

The Effectiveness of Hotel Tax Revenue and Its Contribution to The Increase of Local Original Revenue in Banjarmasin City

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ABSTRACT

Objective: The Role of Local Original Revenue (PAD) in Regional Income as a Reflection of Regional Financial Capability in Governance and Development. The role of Local Original Revenue (PAD) in regional income reflects the success of efforts or the financial capability of a region in funding governance and development. This study aims to analyze the contribution of hotel tax revenue to the Local Original Revenue (PAD) of Banjarmasin City and assess the effectiveness of the hotel tax collection system. **Method:** This study employs a quantitative approach. The population and sample consist of hotel tax data from 2019 to 2023. A descriptive quantitative analysis method is used in this research. **Results:** Overall, the contribution of hotel tax revenue from 2019 to 2023 has significantly supported Local Original Revenue (PAD), influencing the total PAD received. **Novelty:** This study highlights the necessity for local governments to establish clear regulations to set precise targets for regional tax revenue, particularly in the hotel tax sector.

INTRODUCTION

Regional Autonomy and the Role of Hotel Tax in Enhancing Local Original Revenue (PAD) in Banjarmasin City. Regional autonomy requires local governments to be creative in seeking revenue sources that can finance local government expenditures for governance and development [1]. According to Law Number 28 of 2009 on Regional Taxes and Levies, regional taxes and levies constitute two primary sources of Local Original Revenue (PAD), alongside income from separated regional assets and other legitimate PAD sources. A higher contribution of PAD to regional income reflects the success of efforts or the financial capability of a region in financing governance and development [2].

Local Original Revenue (PAD) serves as a financial resource that can be freely utilized by each region to support governance and regional development. Therefore, to reduce dependency on the central government, local governments must strive to enhance PAD, one of which is by optimizing regional potential. Regional tax, as a component of PAD, holds a promising prospect for development. Hence, regional tax management should be conducted professionally and transparently to optimize its contribution to the regional revenue and expenditure budget [3].

The Banjarmasin city government is one of the regional authorities granted autonomy to manage its own affairs. With the implementation of regional autonomy, it is expected that the local government can efficiently manage and maximize its existing

resources for regional sustainability and progress. One of the efforts made by the Banjarmasin city government to increase its PAD is through regional taxes, particularly hotel taxes, which serve as a key source of local revenue [4].

Taxes play a crucial role in government finance as a primary source of revenue (budgetary function) and as a regulatory instrument (regulatory function). As a revenue source, taxes are used to finance various government expenditures, including administrative operations, infrastructure development, education and health facilities, law enforcement, and other public goods that the private sector cannot provide. Given this significance, taxes are essential for regional development, as tax revenues increase in line with population growth, economic expansion, and political stability [5].

In regional development, taxes play a vital role in financing public services. The collection of regional taxes aligns with Law Number 28 of 2009, which grants districts and cities the authority to impose regional taxes. Regional taxes are levied by local governments to finance their expenditures. One of the most promising regional taxes, given the increasing focus on the service and tourism sectors in development policies, is the hotel tax. This tax contributes to the growth of the recreation and tourism industry. According to Article 1, Sections 20 and 21 of Law Number 28 of 2009, hotel tax is a levy on services provided by hotels. Based on this background, this study is titled: "The Effectiveness of Hotel Tax Revenue and Its Contribution to the Increase of Local Original Revenue (PAD) in Banjarmasin City"[6].

Literature Review

Legal Basis, Subjects, Taxpayers, and Hotel Tax Collection Rates

The collection of hotel tax in Indonesia is currently based on a clear and strong legal framework, which must be adhered to by the public and relevant parties. The legal foundations for hotel tax collection in a district or city are as follows:

1. Law Number 28 of 2009 on Regional Taxes and Levies.
2. Government Regulation Number 65 of 2001 on Regional Taxes.
3. Regional Regulation of Manado City Number 2 of 2011 on Regional Taxes.
4. Regional Regulation of Manado City Number 2 of 2011, Articles 2-8, on Hotel Tax.

