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Analysis of the Effectiveness of Restaurant Tax Contributions to Local Revenue in Surabaya

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Abstract:
Restaurant tax is a component of district taxes and is one of the contributors to local revenue. This research focuses on studying the effectiveness of restaurant tax on local original income. The objective of this study is to evaluate the effectiveness of restaurant tax collection in Surabaya City and the contribution of restaurant taxes to the local income of Surabaya. The methods used in this research involve a combination of qualitative and quantitative approaches, comparing the income from restaurant sector taxes to local original income and calculating the ratio of restaurant tax contributions to local original income. The benefit of this research is to determine and analyze the level of effectiveness of restaurant taxes on local original income. The results of the study show that the average ratio of restaurant tax revenue to local revenue over the last five-year period, from the 2017 fiscal year to the 2021 fiscal year, is 12%. This value indicates that the effectiveness of restaurant tax on local original income is not sufficient.

Keywords: local revenue; restaurant tax; tax contributions

Abstrak:
Pajak restoran merupakan salah satu komponen pajak daerah dan merupakan salah satu penyumbang pendapatan asli daerah. Penelitian ini fokus mempelajari efektivitas pajak restoran terhadap pendapatan asli daerah. Tujuan penelitian ini adalah untuk mengevaluasi efektivitas pemungutan pajak restoran di Kota Surabaya dan kontribusi pajak restoran terhadap pendapatan daerah Surabaya. Metode yang digunakan dalam penelitian ini adalah dengan menggabungkan pendekatan kualitatif dan kuantitatif, yaitu membandingkan penerimaan pajak sektor restoran terhadap pendapatan asli daerah dan menghitung rasio kontribusi pajak restoran terhadap pendapatan asli daerah. Manfaat penelitian ini adalah untuk mengetahui dan menganalisis tingkat efektivitas pajak restoran terhadap pendapatan asli daerah. Hasil penelitian menunjukkan rata-rata rasio penerimaan pajak restoran terhadap pendapatan daerah selama periode lima tahun terakhir, yaitu tahun anggaran 2017 hingga tahun anggaran 2021 adalah sebesar 12%. Nilai tersebut menunjukkan bahwa efektivitas pajak restoran terhadap pendapatan asli daerah belum memadai.

Kata Kunci: kontribusi pajak; pajak restoran; pendapatan daerah

INTRODUCTION

Surabaya is the capital city of East Java Province and serves as the economic center of the province. The stakeholders in Surabaya, particularly the community, show high enthusiasm for industrial developments, especially in the food and beverage industry, including restaurant and culinary businesses. Over the past few years, the number of culinary entrepreneurs in Surabaya has seen significant growth. Restaurant entrepreneurs who earn a monthly income of no more than Rp. 15,000,000 (fifteen million rupiahs) are exempt from restaurant tax fees for services provided. Any income received by individuals or entities, once they fulfill their status as a restaurant tax subject, becomes the tax base (DPP) for the applicable tax rate. The restaurant tax rate is set at 10% (ten percent) of the tax base (DPP). This calculation is based on the regional regulations of the City of Surabaya, which stipulate that every individual consuming food or drinks at a restaurant is responsible for covering the restaurant tax owed. Consequently, the income from the sales of food and drinks consumed by customers is considered part of the restaurant services, as outlined in Article 10 Paragraph 2 of Regional Regulation Number 4 of 2011 concerning Local Taxes.

Taxation is a mandatory contribution by the public to the state treasury, as regulated by law, without receiving direct, explicit benefits in return, and is used to fund public expenditures. Understanding these mechanisms, governments at both central and regional levels strive to increase revenue from the tax sector by implementing various regulatory changes. This is done to boost the country's surplus income.

Taxes collected are not meant for immediate personal benefit but are used to meet the needs of the community within the jurisdiction. Regional taxes, including restaurant taxes, contribute to regional income. The imposition of restaurant taxes is unique in that the burden is not directly borne by the seller but is based on the services provided by the seller to the buyer, with the tax ultimately being paid by the customer who receives the service. Regional governments continuously strive to increase tax revenue from the restaurant sector and always consider the effectiveness level to predict the growth in tax collection activities in this sector (Runiawati et al., 2019; Melinda & Adilistiono, 2020).

