

## ANALYSIS OF THE ASSESSMENT OF ADMISSION CONTRIBUTIONS AGAINST LOCAL REVENUES

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### ARTICLE INFO

#### Keywords:

Regional Contributions,  
Regional Levies,  
Regional Original Revenues,  
Local Taxes

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### ABSTRACT

The effectiveness of regional revenue sources becomes a reference for the regions in preparing regional budgets and expenditures for the next period. The source of revenue that shows regional performance in increasing revenue comes from the area itself in increasing local revenue (PAD), namely taxes and fees because community participation is very dominant and is a factor for regional success in developing its area if the community participates a lot, contributing income to the area in the form of taxes and levies. Quantitative descriptive research is the aim of this study, to determine the amount of local tax contributions in generating regional income. The data uses time series data for 5 (five) years from 2017-2021. The average PAD growth for Solok City in a period of 5 five years from 2017-2021, has a growth of 0.38 percent per year, while the effectiveness of achieving PAD is already high, namely an annual average of 93.9. Compared to the contribution between taxes and levies that have a higher contribution to PAD is local taxes. This result can be interpreted that the participation of the people of Solok City in paying regional taxes is greater.

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## 1. INTRODUCTION

Implementing Regional Autonomy in Indonesia is intended to improve the efficiency and effectiveness of government administration, especially in regional financial management, and at the same time can improve services to the community. In essence, regional autonomy means the granting of authority to regions to be independent in regulating and managing their household affairs by exploring and utilizing existing economic resources for the welfare and prosperity of the people in the regions, based on democratic principles, principles of equality and justice, participatory, initiatives and aspirations of the community itself and by the conditions, potential and diversity of the region. Therefore, local governments must manage regional finances effectively, efficiently, transparently, and accountably.

Implementing regional autonomy is expected to improve economic welfare, regional independence, and social stability. However, the level of regional financial resilience can be seen from the ability of regions to finance their regional expenditures (Defitri, 2020). Expenditure financing is undoubtedly in line with regional revenues derived from regional revenues

The ability of the region to manage its finances, especially in managing its regional wealth, will improve its performance (Defitri, Fetrisia and Maison, 2021). For this reason, it is necessary to have policies that can increase the wealth of each region. The policy is carried out in order to achieve the ideal of prosperity through increasing regional Native Income (PAD) in a creative way and without violating applicable legal provisions. Regional financial performance can be known by using the effectiveness ratio (Kartika and Kusuma, 2015) Local income can be sourced from regional taxes and levies (regional levies) commonly called, profits from the utilization of segregated regional assets and other regulated PAD (Supriyadi and Ahmad, 2021). Efforts are made to increase PAD through several instruments to increase local taxes, levies and potential sources of income that can provide income for the regions.

The district has a considerable contribution in increasing local revenue (Puspitasari et al., 2016), therefore the regions need to determine and consider how much potential local taxes will be the source of regional revenue each year. Significant revenues on PAD derived from local tax contributions can facilitate community, regional and national economic development (Noorain and Yahya, 2018). Local governments have always done upaya to increase Local Native Income (PAD) from local tax and levy sources carried out various policies (Halim & Iqbal, 2012),

However, the reality is that local taxes and levies often do not both result in an increased amount. Often one or even does not increase every year. One of the sources that can increase local taxes and local levies is the market. The market is a significant source of local revenue from taxes and levies. For this reason, policy makers need to know how their regional conditions are in financial management as a basis for future development planning

## 2. METHOD

This research is a quantitative research with a descriptive approach, namely to objectively describe a situation under study using numbers, at the time of data collection, interpretation to the appearance of the results. The data type is secondary data with *the times series* type, which is annual data from 2015 -2021. The data source is the financial statements of Solok City, West Sumatra. The type of data needed is a report on Regional Original Income (PAD), local taxes and regional levies.