According to Regional Regulation Number 6 of 2010 on Hotel Tax, the basis for hotel tax imposition is the amount paid or payable to the hotel. If payment is influenced by a special relationship, the selling price or compensation is calculated based on the fair market price at the time of service use. The hotel tax rate is set at a maximum of 10% and is determined by the respective district or city regional regulation [7].

Based on Law Number 28 of 2009 on Regional Taxes and Levies, Fitriandi et al state that the object of hotel tax is the service provided by hotels with payment, including supporting services that enhance convenience and comfort, such as sports and entertainment facilities. Supporting services include telephone, facsimile, telex, internet, photocopying, laundry, ironing, transportation, and other similar facilities provided or managed by the hotel [8].

According to Article 33 of Law Number 28 of 2009, the subject of hotel tax is any individual or entity that makes payments to individuals or entities operating hotels. Simply put, the tax subjects are consumers who utilize and pay for the services provided by hotel businesses. Meanwhile, the hotel taxpayers are individuals or entities operating a hotel business, including boarding house owners, guesthouses, tourist lodges, and convention halls, who are fully responsible for remitting the owed tax.

Effectiveness and Contribution of Regional Tax

Mahmudi defines effectiveness as the relationship between outputs and the goals or objectives to be achieved [9]. A process is considered effective if it successfully meets the intended goals and objectives ("spending wisely"). The greater the output achieved in relation to the set objectives, the more effective an organizational unit's work process is.

The effectiveness level of regional tax can be categorized as follows:

1. Achievement level above 100% = Highly effective
2. Achievement level between 90%-100% = Effective
3. Achievement level between 80%-90% = Moderately effective
4. Achievement level between 60%-80% = Less effective
5. Achievement level below 60% = Ineffective

Contribution analysis is used to determine the extent to which regional taxes contribute to PAD (Local Original Revenue). This is assessed by comparing the revenue from regional taxes (specifically hotel and restaurant taxes) in a given period with the PAD received in the same period. A higher ratio indicates a greater role of regional taxes in PAD, whereas a lower ratio implies a minimal impact of regional taxes on PAD [10].

RESEARCH METHOD

This study employs a descriptive quantitative approach, aiming to describe the realization and potential of hotel tax revenue, calculate the effectiveness of hotel tax collection, and analyze its contribution to Local Original Revenue (PAD). The research was conducted at the Regional Financial Management, Revenue, and Asset Agency (BPKPAD) of Banjarmasin City. The population in this study consists of hotel tax data from various hotels, while the sample comprises hotel tax revenue in Banjarmasin City from 2019 to 2023. The research utilizes field studies conducted at the local revenue office as the primary research object, along with documentary studies to collect secondary data. This study focuses on Banjarmasin City's regional revenue sources from 2019 to 2023. For data analysis, the researcher applies the effectiveness analysis formula, as outlined below [11]:

Effectiveness Analysis

$$\frac{\text{Actual Hotel Tax Revenue}}{\text{Targetted Hotel Tax Revenue}} \times 100\%$$

Contribution Analysis

$$\frac{\text{Actual Hotel Tax Revenue}}{\text{Actual Local Original Revenue}} \times 100\%$$

RESULTS AND DISCUSSION

Result

The contribution of regional taxes to the Regional Financial Management, Revenue, and Asset Agency (BPKPAD) from 2019 to 2023 has shown an upward trend. Regional taxes have generated higher revenue compared to regional levies, separated regional asset management, and other legitimate regional income sources. However, despite this increase, regional tax revenue still needs further improvement, particularly in the hotel tax sector.

