

Improving The Regional Revenue: Analyzing the Potential of Tax Collection

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Abstract

Goal of this study is to analyze the potential of restaurant tax and to determine the obstacles and efforts made by the regional government in exploring the potential of restaurant tax in Makassar. This study uses several variables to calculate the potential, effectiveness, and contribution of restaurant taxes. These are, the number of restaurants, average visitors, average food prices, number of days in a year, total regional revenue and restaurant tax rates. The research method used is descriptive qualitative and the results show the potential for restaurant tax is large, not comparable to the realization of tax revenue. This comparative measure is reflected in the effectiveness of restaurant taxes, which value no more than 100% annually. This study proof that the potential for restaurant tax in the city of Makassar has not been optimally used due to socialization and government regulations that have not been implemented properly.

Keywords: Restaurant Tax Potential; Regional Revenue; Tax Effectiveness

INTRODUCTION

The independence of a region in national development is an inseparable part of the success of policies decided by the central government. According to Law Number 23 of 2014, the central government makes policies that will be implemented by regional governments based on the principle of autonomy. The principle of autonomy is defined as the basic principle of implementing regional government based on regional autonomy. Regional autonomy according to Law Number 23 of 2014 is the right, authority and obligation of an autonomous region to regulate and manage its own government affairs and local community interests, so that a region is responsible for managing its own regional development in accordance with the principle of autonomy.

Tax is one source of regional government revenue which is used to finance regional development which is pursued with a policy of optimizing tax revenue, where every company is obliged to pay taxes in accordance with its obligations (Dharsana, 2017). One of the components of PAD revenue comes from regional taxes which can be defined as the involvement of taxpayers to regions who are owed money by individuals or entities in a coercive manner based on Law Number 23 of 2014 without receiving direct compensation and are used for regional needs in the amount of -the great prosperity of the people. In fact, the implementation of regional tax collection cannot be carried out optimally and efficiently. This is because in some regional governments potential regional tax revenue only comes from a few types of taxes, namely Hotel Tax, Restaurant Tax, Entertainment Tax or Advertising Tax.

Restaurant Tax is the third largest contributor to Regional Original Income under BPHTB and Street Lighting and Restaurant Tax is a type of Regional Tax whose potential will continue to grow as supporting components, namely the service and tourism sectors, are increasingly paid attention to in regional development policies. Based on data from the Makassar City Revenue Agency (BAPENDA), the targets and realization of Makassar City Restaurant Tax for 2017-2021 are as follows.

Table 1. Target and Realization of Makassar City Restaurant Tax, 2017-2021

Restaurant Tax	Target (Rp)	Actual (Rp)	%
2017	98.788.870.608	92.279.737.686	93,41%
2018	171.138.613.000	114.006.791.465	66,62%
2019	140.000.000.000	140.867.931.059	100,62%
2020	156.000.000.000	166.283.463.199	106,59%
2021	185.000.000.000	210.528.402.002	113,8%

Source: Makassar's Regional Revenue Agency (2023)

From Table 1, it can be seen that from 2017-2021 there was a decrease in the target in 2018-2019, where the difference between the 2018 and 2019 targets reached 31,138,613,000, while there was an increase in the restaurant tax revenue for the next period. The realization of restaurant tax revenue which was below 100% was 2017 and 2018. This can be caused by several factors, including: (1) The existence of certain conditions that make restaurant visitors feel uncomfortable, (2) Lack of awareness of Taxpayers in paying the taxes they owe, (3) Lack of transparency of Taxpayers in report monthly income in accordance with the Joint Agreement based on the principle of justice. In 2019-2021, the realization of revenues above 100% has the potential for large tax revenues from the specified target, this is caused by several factors, including: (1) increasing interest of visitors to visit restaurants, (2) increasing the number of restaurant variations each year, (3) Increasing the ease of restaurants paying taxes.