In analyzing researchers using the formula of effectiveness and efficiency and using growth calculations to be the basis for comparison in conducting assessments. Effectiveness can be known by using the formula (Mahmudi, 2010):

<p>Realization of PAD Acceptance</p> $\text{Effect of PAD} = \text{-----} \times 100\%$
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The effectiveness assessment based on the formula above can be made into a ratio and with the determination of the effectiveness criteria are :

Table 1. Financial Effectiveness of PAD	
Effectiveness of PAD Retribution	Criterion
More than 100%	Highly Effective
90 % - 100%	Moderately Effective
80% - 90%	Less Effective
60% - 80%	Ineffective
Less than 60%	

Source : (Halim and Iqbal, 2012)

Meanwhile, looking at the contribution of local taxes and regional levies to local original income is to use the formula (Mahmudi, 2010)

<p>Realization of Regional Tax Revenues</p> $\text{Contribution} = \text{-----} \times 100\%$
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## 3. RESULT AND DISCUSSION

### 3.1 Local Revenue

The success of regional autonomy is inseparable from the ability of the region concerned in various matters, especially financing. In this case, local governments must run the wheels of government effectively and efficiently to encourage community participation in development. Therefore, through regional autonomy, it is hoped that the Solok City government will be able to explore sources and financial potential through Regional Original Income (PAD). The demand for increased PAD is getting stronger as more and more government authority is devolved to the regions.

Potential sources of regional revenues must be explored to the maximum in the corridors of applicable laws and regulations, especially local taxes and regional levies which are the main elements in PAD, because increasing PAD will give a good indication of the financial ability of the region to manage its households. By Law Number 33 of 2004, the sources of Regional Original Income (PAD) consist of Regional Taxes, Regional Levies, Segregated Regional Wealth Management Results and other Legitimate Regional Revenues.

Local Revenue is expected to be the main driver for local governments in providing public services, organizing government and improving regional development. The higher the Regional Native Income will

reduce the level of dependence of the region on central to regional transfer funds, which will increase regional independence. The average growth of Solok City PAD in a period of 5 (five) years from 2017 -2021, has a growth of 0.38 percent per year, while the effectiveness of PAD achievement is already high, namely the annual average of 93.94%, in detail can be seen in table 2 below:

Table 2. Solok City Area Native Income Growth

Year	Budget (IDR)	Realization (IDR)	Effectiveness (%)	Growth (%)
2017	45.000.000.000	41.852.774.058	93,01	
2018	49.000.000.000	40.742.809.270	83,15	-2,652
2019	49.620.110.134	41.651.420.802	83,94	2,230
2020	37.184.206.989	40.546.249.555	109,04	-2,653
2021	42.182.038.866	42.410.191.260	100,54	4,597
<b>Average</b>			93,94	0,380

Source : BKD Kota Solok (2022)

In 2017 pad receipts were Rp. 41. 852,774,058 and in 2021 PAD receipts reached Rp. 42,182,038,866,- this is an effort made by the Solok City Government to increase revenue, this can be seen from the first 3 (three) years of observation (2017-2019), PAD receipts did not reach the target that year, but starting from the last 2 (two) years, the Solok City Government managed to exceed the budgeted one. A significant increase occurred in 2020 with a realization increase of 9.04 percent of the budgeted, the overall voting performance can be considered adequate. However, the growth of PAD acceptance can be judged to fluctuate from negative to positive, in picture it can be seen from the following chart:

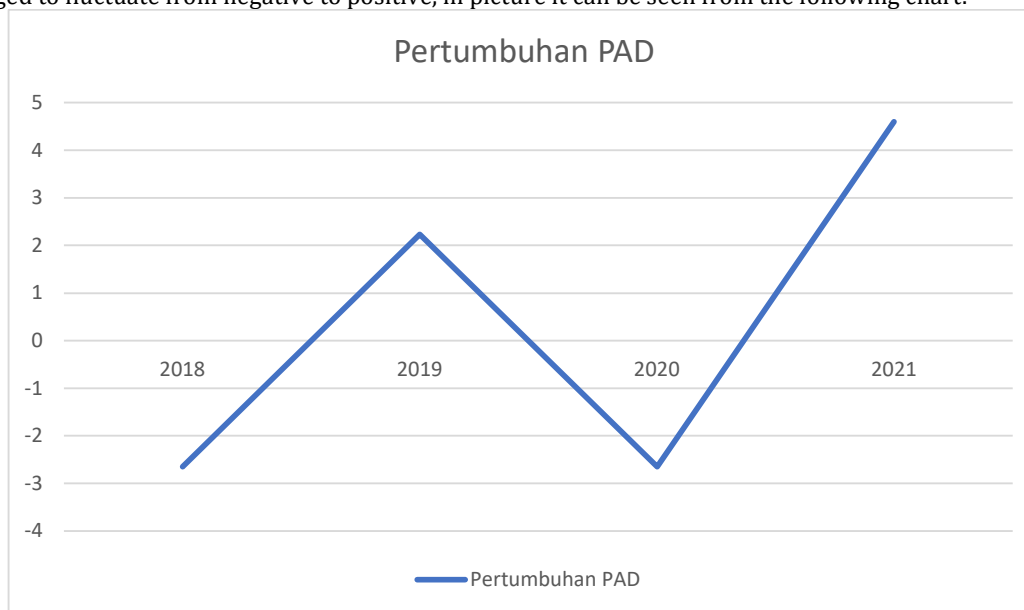


Figure 1. PAD Growth Chart (2022)

In 2018, PAD growth decreased revenues worth Rp.1,109,964,788 or 2,652 percent compared to 2017, this value provides a considerable value in overall revenues caused by a decrease in regional levies in 2018 worth Rp. 406,146,875,- and other legitimate PAD revenues worth Rp. 2,517,844,756,-. However, in 2019 PAD growth increased by 2.23 percent and fell back to 2.653 percent in 2020. In 2021, Solok City PAD is quite encouraging because there is an increase in growth worth 4.597 percent, this happens because of the increase in regional taxes and other legitimate PAD increases with a significant increase of 27,046 percent or equivalent to Rp. 2,687,189,509,-.

### 3.2 Solok City Local Tax

Provincial taxes and regional attributable are a form of participation or participation of the entire community in implementing regional autonomy. Local taxes and local levies are among the most essential sources of regional income in financing government and regional development implementation. By Law Number 32 of 2000, local taxes consist of provincial tax and Regency / City tax, which is based on the authority to impose and collect each regional tax type in the administrative area of the Province and Regency / City concerned. Local taxes and levies are revenues sourced from the community that can increase PAD and later be used by local governments in providing services to the community again.

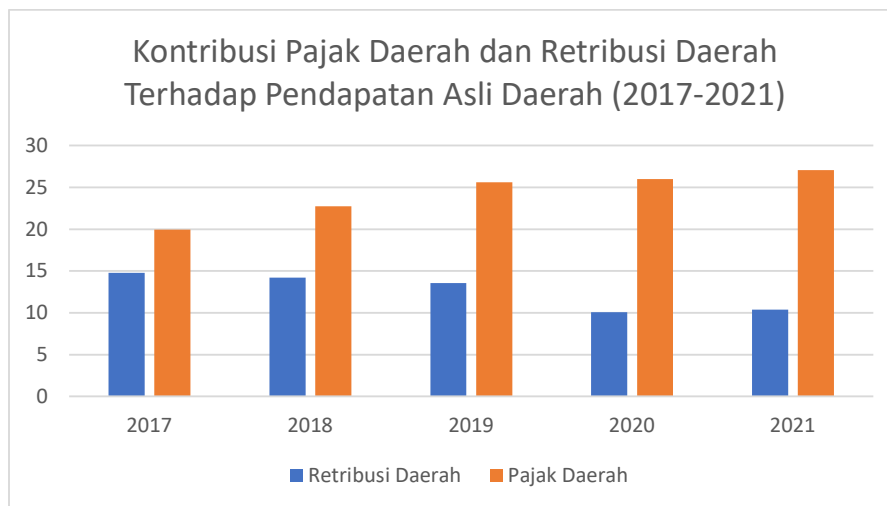
Solok City regional tax consists of hotel tax, restaurant tax, entertainment tax, billboard tax, street lighting tax, parking tax, Land & Building Tax (PBB-P2), and Land and Building Rights Acquisition Duty (BPHTB), collected by the Regional Finance Agency (BKD). When viewed from the amount of regional tax revenues and regional levies, it can be seen in table 3 below:

Table 3. Solok City Levy and Tax Revenue (2017-2021)

Year	Levy Area (IDR)	Local Taxes (IDR)	PAD (IDR)	Contribution (%)	
				Regional Levy	Local Taxes
2017	6.190.178.549	8.338.597.468	41.852.774.058	14,79	19,92
2018	5.784.031.674	9.261.141.407	40.742.809.270	14,20	22,73
2019	5.643.419.479	10.668.653.246	41.651.420.802	13,55	25,61
2020	4.078.343.699	10.529.828.850	40.546.249.555	10,06	25,97
2021	4.398.701.913	11.470.357.366	42.410.191.260	10,37	27,05