According to Government Regulation of the Republic of Indonesia Number 35 of 2023 on General Provisions for Regional Taxes and Levies, regional governments use a self-assessment system for collecting regional taxes from taxpayers. Taxpayers calculate, account for, and deposit the owed taxes directly into the regional treasury. Tax subjects must also report their obligations via the e-SPTPD (electronic Regional Tax Announcement Letter). The objective of this self-assessment system is to instill trust and ensure taxpayers fulfill their tax obligations responsibly (Fitriyani et al., 2021; Pasaribu, 2022).

Despite the existing literature on the effectiveness of tax collection and its contribution to local revenue, there is a notable lack of specific studies focusing on the restaurant tax in Surabaya. Prior research, such as those conducted by Runiawati et al. (2019) and Melinda & Adilistiono (2020), has generally addressed broader regional tax issues or focused on other regions. Moreover, there is a scarcity of recent data and comprehensive analyses on the implementation of self-assessment systems for restaurant taxes in Surabaya. This gap highlights the need for updated and focused research on the specific dynamics and challenges of restaurant tax collection in Surabaya, considering the unique economic and regulatory environment of the city.

This study aims to fill the identified research gap by providing an in-depth analysis of the effectiveness of restaurant tax collection in Surabaya and its impact on local revenue. The novelty of this research lies in its focus on the recent implementation of self-assessment systems and the practical challenges faced by restaurant entrepreneurs and local tax authorities. By leveraging both primary and secondary data, this study will offer new insights into the efficiency of tax collection mechanisms and propose actionable recommendations to enhance tax compliance and revenue generation. Furthermore, this research will contribute to the broader understanding of regional tax policies in rapidly growing urban centers, making it a valuable resource for policymakers and stakeholders in the field of public finance and economic development.

The author faced obstacles in obtaining the latest data, as the official Surabaya City Government website provides limited and outdated information on regional tax revenue realization each year. Therefore, the author attempted to use other secondary references or data to support this study's assessment (Sartono et al., 2022; Mustaqomah & Hutami, 2020).

METHOD

The method used in this study involves both qualitative and quantitative approaches. It compares the revenue from the restaurant tax sector to the regional original income and assesses the revenue obtained from restaurant taxes against the target for realizing tax revenue in the restaurant sector. This research also considers the ratio of the restaurant sector's tax contribution to local original income and the ratio of restaurant sector tax revenues to the targeted tax revenue for the restaurant sector.

Data for this study were obtained from the official website of the Surabaya City Regional Revenue Agency at bpkpd.surabaya.go.id. The data includes regional tax revenue for the City of Surabaya from the fiscal year 2017 to the fiscal year 2021.

The techniques used in this study to analyze and process data, as well as perform calculations on the obtained information, include:
Ratio of Tax Area Effectiveness:

$$Restaurant\ Tax\ Effectiveness\ Ratio\ = \frac{Restaurant\ Tax\ Revenue}{Local\ Original\ Income} + 100\%$$

Ratio of Tax Area Revenue Effectiveness:

$$Restaurant\ Tax\ Revenue\ Effectiveness\ Ratio\ = \frac{Restaurant\ Tax\ Revenue}{Target\ Restaurant\ Tax\ Revenue} + 100\%$$

The parameters for determining the degree of effectiveness of local taxes, particularly in the restaurant tax sector of Surabaya City, in relation to the acquisition of local original income (PAD) include:

Table 1. Classification Level Ratio Mark Effectiveness Tax Area

No	Percentage	Criteria
1.	>100%	Very Effective
2.	90% - 100%	Effective
3.	80% - 90%	Enough Effective
4.	60% - 80%	Not Enough Effective
5.	< 60%	No Effective

(**Source**: Decision of The Minister of Home Affairs)

RESULTS AND DISCUSSION

Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Government explains that both the central and regional governments have a fiscal administration system mandated to regulate rights and fulfill fiscal obligations. This system must be fair, reasonable, transparent, accountable, and aligned within the work unit as regulated by law. Both central and regional governments aim to increase regional fiscal capacity through the collection of local taxes and levies.

Additionally, the government strives to synergize fiscal policies at the national level, harmonizing the APBN (State Budget) and APBD (Regional Budget) policies to achieve national development goals. Fiscal decentralization is crucial for creating equitable prosperity across Indonesia.