Table 2. Number of Restaurants in Makassar, 2017-2021

Year	Amount
2017	919
2018	1.119
2019	1.698

2020	2.026
2021	2.340

Source: Makassar's Regional Revenue Agency (2023)

From table 2, we can see that the number of restaurants in Makassar City from 2017-2021 increased because in that year, along with the development of culinary and tourism in Makassar City, investors came to build and open restaurants in Makassar City. In 2018-2019 there was the most growth from 1.119 to 1.698 which proves that in Makassar City there has been an increase in restaurant development. Because of this large development, the potential for restaurant taxes is very large from year to year.

Due to achieving the target realization, regional revenue in the form of taxes related to a sector that is developing and needs to be maximized is restaurant tax, based on existing data from 2017-2021. Furthermore, the rapid development of restaurants every year has an impact on increasing restaurant taxes which can make a big contribution to the development of Makassar City. This deserves special attention for the regional government of Makassar City to focus more on managing restaurant taxes better. By this, this study tries to observe the potential tax of restaurant which, finally, could boost the regional revenue.

LITERATURE REVIEW

Tax

Definition according to Law no. 16 of 2009 Article 1 Concerning General and Taxation provisions, tax is a mandatory contribution to the state owed by every person or entity which is coercive in nature, but is still based on law, and does not receive direct compensation and is used for the state and the prosperity of its people.

According to Mardiasmo (2018) tax is defined as a contribution from the people to the state treasury based on law (which can be enforced) by obtaining reciprocal services (contrapretation) which can be directly demonstrated and are intended to finance state households, namely to obtain results that are beneficial to the wider community. Taxes can also be viewed from various aspects, from economic perspective taxes are a tool to stimulate the economy which is used to improve people's welfare. Taxes are also used as a driving force for people's economic life. From a legal perspective, tax is a state financial problem, so government regulations are needed to regulate state financial problems.

Waluyo (2013) defines tax as a contribution to the State (which can be enforced) which is owed by those who are obliged to pay based on policy, so that they do not get back their achievements, which will be immediately submitted, and which functions to finance general policies related to the duties of the State which organizes the government. From the definitions that have been explained, there are similarities that can be concluded about the views or principles regarding tax, but there are differences, namely regarding the use of the language style or sentences used. These three opinions have elements, namely that taxes are:

1. Contributions from the people to the state
2. Based on law

3. Without lead services (counterperformance) from countries that can be directly selected. Tax payments cannot be determined by individual contravention by the government.
4. Used to finance the household or region, namely expenses that are beneficial to the wider community.

It can be concluded that tax is a contribution to the state (which can be enforced) which is owed by taxpayers who pay it according to regulations and do not get returns that can be directly appointed.

Restaurant Tax

According to Law Number 28 of 2009 concerning Regional Taxes and Regional Levies, article 1 paragraph 1 reads "Restaurant Tax is a tax on services provided by restaurants." However, what is meant by restaurant is a facility that provides food and/or drinks for a fee, which also includes restaurants, cafeterias, canteens, stalls, bars, and the like, including catering/catering services.

Based on article 10, paragraphs 1-4 of Makassar City Regional Regulation No. 2 of 2018 concerning regional taxes for the city of Makassar, that: Restaurant Tax is levied on services provided by restaurants. The object of Restaurant Tax is the services provided by restaurants. Services as referred to in paragraph (2) include sales services for food and/or drinks consumed by buyers, whether consumed at the service location or elsewhere. Not included in the object of Restaurant Tax as referred to in paragraph (2) are services provided by restaurants (restaurants) whose sales value is determined by the mayor, while Article 11, paragraphs 1 - 2 states that: The subject of Restaurant Tax is the individual or entity that buys food and/or drinks from restaurants. Restaurant Taxpayers are individuals or entities that operate restaurants.

In collecting Restaurant Tax, there are several terms that are important to know (Siahaan, 2016), namely:

1. A restaurant entrepreneur is an individual or in any form, who within the company or work environment carries out business in the restaurant sector.
2. Payment is the amount received or should be received in return for the transfer of goods or services, as payment to the restaurant owner.

