The Effect of Local Taxes and Local Retribution on Regency/City Local Revenues in North Sumatra

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Abstract: The purpose of this study was to determine and analyze the effect of local taxes on Regency/City Local Revenue in North Sumatra; to determine and analyze the effect of local retribution on Regency/City Local Revenue (LR) in North Sumatra; and to determine and analyze the effect of simultaneous local taxes and local retribution on Local revenue in Regencies/Cities in North Sumatra. The population in this study is financial statements that have been audited in all district/city governments in North Sumatra, totaling 33 districts/cities for the period 2018, 2019, and 2020. The sample was selected using the census method. The data was processed using the multiple linear regression statistical test method. The results of this study prove that local taxes have an effect on Regency/City Local Revenue in North Sumatra. Likewise, local retribution have an effect on Regency/City Local Revenue in North Sumatra. Meanwhile, local taxes and local retribution have a simultaneous effect on Regency/City Local Revenue in North Sumatra.

Keywords: Local Revenue, Local Taxes, Local Retribution.

INTRODUCTION

Based on the principle of autonomy, the local financial potential will be optimized by the local government in order to support the implementation of local government affairs. Local Revenue (LR) is the embodiment of extracting resources LR potential owned by a region. With local autonomy, it means that local governments are required to be more independent, including financially independent (Zahari, 2008).

In the implementation of autonomy in a region, the blood is given the authority to manage its own finances, including in exploring the potential of local income. This is ultimately realized in the form of Local revenue. Local revenue is the embodiment of extracting resources LR potentials owned by a region. Local revenue is all local revenues originating from local local economic sources. The sources of Local Local Income consist of local taxes, local retribution, separated wealth management results, and other legitimate LR (Mardiasmo, 2002).

Local taxes and local retribution are important components in LR revenue (Rosalina, 2014). Local taxes are mandatory contributions made by individuals LR entities to the region without a balanced direct reward, which are imposed based on the applicable laws that are used to finance the administration of local government and local development (Law No. 34/2000). Local retribution is a local levy as payment for services LR the granting of certain permits specifically provided and/LR granted by the local government for the benefit of individuals LR entities (Law No. 34/2000).

Law Number 28 of 2009 concerning Local Taxes and Local Retribution was ratified on September 15, 2009 and became effective on January 1, 2010. This Law replaces Law Number 18 of 1997 and its amendments, namely Law No. No. 34 of 2000 by enforcing a closed-list approach to several types of taxes and retribution that can be managed by the Provincial Government and Regency/City Government as a source of Local Local Revenue. Provincial governments are given access to five types of taxes, while district/city governments are given access to eleven types of taxes.
The various national policies referred to bring great hope for the regions to develop their regions by exploring the potential of each region as a source of local income, especially local revenue. Expectations from the regions are natural, because the provision of various government affairs as household affairs is accompanied by the authority to manage their finances autonomously in financing the implementation of autonomy, both in exploring financial resources, their use and accountability.

In principle, the higher the achievement of local tax revenue, the higher the achievement of local revenue in the local financial structure. Likewise with local retribution, the higher the achievement of local retribution receipts, the higher the achievement of Local Local Revenue in the local financial structure (Anggraeni, 2012).

Empirical reality that occurred in North Sumatra indicates that there are several districts/cities that show an inverse relationship between local taxes and local retribution on LR. Based on the budget realization report, it is known that in 2018-2020 there were several regions that experienced a decrease in local taxes and local retribution, especially Nias Regency, Simalungun Regency, Central Tapanuli Regency, North Tapanuli Regency, Toba Samosir Regency, Binjai City, Pematang Siantar City, Tebing City, Tinggi, Humbang Hasundutan Regency, Serdang Bedagai Regency, Padang Lawas Regency, North Padang Lawas Regency, and North Labuhanbatu Regency. These areas experienced a decrease in local taxes and local retribution, but on the other hand experienced an increase in LR.