Table 1. Target and Actual Realization of Hotel Tax Revenue (2019–2023)

Year	Hotel Tax Target (IDR)	Actual Hotel Tax Revenue (IDR)	%
2019	18.750.000.000	19.918.212.141	106.23
2020	11.000.000.000	12.954.318.170	117.77
2021	13.000.000.000	15.028.232.506	115.60
2022	25.000.000.000	20.795.850.228	83.18
2023	30.000.000.000	26.527.138.379	88.42

Source: Processed Data from BPKPAD Banjarmasin

The table above illustrates the effectiveness of hotel tax collection in Banjarmasin from 2019 to 2023. The data indicates that in 2019, 2020, and 2021, the hotel tax revenue met or exceeded the targeted amount. The highest realization occurred in 2020, reaching 117.77%, categorizing it as highly effective.

However, in 2022 and 2023, hotel tax revenue fell below the target, with 83.18% in 2022 and 88.42% in 2023, classifying them as moderately effective. The lowest effectiveness was recorded in 2023, indicating a decline in tax collection performance. This suggests the need for policy improvements and enhanced tax collection strategies to optimize hotel tax revenue contributions to Local Original Revenue (PAD).

Tabel 2. Calculation of Hotel Tax Effectiveness (2019–2023)

Year	Hotel Tax Target (IDR)	Actual Hotel Tax Revenue (IDR)	%	Effectiveness Category
2019	18.750.000.000	19.918.212.141	106.23	Effective/Highly Effective
2020	11.000.000.000	12.954.318.170	117.77	Effective/Highly Effective
2021	13.000.000.000	15.028.232.506	115.60	Effective/Highly Effective

Year	Hotel Tax Target (IDR)	Actual Tax (IDR)	Hotel Revenue %	Effectiveness Category
2022	25.000.000.000	20.795.850.228	83.18	Moderately Effective
2023	30.000.000.000	26.527.138.379	88.42	Moderately Effective

Source: Processed Data from BPKPAD Banjarmasin

The effectiveness level of hotel tax collection for the years 2022–2023 can be categorized as "less effective" since it did not meet the established targets. In 2022, the effectiveness rate was 83.18%, and in 2023, it increased slightly to 88.42%. In contrast, in 2019, the effectiveness rate was 106.23%, which further increased to 115.60% in 2021. The highest effectiveness was recorded in 2020, reaching 117.77%. This increase was primarily due to a higher number of taxpayers fulfilling their obligations on time, contributing to better hotel tax collection performance.

Tabel 3. Contribution of Hotel Tax to Local Original Revenue (PAD) (2019–2023)

Tahun	Actual Hotel Tax Revenue (IDR)	Actual PAD Revenue (IDR)	Contribution (%)
2019	19.918.212.141	215.643.985.953	9.23
2020	12.954.318.170	168.139.922.672	7.70
2021	15.028.232.506	198.878.947.379	7.55
2022	20.795.850.228	258.154.629.122	8.05
2023	26.527.138.379	307.458.966.093	8.62

Source: Processed Data from BPKPAD Banjarmasin

Discussion

After calculating the contribution of hotel tax from 2019 to 2023, it was found that the highest contribution percentage occurred in 2019, reaching 9.23%, while the lowest percentage was in 2021, at 7.55%, with an average contribution of 7.37%. Based on the data analysis obtained from BPKPAD Kota Banjarmasin, the results align with the proposed hypothesis, which suggests that the effectiveness of hotel tax revenue collection and its contribution significantly impact the increase in Local Original Revenue (PAD) of Banjarmasin City. In 2021, hotel tax collection was considered highly effective, with an effectiveness level of 115.60%, increasing further to 117.77% in 2020. However, in 2022, the effectiveness dropped to 83.18%, which is considered ineffective as it fell below 90%. In 2023, the effectiveness rate declined further to 88.42%, categorized as less effective due to the decreasing number of taxpayers fulfilling their tax obligations on time [12].