Sales receipt (bill) is proof of payment, which is also proof of tax collection, which is made by the taxpayer when submitting payment for the purchase of food and/or drinks to the tax subject.

The restaurant tax rate is set at a maximum of ten percent and must be determined by the regional regulations of the relevant district/city. This is intended to give authority to district/city governments to determine tax rates deemed appropriate to the conditions of each district/city area, as long as they do not exceed ten percent. Based on Makassar City Regional Regulation Number 2 of 2018, the Restaurant Tax rate in Makassar City is set at ten percent.

The principal amount of Restaurant Tax owed is calculated by multiplying the tax rate by the tax base. In general, the calculation of Restaurant Tax is according to the following formula:

$$\begin{aligned} \text{Restaurant Tax Due} &= \text{Tax Rate} \times \text{Tax Base} \\ &= \text{Tax Rate} \times \text{Payment Amount} \\ &\quad \text{the restaurant should} \\ &\quad \text{receive} \end{aligned}$$

Restaurant Tax

Restaurant Tax Potential is the ability of restaurant taxes to become a source of revenue for an area that is declared as a Restaurant Tax revenue target. To calculate potential Restaurant Tax, there is a formula according to Harun (2003), namely:

$$\text{Potential Restaurant Tax} = Y_1 + \text{Restaurant Tax Rate}$$

with,

$$Y_1 = A \times B \times C \times D$$

where,

- A : Average number of visitors per day
- B : Average food prices
- C : Number of days during a year

According to Halim (2001), effectiveness is a condition that occurs as a desired result if someone performs an action with a specific purpose and is indeed desired, so that person is said to be effective if it causes the effect or has the intention as desired. Effectiveness is the success or failure of an organization in achieving a goal according to Jone and Pendlebury (1995) in Halim (2001). Hence, effectiveness must be assessed based on the goals that can be implemented and not based on the concept of maximum goals and be a measure of how far the organization can achieve appropriate success.

If effectiveness is linked to restaurant taxes, effectiveness can determine how much potential restaurant tax revenue is realized.

Research Framework

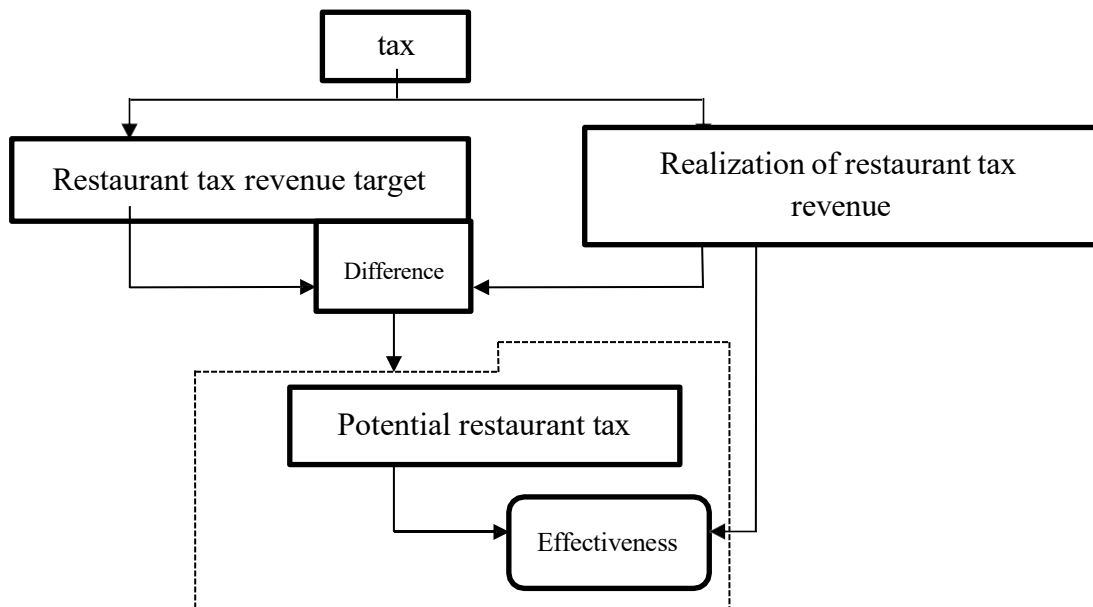
Regional taxes as a potential source of regional revenue must be maximized in order to finance regional development. Restaurant tax, as a regional tax, also plays a role in financing and forming the regional economy, so attention must be paid to the implementation of its collection so that the tax revenue obtained truly reflects the potential of the region.