At first glance, this reality contradicts the concept of Local Local Revenue, where local taxes and local retribution have a positive relationship towards LR (Mardiasmo, 2002). In other words, if local taxes and local retribution in an area increase, then LR should also increase. On the other hand, if local taxes and retribution in an area decrease, then LR should also decrease. From the data above, in some regions what has actually happened is an increase in LR, even though local taxes and local retribution have decreased in each period.

Seeing these conditions, there are indications of problems that occur in North Sumatra in terms of local taxes and local retribution in relation to the achievement of LR. This reality can indicate a less than optimal contribution of local taxes and local retribution contributing to LR in North Sumatra, although they increase every year. This is due to the fact that local taxes and local retribution are important components in terms of their contribution to LR. For this reason, it is necessary to pay attention to matters that can affect the management of LR, local taxes, and local retribution in districts/cities in North Sumatra.

**METHODOLOGY**

**Locally-generated revenue**

Local revenue is the revenue obtained from the local tax sector, local retribution, the results of regionally owned companies, the results of separated local wealth management, and other legitimate local revenue (Mardiasmo, 2002). Law Number 33 of 2004 concerning Financial Balance between the Central Government and Local Governments states that the sources of local income consist of Local revenue, Tax and Non-Tax Revenue Sharing. The latest classification of LR based on Permendagri Number 13 of 2006 consists of: local taxes, local retribution, separated local management results, and other legitimate local local revenues.

The types of local taxes and local retribution are broken down according to the object of income in accordance with the Law on local taxes and local retribution. The types of results from the management of separated local assets are detailed according to the object of income which includes the share of profits on equity participation in regionally-owned companies/BUMD, share of profits on equity participation in government-owned companies/state-owned enterprises, and share of profits on equity participation in privately-owned companies LR business groups, public. Other types of legitimate LR are provided to budget for local revenues that are not included in local taxes, local retribution and the results of separated local wealth management are detailed according to the object of income which includes the proceeds from the sale of local assets that are not separated, demand deposits, interest income, revenue from claim for compensation for the area, receipts of commissions, deductions, LR other forms as a result of the sale and/LR procurement of goods and/LR services by the regions, receipts of profits from the difference in the exchange rate of Rupiah against foreign currencies, income from penalties for delays in the implementation of work, income from tax penalties, income from retribution penalties. Income from execution LR guarantees, income from providing education and training, income from sales installments.

**Local tax**

In general, taxes are retribution from the public by the state (government) based on laws that can be enforced and are owed by those who are obliged to pay them without getting performance back (counter performance / remuneration) directly, the proceeds of which are used to finance state expenditures in governance and development (Shiahaan, 2013).

Taxes are achievements to the government that are owed through general norms and which can be enforced without any counter-achievement that can be shown in individual terms, which means to finance government expenditures (Suandy, 2008). Taxes are 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 used to pay general expenses. Local taxes are mandatory contributions to regions that are owed by individuals LR entities that are coercive under the law without receiving direct compensation and are used for local needs for the greatest prosperity of the people (Mardiasmo, 2002).

Based on Law No. 34 of 2000 concerning amendments to Law No. 1997 concerning local taxes and local retribution in Saragih (2003), what is meant by local taxes are "obligatory contributions made by individuals and entities to the region without direct compensation, balanced, which can be enforced based on the applicable laws and regulations, which are used to finance the administration of local government and local development."

**Local Retribution**

What is meant by retribution according to Saragih (2003) is "local retribution as payment for services LR the granting of certain permits specifically provided and/LR granted by the local government for the benefit of individuals LR entities." According to Halim (2004), "Local retribution are local revenues derived from local retribution."

The central government has re-issued regulations on Local Taxes and Retribution, through Law Number 28 of 2009. With this Law, Law Number 18 of 1997 has been revoked, as has been amended by Law Number 34 of 2000. The new local tax and levy law on the one hand provides local benefits with new sources of income, but on the other hand there are several sources of local revenue that must be removed because they are no longer allowed to be collected by the regions, especially from local retributions. According to Law Number 28 Year 2009 in total there are 30 types of retribution that can be collected by regions which are grouped into 3 groups of retribution, namely general service retribution, business service retribution, and certain licensing fees.