From a contribution perspective, the hypothesis stating that the effectiveness of hotel tax revenue collection and its contribution significantly influence the increase in PAD is supported by the findings. The highest hotel tax contribution occurred in 2019, at 9.23%, reaching a 90% achievement rate, which is categorized as highly effective. In contrast, the lowest contribution occurred in 2021, at 7.70%, with an achievement rate of 60%, classified as less effective, with an average contribution of 7.37%. These findings align with previous research by Edward, which conducted a case study at the Regional Revenue Office of Manado City on the effectiveness and contribution of hotel and

restaurant tax revenue to PAD. The study calculated the effectiveness and contribution of hotel tax revenue from 2007 to 2011. The results showed that in 2007–2009, the tax collection was highly effective; in 2010, it was effective, while in 2011, it was moderately effective. The contribution levels from 2007–2011 were categorized as highly contributive, with the highest contribution recorded in 2010 [13].

The fluctuation in hotel tax revenue over the years suggests that the system and procedures implemented have not been fully effective. The declining number of taxpayers fulfilling their obligations on time, despite an increase in the number of registered hotel taxpayers each year, has contributed to lower revenue collection. The increasing tax revenue targets set by the Banjarmasin City Revenue Office (Dispenda) each year have further influenced the fluctuation in hotel tax revenue. Several factors have contributed to the declining contribution of hotel tax in boosting PAD in Banjarmasin City from 2019–2023, including low hotel occupancy rates, as most hotels in Banjarmasin are budget hotels or only rated 1-2 stars, leading to limited contributions to local revenue [14]. Additionally, the annual increase in tax revenue targets does not match the actual increase in tax collection performance. Finally, inefficient tax collection processes, where enforcement and monitoring of hotel tax payments have not been effectively implemented, have resulted in unmet revenue targets [15].

The findings of this study have several implications for policymakers and local governments in optimizing hotel tax revenue collection. First, there is a need to improve the effectiveness of tax collection mechanisms by strengthening monitoring and enforcement strategies to ensure timely tax payments from hotel businesses. Second, the local government should consider revising tax policies to better align with the economic conditions and occupancy rates of hotels in Banjarmasin, especially given the dominance of budget hotels in the area. Third, collaborative efforts between the government and the hospitality industry should be encouraged to enhance compliance and create a more sustainable tax revenue system. Lastly, future research should explore alternative revenue sources and innovative taxation models that could complement hotel tax revenue and support the growth of PAD in Banjarmasin City [11].

CONCLUSION

Fundamental Finding : This study reveals that the effectiveness and contribution of hotel tax revenue in Banjarmasin City from 2019 to 2023 have exhibited fluctuations, impacting the overall increase in Local Original Revenue (PAD). The highest effectiveness of hotel tax collection was recorded in 2020 at 117.77%, whereas the lowest was in 2022 at 83.18%, indicating an ineffective collection process. Similarly, the contribution of hotel tax to PAD varied, with the highest in 2019 at 9.23% and the lowest in 2021 at 7.55%, averaging at 7.37%. These findings suggest inconsistencies in tax revenue collection, driven by declining taxpayer compliance, inefficient tax administration, and overly ambitious revenue targets set by local authorities. **Implication :** The fluctuating hotel tax revenue underscores the necessity for more efficient tax administration strategies, enhanced enforcement mechanisms, and realistic revenue

targets that align with economic conditions. Strengthening taxpayer compliance through improved monitoring, digital tax reporting, and incentive-based schemes could enhance collection effectiveness. Additionally, local governments should consider policies that support hotel sector growth, particularly budget hotels, to improve their contribution to PAD. **Limitation** : This study primarily focuses on quantitative data related to tax effectiveness and contribution, lacking an in-depth exploration of qualitative factors such as hotel business strategies, the impact of tourism trends, and taxpayer perceptions. The absence of comparative analysis with other regions also limits the generalizability of the findings. **Future Research** : Further studies should incorporate qualitative approaches to understand the behavioral aspects of taxpayers, including compliance motivations and barriers. Comparative analyses with other cities could provide broader insights into best practices for improving hotel tax revenue. Additionally, investigating the role of technological innovations in tax administration could offer solutions for enhancing collection efficiency.

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