Copy that, in this research a study was also carried out on the existing restaurant tax potential because based on the existing data there is a crucial problem, namely the existence of restaurant taxes that have not been explored optimally or there is potential that is still hidden. Based on related data, it can be seen that there is a quite large gap/difference between realization and target.

The analysis used to solve existing problems is potential analysis to determine the real tax potential of restaurants. This analysis is strengthened by empirical data related to the calculation of potential restaurant taxes and existing theoretical studies related to research on restaurant taxes. If the results of the potential restaurant tax calculation have been obtained, it will also be possible to measure the effectiveness of the restaurant tax because the effectiveness of restaurant tax is calculated based on a comparison between the amount of realized restaurant tax revenue and the size of the existing restaurant tax potential. Thus, if the restaurant tax potential can be known, then its direct effectiveness can also be known.

By looking at the theoretical basis and several previous studies that have been presented previously, the framework of this research can be described as follows. Based on the picture of the framework below, it can be explained that the difference between the actual amount of existing Restaurant Tax revenue and the Restaurant Tax revenue target set by the Makassar City Regional Government is a potential for Restaurant Tax that has not been explored optimally. When the realization is greater than the target set, of course there is a large tax potential from such a large target, whereas if the realized value of tax revenue is smaller than the target, it means that the implementation of tax collection has not been utilized optimally.

Figure 1. Research Framework



The magnitude of the existing restaurant tax potential is compared with the actual restaurant tax revenue that occurs, so it will be known how high the level of effectiveness of the restaurant tax is. This effectiveness analysis is absolutely necessary to measure the extent of restaurant tax collection in Makassar City. The higher the potential value, the higher the effectiveness of the Restaurant Tax. Thus, it is very important to know the real potential of the Restaurant Tax to measure its effectiveness, so that it can become a basis and guide in implementing programs to increase regional revenue, especially from the tax side.

METHODS

This research uses a qualitative data analysis approach and when viewed from its purpose and nature, this research is descriptive, namely a research procedure that uses descriptive data in the form of written or spoken words from people and perpetrators who can be observed Sugiyono (2016). The research was carried out through observations to obtain information on a particular problem and to get an idea of the potential for restaurant tax as a source of Regional Original Income (PAD) in Makassar City. In this research, researchers are only limited to calculating the potential amount obtained from qualitative data relating to restaurant tax revenues in Makassar City around 2017-2021 period.

This research conducts literature study and survey to collect the data, with based on BPS-Statistics publication in overall. To understand the analysis, the variables are defined as follow.

1. Restaurant Tax Potential is the result of data collection findings in the field relating to the number and frequency of Tax Objects which are then multiplied by the basic tax rate
2. Restaurant Tax Target is an estimate set and expected to be accepted by the local government for operational services provided by restaurants
3. Realization of Restaurant Tax revenue is revenue received by the local government for operational services provided by restaurants
4. The number of restaurants is the number of restaurants available
5. The tax rate is the amount of the restaurant tariff determined by the regional government and the amount is in accordance with the respective government decisions. In this research, the Restaurant Tax rate set is 10%.

Potential Analysis

Analysis of potential calculations is absolutely necessary in the analysis of setting rational targets. With the potential that exists after comparing future revenues. Then the amount of hidden potential will be obtained, so that it will be possible to estimate what action plans will be carried out to explore this hidden potential to determine the size of the planned future revenues.