This study uses an associative research approach, which is used to solve and answer the problems faced in the current situation. The population in this study is the financial statements that have been audited in all district/city governments in North Sumatra, amounting to 33 districts/cities. The financial statements to be studied are the financial statements for 2018, 2019, and 2020. The sample is part of the population LR is representative for research. The sampling technique uses a census technique where the entire population is sampled. Another term for a census is a saturated sample, where all members of the population are sampled. In completing this research the types of data that the authors collect to support the variables studied are quantitative data, namely local financial data, especially related to LR, local taxes, and local retribution. The data analysis technique in this research is multiple linear regression analysis.

**RESULTS AND DISCUSSION**

To determine the effect of the independent variable partially and simultaneously have a significant effect on the dependent variable, the statistical analysis used is multiple regression analysis.

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
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<td>.267</td>
<td>.291</td>
<td>12,880</td>
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</tr>
<tr>
<td>1 X1</td>
<td>.558</td>
<td>.035</td>
<td>.725</td>
<td>16.111</td>
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<tr>
<td>X2</td>
<td>.226</td>
<td>.035</td>
<td>.291</td>
<td>6.462</td>
<td>.000</td>
</tr>
</tbody>
</table>

From the results of multiple linear regression, the regression equation can be arranged as follows:

\[ Y = 3.443 + 0.558 \times X1 + 0.226 \times X2 \]

Based on the multiple regression equation, it can be seen that:

1. The constant value is 3.443, meaning that if the independent variable has a fixed value, the LR is 3.443.
2. The coefficient value for the X1 variable (Local Tax) is 0.558, meaning that for every 1% increase in the Local Tax variable, LR will increase by 0.558 times assuming other variables are held constant.
3. The coefficient value for the X2 variable (Local Retribution) is 0.226, meaning that for every 1% increase in the Local Tax variable, LR will increase by 0.226 times assuming other variables are held constant.

In addition, it can be seen that the significant value of local taxes and local retribution is less than 0.05. Local taxes show a significance value of 0.000 (Sig = 0.000 <0.05) so that partially local taxes have a significant effect on Local revenue in Regencies/Cities in North Sumatra. Meanwhile, the significance value of local retribution is 0.000 (Sig = 0.000 < 0.05), which means that local retribution has a partial effect on LR.
The Effect of Local Taxes on LR

The results of testing local taxes on LR using the t-test, it can be concluded that local taxes have a significant effect on LR. The test results accept the partial hypothesis. Theoretically, this is in accordance with the concept of LR based on Permendagri Number 13 of 2006 which states that one component of LR consists of local taxes.

These results support the research of Mariyanto (2015), where the research reveals that local taxes have a simultaneous effect on LR. The implication of the results of this study is that local taxes are a determining factor for the level of LR. Local governments that can increase local taxes mean that they can increase their local LR as well.

The Effect of Local Retribution on LR

The results of testing local retribution on LR using the t-test, it can be concluded that local taxes have a significant effect on LR. The test results accept the partial hypothesis. Theoretically, this is in accordance with the concept of LR based on Permendagri Number 13 of 2006 which states that one component of LR consists of local retribution.

These results support Mariyanto (2015). The three studies reveal that local retribution have a simultaneous effect on LR. The implication of the results of this study is that local taxes are a determining factor for the level of LR. Local governments that can increase local retributions can increase their local LR as well.

CONCLUSION

Based on the results of research and hypothesis testing that have been carried out, several conclusions can be drawn as follows:

1. Local taxes affect the Local Local Revenue of Regency/City Governments in North Sumatra.
2. Local retribution affect the Local Local Revenue of Regency/City Governments in North Sumatra.

REFERENCES
8. Law Number 32 of 2004 concerning Local Government.
10. Law Number 34 of 2000 and Law Number 18 of 1997 concerning Local Taxes and Local Retribution.