Source : BKD Kota Solok (2022)

According to table 2 above, it can be seen that the realization of regional taxes in Solok City for the last 5 (five) years, shows an increase compared to regional levies, although there was a decrease in 2020 of Rp. 138,824,392,- (1.20%), but it can be increased again in 2021, reaching Rp.11,470,357,366,- or an increase of 8.92 in 2020. This is inversely proportional to the regional levy receipts that decrease every year.



Source : Data processed (2022)

Figure 2. Graph of Local Tax Contribution and Regional Levy of Solok City (2017-2021)

Local taxes account for more significant PAD revenues. Local taxes contribute an average of 24.26 percent per annum while local levies are only 12.59 per cent per annum. Figure 2 shows an inversely proportional graph between local tax contributions and PAD levies. The increase in local tax revenue in Solok City gives an idea that the collection of local taxes is carried out optimally, this can be seen from the following table 3:

*Analysis Of The Assessment Of Admission Contributions Against Local Revenues, Siska Yulia Defitri, et.al*

Table 4. Solok City Regional Tax Revenue for 5 Years (2017-2021)

Year	2017	2018	2019	2020	2021
<b>Budget</b>	IDR	IDR	IDR	IDR	IDR
	7,524,585,842	8,888,263,634	9,134,763,718	9,478,600,600	12,094,877,526
<b>Realization</b>	IDR	IDR	IDR	IDR	IDR
	8,338,597,468	9,261,141,407	10,668,653,246	10,529,828,850	11,470,357,366
<b>Percentage</b>	110,82	104,20	116,79	111,09	94,84
<b>Criterion</b>	<b>Highly Effective</b>	<b>Highly Effective</b>	<b>Highly Effective</b>	<b>Highly Effective</b>	<b>Effective</b>

Source : Data processed from (2022)

From table 4, it can be explained that in general, the realization of local tax revenues is known to exceed the existing budget every year except for 2021, however, the performance of the Solok City Regional Government in collecting local taxes as an effort to increase PAD for the last 5 (five) years (2017-2021) can be considered adequate. This means that the local tax revenue in Solok City is done very well and there are efforts for its achievement to be accepted and improved.

Local taxes provide an increase in contributing to increasing the PAD of Solok City, this can be seen from the percentage value every year from 2015 with a value of 19.92% to 27.05% in 2021 which means an increase of 7.13% pad growth for 5 years. The results of the study can be seen that from the results of revenues such as local taxes and regional levies, it can be seen that local taxes have a more significant contribution to local revenue receipts or local taxes have a higher contribution to PAD. These results align with previous studies that found that local tax contributions are significant to PAD revenues (Puspitasari *et al.*, 2019; Maryono, Badjuri and Jaeni, 2020) and local taxes have a positive relationship to the increase in PAD (Nusa and Panggalo, 2022). This result can be interpreted to mean that the participation of the people of Solok City in paying local taxes is more significant, so that it can be a consideration in determining the upcoming regional budget as a form of policy making in financial management and infrastructure improvement plans in Solok City.

#### 4. CONCLUSION

The effectiveness of regional sources of income becomes a reference for the regions in preparing regional budgets and expenditures for the next period. The source of revenue that shows the performance of the region in increasing income derived from the region itself in increasing local original income is taxes and levies because community participation is very dominant and becomes a factor in the success of the region in developing its area if the community participates a lot in contributing income to the region in the form of taxes and levies.

Over the past 5 years (2017-2021) Solok City has proven that there is effectiveness in tax revenue and retribution as a source of PAD revenue. The fluctuating achievement of the effectiveness of PAD acceptance is due to the role of revenue sources that has not increased but the decline that occurs is not too significant. One of the causes is the COVID-19 pandemic that began in Indonesia in 2020, and Solok City is no exception. This assessment is evident from the minus of PAD growth in 2020, which is -2,653. Meanwhile, the contribution of taxes as a pad enhancer in Solok City is increasing because after all, taxes are the obligations of community residents regardless of any conditions

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