In implementing regional autonomy, alternative sources of regional income are needed to maximize the objective of increasing regional revenue. This enables regional governments to manage their affairs independently, without reliance on or involvement from the central government. All funding for regional activities should come from local revenue within the framework of the Unitary State of the Republic of Indonesia. Thus, regions are expected to achieve sustainable good governance aimed at boosting economic growth, financing development activities, and fostering regional development by leveraging their unique strengths as sources of local revenue.

Public awareness of local taxes is crucial for the implementation of tax regulations at the regional level, particularly for business actors in the culinary and restaurant sectors in Surabaya. Over the five-year period from the 2016 to the 2020 fiscal years, Surabaya experienced growth in the number of restaurant entrepreneurs, both individuals and registered entities, who are obligated to pay restaurant taxes to the Surabaya City Regional Revenue Agency (Bapenda).

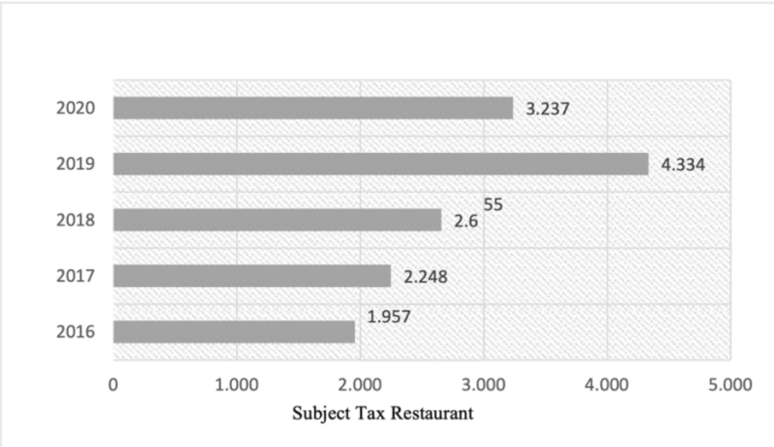

Image 1. Growth subject tax restaurant City Surabaya

Level of Effectiveness of Restaurant Tax on Local Original Income

Effectiveness in this context refers to the implementation or realization of policies that have been made, including the effectiveness of restaurant tax collection, which is an integral part of local original income. The aim is to determine the level of effectiveness by calculating the effectiveness ratio through a comparison between restaurant tax revenues and local original income.

Table 2. Percentage Development Reception Tax Restaurant to Income Original Area City Surabaya Period Year Budget 2017-2021

No	Periode / Year	Realization of Acceptance Locally-generated revenue (In Rupiah)	Realization of Tax Revenue Restaurant (In Rupiah)	Percentage (%)
1.	2017	3.595.670.492.734	386.793.643.531	11%
2.	2018	3.817.402.592.324	451.619.929.636	12%
3.	2019	4.018.722.311.948	538.860.659.360	13%
4.	2020	3.276.840.036.302	308.546.965.384	9%
5.	2021	3.649.785.333.433	503.110.371.225	14%
	Average	**3.671.684.153.348**	**437.786.313.827**	**12%**

(**Source**: Surabaya City Regional Revenue Agency, 2021)

The table above explains the contribution of restaurant tax revenue to local income from the 2017 fiscal year to the 2019 fiscal year. During this period, there was a steady increase of 1% each year. This consistent growth is attributed to the increasing number of restaurant business operators who fulfilled the requirements to register as tax subjects with the Surabaya City Regional Revenue Agency. As a result, the increase in the number of registered tax subjects contributed to higher tax revenues from the restaurant sector and an improved ratio of restaurant tax to the local original income of Surabaya City.

However, in the 2020 fiscal year, there was a decline in the percentage contribution of restaurant tax to local revenue. In the 2019 fiscal year, the contribution percentage was 13%, but it dropped to 9% in the 2020 fiscal year. This decrease was due to the COVID-19 pandemic, which led many restaurant businesses to close or even declare bankruptcy. Consequently, this negatively impacted the ratio of restaurant tax revenue to the local original income of Surabaya City.

