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The Analysis of Regional Taxes Effectiveness and Contribution to Regional Original Income of South Sumatra Province: A Post-Covid 19 Study

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ABSTRACT

The Covid 19 pandemic has caused various changes in various aspects of life, including in terms of a country's economy. This study examines the effectiveness and contribution of regional taxes to the original regional income of the province of South Sumatra in the period 2021-2023. The results of the analysis using the quantitative descriptive method show that there are fluctuations in the contribution and effectiveness of regional taxes after Covid 19 in South Sumatra. This is understandable considering that a province is in a state of recovery since social restrictions on the community which led to changes in the rate of economic activity that occurred. However, the contribution of regional taxes in South Sumatra is still the largest source of original regional income and is still at a very effective level.

Keywords: Regional Taxes, Regional Original Income, Contribution, Effectiveness, Covid 19 Pandemic

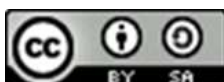
INTRODUCTION

Regional autonomy has been implemented in Indonesia for approximately two decades. The central government issued this policy so that local governments can regulate policies and manage their own finances. After Covid 19, the economic situation throughout the world has been affected, including in Indonesia. According to Dartanto (2022), the Covid 19 pandemic disaster is one of the disruptors of the Indonesian economy which has caused various declines in the economic sector which is a consequence of social distancing.

In June 2020 or mid-semester 2020, the target for regional tax revenue in South Sumatra Province experienced a significant decline due to the COVID 19 pandemic, where the target per period had not yet reached 50%. Based on information from the South Sumatra Bapenda, throughout COVID 19, tax payments have fallen significantly, which usually reach IDR 9 billion to IDR 10 billion per day, as of June 2020 it was only IDR 3 billion to IDR 4 billion per day. The realization of regional taxes as of mid-term 2020 is detailed as follows: 41.9% for motor vehicle tax, 38.15% for PBNKB, 40.44% for PBBKB, 46.10% for PAP, and 44.11% for cigarette tax. If averaged, the total for the five sectors only reached 40.8%.

To respond to the relatively low tax realization in the Covid-19 era and in order to optimize regional tax revenues, the South Sumatra provincial government is collaborating with regional governments to increase regional tax revenues. This is also an implementation of Law No. 1 of 2022. This collaboration is expected to optimize

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regional tax revenues, things that can be done include exchanging tax data and joint supervision of taxpayer compliance. So that transparency and accountable evaluation can increase understanding for taxpayers to comply with paying taxes.

In response to this situation, the government is addressing the situation based on Law No. 1 of 2022. This law regulates the scope of financial relations between the central government and regional governments which include: 1) provision of regional revenue sources in the form of taxes and levies; 2) management of Transfers to Regions/TKD; 3) management of regional spending; 4) granting authority to carry out regional financing; and 5) implementation of national fiscal policy synergy. In order to allocate national resources more efficiently, the Government gives authority to Regions to collect Taxes and Levies by strengthening through restructuring types of Taxes, providing new sources of regional taxation, simplifying types of Levies, and harmonizing with Law Number 11 of 2020 concerning Job Creation.

In addition, the simplification of levies is carried out through rationalization of the amount of levies. Levies are classified into 3 (three) types, namely General Service Levies, Business Service Levies, and Certain Licensing Levies. In order to achieve the goal of reducing fiscal disparities and service gaps between regions, TKD management prioritizes performance so that it can meet the needs of governance and service delivery in the regions, while at the same time encouraging regional responsibility in providing better services efficiently and with discipline.

In this situation, the targets set and the realization of tax revenues are often different. A problem that can impact the local government budget is unreported local tax revenues. Some taxpayers, including individuals and business entities, appear to be less compliant in paying taxes, which has an impact on the amount of tax revenues realized. Local governments need to make efforts to increase tax revenues by encouraging taxpayer compliance (Havi et al, 2024).

During Covid 19 in 2020, the realization of regional tax is lower than the target. The target itself was Rp. 3.231.780.000.000, meanwhile the realization just 95,36% of it or Rp 3.081.800.984.699,61 (sumsel.bps.go.id, 2021). The strategies and policies made by the government are a positive response to the aim of increasing tax revenues. However, these efforts are not free from existing challenges. A study is needed to examine the increase in local tax revenues as a means of evaluation to increase local revenue.