To calculate the potential Restaurant Tax, the formula according to Harun (2003) is used as follows:

$$\text{Potential Restaurant Tax} = Y_1 \times \text{Restaurant Tax Rate (1)}$$

with,

$$Y_1 = A \times B \times C \times D$$

where,

A : Average number of visitors per day

B : Average food prices

C : Number of days during a year

When a calculation regarding potential is obtained, it can also be seen how effective Restaurant Tax management is because the effectiveness of Restaurant Tax management

is calculated based on a comparison between the actual amount of Restaurant Tax revenue and the existing Restaurant Tax potential.

Effectiveness Analysis

Effectiveness is the success or failure of an organization in achieving a goal according to Jone and Pendlebury (1995) in Halim (2001). Effectiveness must be assessed based on the goals that can be implemented and not based on the concept of maximum goals and be a measure of how far the organization can achieve appropriate success. According to Devas (1989), effectiveness is the relationship between output and objectives or it can also be said to be a measure of how far a certain level of output is. It is also related to the degree of success of an operation in the public sector so that an activity is said to be effective if the activity has a major influence on the ability to provide community services which is a predetermined target. It is used to measure the relationship between the results of a tax collection and the real objectives or potential that a region has.

To calculate the effectiveness of hotel tax management, the following is used by Halim (2001):

$$\text{Restaurant Tax Effectiveness} = \frac{\text{Realization/Potential of Restaurant Tax}}{\text{Potential/Target for Restaurant Tax}} \times 100\% \quad (2)$$

The level of management effectiveness can be classified into several categories, namely:

1. The effectiveness calculation results are between 0% - 33.33%, meaning the effectiveness level is classified as less effective
2. The effectiveness calculation results are between 33.33% - 66.66%, meaning the effectiveness level is classified as quite effective
3. The effectiveness calculation results are more than 66.66%, meaning the effectiveness level is classified as effective.

Contribution Analysis

This analysis analysis is a method used to find out how much contribution can be made from restaurant tax revenues to PAD in Makassar City, then comparing the realization of restaurant tax revenues to local original income.

The formula used to calculate contributions (Halim in Roro, 2015) is:

$$Pn = \frac{QXn}{QZn} \times 100\% \quad (3)$$

where,

Pn : Contribution of restaurant tax revenue to local original income (Rp)

QX : Amount of Restaurant Tax Revenue (Rp)

QZ : Amount of PAD Revenue (Rp)

n : Certain Period

RESULTS AND DISCUSSION

Table 3 shows the results of potential taxes around 2017-2021 period. The 2021's potential taxes become the largest number over these five period years. The tax potential continues to increase every year along with the enormous development of restaurant development in Makassar. There was an unexplored tax potential of 1,352,894,400,000 in 2020-2021, and there was a decrease in growth from 89% to 49.4% but the growth rate was very large, namely from 905,135,760,000 to 1,352,894,400,000. There is potential for restaurant tax that still needs to be explored in the city of Makassar. Finally, efforts are needed from the government to pay more attention to tax potential so that absorption is carried out optimally in calculating tax targets and of course measures are taken to achieve 100% realization.

Table 3. Analysis Result of Makassar's Restaurant Tax Potential, 2017-2021

Year	Number of restaurants	Average visitor	Average price of food (Rp)	Number of days	Tax rate	Potential taxes (Rp)	Growth of Tax Potential
2017	919	194	60.000	365	10%	390.446.340.000	
2018	1119	164	60.000	365	10%	401.900.040.000	2.93%
2019	1698	129	60.000	365	10%	479.701.980.000	19.3%
2020	2026	204	60.000	365	10%	905.135.760.000	89%
2021	2340	264	60.000	365	10%	1.352.894.400.000	49.4%
Total	8.096					3.530.078.523.900.000	

Source: Author's Own Estimation (2023)

According to Halim (2001), there are levels of management effectiveness that can be classified into several categories, namely:

1. The effectiveness calculation results are between 0% - 33.33%, meaning the effectiveness level is classified as less effective.
2. The effectiveness calculation results are between 33.33% - 66.66%, meaning the effectiveness level is classified as quite effective.
3. The effectiveness calculation results are more than 66.66%, meaning the effectiveness level is classified as effective.