In the 2021 fiscal year, there was an increase in the proportion of restaurant tax contributions to local revenue. This improvement was due to the post-pandemic recovery efforts, where the government supported community businesses in gradually resuming operations. From the 2020 fiscal year to the 2021 fiscal year, there was a significant increase of 5% in the contribution percentage. Over the period from the 2017 fiscal year to the 2021 fiscal year, restaurant tax contributions to regional revenue averaged 12%.

Level of Effectiveness of Restaurant Tax to Target Revenue

In addition to determining the effectiveness of restaurant taxes on local original income, the author also aims to assess the level of effectiveness of restaurant tax revenue collection by comparing the actual tax revenue from restaurants to the targeted restaurant tax revenue. This approach serves as a measure of how well the restaurant tax sector has met its set targets.

Table 3. Percentage of Restaurant Tax Revenue Realization Rate to Target Target Reception Tax Restaurant

No	Periode / Year	Tax Revenue Targets Restaurant (In Rupiah)	Realization Reception Restaurant Tax (In Rupiah)	Percentage (%)
1.	2017	366.162.881.267	386.793.643.531	106%
2.	2018	433.496.909.596	451.619.929.636	104%
3.	2019	537.257.928.777	538.860.659.360	100%
4.	2020	402.252.234.557	308.546.965.384	77%
5.	2021	732.090.521.667	503.110.371.225	69%
	Average	**494.252.095.173**	**437.786.313.827**	**91%**

(**Source**: Surabaya City Regional Revenue Agency, 2021)

From the data table, it is evident that in the 2017 fiscal year, the realization of restaurant tax revenue exceeded the target by Rp 20.630.762.264, achieving an effectiveness percentage of 106%. This indicates a very effective level of tax collection, as the Surabaya City Government successfully optimized restaurant tax collection in 2017. In the 2018 fiscal year, restaurant tax revenues increased by Rp 18.123.020.040 compared to the previous year, with an effectiveness percentage of 104%, maintaining the very effective category. In the 2019 fiscal year, restaurant tax revenue exceeded the target by Rp 1.602.730.583, achieving an effectiveness percentage of 100%, categorizing it as effective.

However, in the 2020 fiscal year, restaurant tax revenue fell short of the target by Rp 93.705.269.173, resulting in an effectiveness percentage of 77%, which is considered less effective. This decline was due to the COVID-19 pandemic and the implementation of community activity restrictions (PPKM). According to Father Tjahjono Haryono, chairman of the Indonesian Café and Restaurant Entrepreneurs Association (APKRINDO) of East Java, sales turnover for cafés and restaurants in Surabaya dropped by 50% to 60%.

This significant decrease in revenue from the restaurant tax sector continued into the 2021 fiscal year. The gap between the target revenue and the actual income from restaurant taxes amounted to Rp 228.980.150.442. The failure to meet the high target set for the 2021 fiscal year resulted in an effectiveness percentage of 69%, which is also categorized as less effective.

CONCLUSION

The effectiveness of tax collection activities on local original income has experienced fluctuations, with increases and decreases influenced by the COVID-19 pandemic, which has adversely affected various parts of Indonesia's economy, including the restaurant business sector. The Surabaya City Government needs to address these challenges by implementing measures such as reducing tax rates or providing tax incentives to mitigate the pandemic's impact on taxpayers, especially in the restaurant sector.

The research concludes that the restaurant tax contribution from the 2017 fiscal year to the 2021 fiscal year to local original income is 12%. This indicates that the effectiveness level of regional taxes on local original income is still not considered effective. Several factors contribute to the restaurant sector's tax ratio being less effective, including inefficient and ineffective tax collection practices, a lack of public awareness among restaurant business owners regarding their tax obligations, inadequate government outreach and socialization about applicable regional taxes, and the economic paralysis caused by the COVID-19 pandemic, which has significantly impacted local income.

The Surabaya City Government, particularly the Regional Revenue Agency, is expected to continually educate Surabaya residents, especially those in the culinary business sector, about compliance with regional tax regulations. Education efforts should include counseling on the importance of local taxes and the strategies implemented by the Surabaya City Government to optimize tax compliance in the restaurant sector. This can be achieved through tax forgiveness programs and measures to enhance transparency, such as installing transaction recorders (tapping boxes) at restaurant or café cash registers to record each sale transaction. The installation of these recorders has positively impacted the real income from the restaurant tax sector.

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