Region Unit, Regional Financial Institution, regional development and planning agency etc.

Analysis Method

Analysis method in this research is descriptive analysis. To answer development of local tax utilising formula:

$$RPPD = \frac{PD_t - PDT_{t-1}}{PDT_{t-1}} \times 100\%$$

Notification :

RPPD	=	Pace of Tax Local Development
t	=	Certain Year
t-1	=	Previous Year
PD	=	Local Tax Revenue

To answer the effect of advertisement tax to regional income, utilized formula :

$$RPPR = \frac{PPR}{PD} \times 100\%$$

Notification :

KPR	=	Tax Revenue Contribution Reklame PPR
=		Advertisement Tax Revenue
PD	=	Regional Income

Meanwhile to answer effect of tax contribution to locally generated revenue is:

$$KPPD = \frac{PPD}{PAD} \times 100\%$$

KPPD	=	Tax Revenue Contribution
PPD	=	Local Tax Revenue
PAD	=	Locally Generated Revenue

Results and Discussion

Local Tax Contribution To Regional Income

Local Tax Contribution is obtained from the comparison amongst of local tax revenue and locally generated revenue. In table 1 there are some data of local tax and locally generated revenue.

Table 1. Local Tax Revenue dan Locally Generated Revenue Data

Period	Local Tax	Locally Generated Revenue	Percentage of Local Tax Contribution
2010	6.035.252	46.664.510	-
2011	9.433.997	61.175.415	12,93
2012	10.278.621	64.281.003	15,42
2013	18.351.665	80.201.122	15,99
2014	20.837.776	107.128.087	19,45
2015	26.009.197	30.637.770	84,89
2016	27.679.989	114.818.208	24,10
2017	45.389.523	183.133.679	24,78
2018	38.052.123	133.848.451	28,42

Source: Statistics Bureau of Bungo Regency, (processed, 2019).

Based on Table.1 coupled with contribution of local tax's calculation, the contribution local tax revenue to locally generated revenue was obtained in 2011 approximately 12,93%. Then, in 2012 was 15,42%. Next, in 2013 and 2014, there have been an increase local tax contribution in the amount of 15,99% and 19,45%. Moreover in 2017 and 2018, the contribution of local tax were increasing in the amount of 24,78% and 28,42%. The enhancement of this percentage is caused the enhancement of income per capita. This case made taxpayer pays taxes so as to minimize tax arrears. On the other hand, hotel development growth and industry in Bungo Regency are stimulant increasing local tax contribution to regional income. On the contrary in 2016, there has been reduction this contribution. It was caused by lack of effectiveness' tax collection. In so doing, in certain years, tax realization was not appropriate to certain targets. In addition, other factors that make the decline of local tax contribution was tax audit system applied is not optimal.

Policy in Increasing Local Tax Potency

In increasing local tax potency in Bungo Regency, necessary strict punishment from local government to make taxpayers aware of paying taxes on time. In addition, necessary to training, research, and inspection in carrying out based on applicable regulations. Need more study in determining target numbers and realization. If the realization beyond on target, or if the revenue realization does not increase or is less than the target, the local government must seek for other sources of financing through debt.

Conclusion

The development potency of local tax in Bungo Regency is still fluctuated. The enhancement of local tax contribution in Bungo Regency is caused factors are an increase income per capita and hotel development growth. On the contrary, the decline of local tax contribution in Bungo Regency is caused the lack of effectively tax collection, so as in certain years the realization of local tax is not appropriate on target. In addition, tax audit system is not optimal.

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