

Increased Regional Taxes and Awareness of Serang City People in Paying Regional Taxes in Order to Support Development

Djasuro¹, Dede Hamdani² and Fatkhul Muin³

¹Faculty of Economics and Business, Universitas Sultan Ageng Tirtayasa, Indonesia

²Faculty of Education, Universitas Sultan Ageng Tirtayasa, Indonesia

³Faculty of Law, Universitas Sultan Ageng Tirtayasa, Indonesia

Keywords: Local Tax, Awareness, Regional Taxes.

Abstract: The purpose of this study is to analyze the Awareness Level of Serang City People in Paying Regional Taxes in the City of Serang in Order to Support Urban Development. Data collection techniques are carried out through literature studies and field studies. Regulation is the basis for tax collection and increase in local taxes in a district/city. In tax collection, it is regulated in provisions which are rigid in their collection, where in general the collection of local taxes is subject to existing legal provisions and is derived in the form of regional regulations governing the technicality of regional tax collection. To be able to increase PAD, every regional government, both regency and city, must do the right strategy so that the community with the levies imposed does not become a burden on them, but based on awareness as citizens who are good and obey the stipulated local government regulations. This becomes important for regional heads so that their regions will progress faster and develop.

1 INTRODUCTION

State policy makers are interested in raising revenue in ways that will minimize disruption to economic activity. Economists have long understood that the larger the behavioral response to a tax change, the larger the resulting efficiency cost or deadweight loss. Policy makers and voters are likely to be less interested in deadweight loss, perse, but are keenly interested in the impact of taxes on employment. This is particularly true when the economy is in recession or growing very slowly as it has been since late 2007, a period when the economy and job growth have consistently been voters' top priorities in national opinion polls (Thompson & Rohlin, 2012).

Regional autonomy, by not downplaying its meaning, is basically to provide space for the people in the regions to form small countries. In this case the people formed their own government organization in harmony with the conditions of the local area. Each local government will make and implement policies based on the will of its people. Nevertheless, the state policy must not conflict with state legislation, and must be in accordance with the

field of authority submitted by the central government (Zhang, 2019).

In regional autonomy, regional tax is a delegation from the central government to the regional government to collect regional taxes based on Law No. 28 of 2009 concerning Regional Taxes and Retributions. Regional Taxes which are the authority of the regions based on the provisions.

The City Government of Serang, in general, is based on the provisions in where the regional government of the city of attack can collect local taxes in the city of Serang. General provisions regarding the implementation of regional taxes in the city of attack through the Regional Regulation of the City of Serang Number 17 of 2010 concerning Regional Taxes. In order to build awareness of tax payments in Serang City, a strategy and tax education is needed for the people of Serang towards the importance of paying taxes in Serang City as an effort to support development in Serang City.

Funding in the largest APBD comes from local taxes collected by the government to the attacking city community, therefore there is a need for public awareness to pay and the government needs to build an understanding of the community through education on the importance of paying local taxes as

an effort to attack urban development (Asatryan, Baskaran, & Heinemann, 2017). Local tax policy should be adequate, with a predictable amount of tax and incentive for activities that are dominant in the local economic structure. When formulating local tax policy also to be borne in mind is the effect of other factors on local economic development such as financial support to enterprises, training and retraining, development of local infrastructure, incentives for innovation and development and other (Azémar & Dharmapala, 2019).

2 THEORETICAL FRAMEWORK

Government decentralization has resulted in local governments having to be more independent and strive to better explore potential resources as well as those being developed in their respective regions / this is done to obtain local revenue. Regional original income is the backbone of regional financing, therefore the ability to carry out the economy is measured by the amount of contribution given by the original opinion of the region to the APBD.

Regional tax is one source of local revenue (PAD) contributions. Tax area is collected by the regional level I government and the level II regional government and is used to finance the households of each region. The basis of the local tax law is the law number 28 of 2009 concerning regional taxes and levies. Regional Original Income is revenue obtained from the local tax sector, regional retribution, regionally owned company results, separated regional wealth management results, and other legitimate local revenue (Aničić, Jelić, & Đurović, 2016).

Regional Original Income is a component that greatly determines the success or failure of the independence of the Regency / City government in the context of current regional autonomy. One component that is very much considered in determining the level of regional independence in the context of regional autonomy is the Regional Revenue sector (Alm & Leguizamon, 2018).

According to Guritno Mangkosubroto (1997) states that generally government revenues are needed to finance government spending. In general, government revenue can be distinguished between tax and non-tax revenues, for example, is government revenues from government loans, both domestic and foreign loans (Aničić et al., 2016).

3 RESEARCH METHODOLOGY

This study analyzes the Awareness Level of Serang City People in Paying Regional Taxes in the City of Serang in Order to Support Urban Development, which uses qualitative methods through literature. The use of this method is expected to collect a lot of information and data thoroughly.

4 RESULT AND DISCUSSION

One of the main sources in development that can create sustainable development is in the management of local tax and tax resources by the State (Azémar & Dharmapala, 2019), where in the tax there is a need for sustainable synergy in order to create awareness in the community about the importance of taxes in the overall development of the country. In Indonesia, in the management of taxes, authority is given to the central government and regional governments which are an integral part of the composition of the regional autonomy unitary state with the principle of decentralization. Regional taxes are used for various aspects of regional development, therefore the potential of the region in increasing taxes needs to be carried out maximally (Keikha, Rahgozar, & Asadpour, 2018a).