In 2017-2021, the percentage obtained was 23.63%, 28.63%, 29.36%, 18.37%, and 15.56%. There was a continuous decline in the level of effectiveness of restaurant taxes in the city of Makassar and the achievement was always below 100%, meaning that the level of effectiveness of restaurant taxes in Makassar was very ineffective until 2021. This is due to a lack of awareness among restaurants in the city of Makassar to carry out their obligations in terms of paying taxes and the lack of a system that supports taxes so that they are realized properly, resulting in restaurant taxes in 2017-2021 continuing to decline and the level of effectiveness being classified as less effective. However, it is below 100% and never reaches 100%, which means it is effective.

Table 4. The Results of Restaurant Tax Effectiveness

budget year	Potential restaurant tax	Realization of restaurant tax	Effectiveness of restaurant taxes
2017	Rp 390.446.340.000	Rp 92.279.737.686	23.63%
2018	Rp 401.900.040.000	Rp 114.006.791.465	28.36%
2019	Rp 479.701.980.000	Rp 140.867.931.059	29.36%
2020	Rp 905.135.760.000	Rp 166.283.463.199	18.37%
2021	Rp 1.352.894.400.000	Rp 210.528.402.002	15.56%

Source: Author's Own Estimation (2023)

In order to calculate the contribution of restaurant tax, this study uses Halim in Roro (2015) methods. Finally, the results are as follow.

Table 5. The Results of Restaurant Tax Contribution to Regional Revenue

Budget Year	Realization of Restaurant Tax	Local Original Income (Rp)	Restaurant Tax Contribution to Local Revenue (%)
2017	92.279.737.686	828.871.892.852	11,13
2018	114.006.791.465	971.859.753.605	11,73
2019	140.867.931.059	1.337.231.094.232	10,53
2020	166.283.463.199	1.102.683.491.352	15,07
2021	210.528.402.002	1.649.402.916.000	12,76

Source: Author's Own Estimation (2023)

Based on the results of calculations in Table 5, it can be seen that the contribution of restaurant tax to Makassar City Regional Original Income in 2017-2021 varies from 11.13% to 15.07% or an average of 12.24% per year. In 2016-2017 there was a decrease in the restaurant tax contribution from 11.73% down to 10.53% and increased in 2018 by 15.07% and decreased again to 12.76% in 2019. Even though there was an increase it can be said that the contribution of restaurant tax to Original Regional Income is still relatively low.

CONCLUSION

This study aims to analyze the restaurant tax potential. The results show that the realization of restaurant tax in Makassar never reaches 100%. Then, the implementation of restaurant tax collection is classified as ineffective, due to the value of the realization below 100%. Finally, the contribution of restaurant tax is relatively small, with the average value being 12.24% to regional revenue.

The results of the research show that the potential for existing restaurant taxes has a very strong influence on the realization of restaurant tax revenues that occur, so it would be better if the regional government of Makassar City in determining its taxes pays attention to aspects that influence restaurant tax revenues, such as the size of restaurant visitors and average restaurant prices. However, in determining restaurant tax revenue

targets, it should not only be based on previous years' budgets but also pay attention to the existing restaurant tax potential and conditions occurring in the field.

This study has a limitation occurred. This research uses secondary data which was sampled only within a period of five years, namely 2017-2021. This results that the level of accuracy of the analysis results is still incomplete. Apart from that, this research only calculates the potential level of restaurant tax in the city of Makassar without looking at the factors that influence it. potential Restaurant Tax and this research only taxes restaurants outside of hotels.

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