Serang City is a new autonomous region in Banten Province and is the provincial capital of Banten, where Serang City is one of 8 (eight) regencies/cities in the Banten Province region which has a position as the Banten Provincial Government center with a population of 631,432 Soul. The male sex is classified as the most compared to women, although the difference is relatively small at 15,136 people (2.4%) between men and their women

This indicates that the male role is dominant in various ways, especially in the development in Serang city, so that the men in Serang city are important to be included in various development sectors, although they do not deny women to jointly build the city of Serang .

The development of the economic sector is an important part of the progress of each region, with the stronger economic community (Zhang, 2019) being a force in supporting regional revenues, especially from PAD which has a major contribution in the independence of a district/city in this era of regional autonomy. The stronger the economy of the city of Serang the greater the opportunity to pay taxes and other contributions that can provide added value in raising the city of Serang PAD coffers.

the population growth rate in the city of Serang is still relatively controlled with a growth rate of below 2% per year which is 1.83. Of course, the level of population growth must be balanced with the level of economic growth for the regions, it is said that the development is successful where the economic growth must be far greater than the population growth.

The size of the population will be a potential as well as a burden for the government, when the people of a region both district and city where the unemployment rate is small, then this becomes a positive potential for the region to develop economically, and of course it will happen otherwise. a burden and even disaster for the area (Michos & Hernández-Leo, 2018).

Tax is the backbone of a country's income. Tax revenues in Indonesia finance more than 75 percent of the State Budget (APBN). However, since 2009 the tax revenue target has never been reached. This is a challenge for the state tax authority, the Directorate General of Taxes under the Ministry of Finance to work hard to increase the growth of tax revenues, achieve the target of tax revenues, and ultimately achieve the independence of the state budget.

To optimize tax revenue in the self assessment system, voluntary compliance is required. Taxpayer compliance is defined as compliance with reporting requirements, which means that taxpayers pay and report their tax obligations on time and accurate amounts in accordance with applicable laws and regulations (Keikha, Rahgozar, & Asadpour, 2018b).

Efforts to improve taxpayer compliance require awareness of high taxation of taxpayers. Taxpayers who understand the role of taxes for the state and have a positive assessment of taxes will realize that paying taxes is a moral obligation to society, so they are compelled to fulfill their tax obligations. Therefore, the higher the taxpayer's awareness, the higher the taxpayer's compliance.

5 CONCLUSIONS

Public awareness in paying local taxes in the city of Serang has increased and has been able to dominate legal fees and other revenues as a component of Regional Original Income (PAD). However, the existence of PAD in Serang City has not yet been able to have credibility, because the level of independence of PAD has not reached 20% of the total regional income. In PAD, which is associated with total PAD, including the largest contribution is

the tax sector, Serang City from 2010-2017, only reached Rp. 200,000,000,000, while the total PAD from the others reaches Rp. 1400,000,000,000. Therefore the local government of Serang City must boost the aspect of regional taxes to increase Serang City's PAD which has only reached 200 billion from 2010-2017.

In line with the existing APBD, the development in Serang city is still relatively small, especially directed towards infrastructure development in Serang City from 2010 to 2017, however, in 2017 it has shown a significant proportion in the hope that the builders in Serang there will be better results from various development sectors (poleksosbud), because of the increase in the Serang City Budget.

REFERENCES

- Alm, J., & Leguizamon, J. S. (2018). The housing crisis, foreclosures, and local tax revenues. *Regional Science and Urban Economics*, 70, 300–311. <https://doi.org/10.1016/j.regsciurbeco.2017.09.006>
- Aničić, J., Jelić, M., & Đurović, J. M. (2016). Local Tax Policy in the Function of Development of Municipalities in Serbia. *Procedia - Social and Behavioral Sciences*, 221, 262–269. <https://doi.org/10.1016/j.sbspro.2016.05.114>
- Asatryan, Z., Baskaran, T., & Heinemann, F. (2017). The effect of direct democracy on the level and structure of local taxes. *Regional Science and Urban Economics*, 65, 38–55. <https://doi.org/10.1016/j.regsciurbeco.2017.04.006>
- Azémar, C., & Dharmapala, D. (2019). Tax sparing agreements, territorial tax reforms, and foreign direct investment. *Journal of Public Economics*, 169, 89–108. <https://doi.org/10.1016/j.jpubeco.2018.10.013>
- Keikha, M. M., Rahgozar, M., & Asadpour, M. (2018a). Community aware random walk for network embedding. *Knowledge-Based Systems*, 148, 47–54. <https://doi.org/10.1016/j.knosys.2018.02.028>
- Keikha, M. M., Rahgozar, M., & Asadpour, M. (2018b). Community aware random walk for network embedding. *Knowledge-Based Systems*, 148, 47–54. <https://doi.org/10.1016/j.knosys.2018.02.028>
- Michos, K., & Hernández-Leo, D. (2018). Supporting awareness in communities of learning design practice. *Computers in Human Behavior*, 85, 255–270. <https://doi.org/10.1016/j.chb.2018.04.008>
- Thompson, J. P., & Rohlin, S. M. (2012). The Effect of Sales Taxes on Employment: New Evidence from Cross-Border Panel Data Analysis. *National Tax Journal*, 65(4), 1023–1041. <https://doi.org/10.17310/ntj.2012.4.15>
- Zhang, P. (2019). Automation, wage inequality and implications of a robot tax. *International Review of Economics & Finance*, 59, 500–509. <https://doi.org/10.1016/j.iref.2018.10.013>