Previous research (Pramestya et.al, 2023) showed that the effectiveness showed very effective results that exceeded the 100% level in the city of Salatiga. However, the contribution was very lacking due to the Covid-19 pandemic. Meanwhile, Mariani et.al (2023) explained that the tax contribution in Bogor Regency was only sufficient with effectiveness that was still considered effective. From the differences in the analysis results in each city, a study is needed that analyzes the contribution and effectiveness in South Sumatra as well.

This study aims to examine and measure the effectiveness and contribution of local taxes in South Sumatra after COVID 19. Because of the low realization of regional tax in 2020 or during Covid 19, this study aims to examine weather in post covid 19, there are better situation for realization of regional tax based on analyzing for its effectiveness and contribution. And that's also the reason why South Sumatera Selatan has been decided to be examined in this study. Therefore, it's needed to have a research to evaluate the effectiveness and contribution of regional in South Sumatera.

LITERATURE REVIEW

Tax

The definition of tax put forward by Resmi (2013:1) is "an obligation to hand over part of one's wealth to the state treasury due to a situation, event or action that provide a certain position, but not a punishment, according to regulations that have been established by the government and can be enforced, but there is no direct reciprocal service from the state that is used to maintain

Regional Original Income

Based on Law Number 23 of 2014 concerning Regional Government in Article 285 paragraph (1), regional original income (PAD) is defined as the right of regional government which is recognized as an increase in the value of net assets obtained from regional taxes, regional levies, results of management of separated regional assets and other legitimate regional original income.

1. Regional Tax is defined as a mandatory contribution to the region owed by individuals or bodies that is mandatory without receiving direct compensation based on the law and is used for regional needs to improve the welfare of the community (Law No. 28 of 2009)
2. Regional retribution is a regional levy which is payment for services or granting certain permits that are specifically provided and/or granted by the regional government for the benefit of individuals or bodies (Law of the Republic of Indonesia No. 28 of 2009)
3. The results of the management of separated regional assets are BUMD (Regional-Owned Enterprises) which are formed and established by the regional government based on laws and regional regulations which aim to be a tool for developing regional businesses as well as one source of regional government income.
4. Other legitimate regional original income is the result of the sale of regional goods, giro services, interest income and profits from the difference in the rupiah exchange rate against foreign currencies.

PAD according to Halim (2004:96) is "revenue obtained by a region originating from sources within its own territory which is collected based on regional regulations in accordance with statutory regulations is income derived from the utilization of potential owned by a region. In regional autonomy, a region is required to find ways that can be utilized properly to increase PAD.

Regional Taxes

Based on the provisions in the Regional Tax and Retribution Law Number 28, 2009, regional taxes are defined as mandatory contributions to regions that must be submitted by individuals or entities according to legal regulations, without direct returns that aim to improve the welfare of the community and the general interests of the region.

The definition of regional tax according to Mardiasmo (2002) is a mandatory contribution or contribution by individuals and bodies to the region without direct compensation, which can be enforced based on applicable laws and regulations and is used to finance the implementation of regional government and development.

According to Government Regulation No. 35 of 2023 concerning General Provisions for Regional Taxes and Regional Retributions, regional taxes are mandatory contributions that must be paid by taxpayers to the region, without receiving direct compensation and used for regional needs.

There are two categories of regional taxes:

a. Provincial Taxes

1. Motor Vehicle Tax (PKB);
2. Motor Vehicle Fuel Tax (PBBKB);
3. Motor Vehicle Transfer Fee (BBNKB);
4. Surface Water Tax (PAP);
5. Cigarette Tax.

b. Regency/City Taxes

1. Hotel Tax;
2. Restaurant Tax;
3. Entertainment Tax;
4. Parking Tax;
5. Advertising Tax;
6. Street Lighting Tax (PPJ);
7. Groundwater Tax (PAT);
8. Rural and Urban Land and Building Tax (PBB-P2);
9. Land and Building Acquisition Fee (BPHTB);
10. Non-Metallic Mineral and Rock Tax (MBLB);
11. Bird's Nest Tax.

Regional Autonomy

According to Benjamin Hoesein, regional autonomy is a government implemented by and for the people in areas of the country that are outside the control of the central government. This principle is regulated in Article 18 of the 1945 Constitution, which was later confirmed by the issuance of Law Number 22 of 1999 concerning Regional Government, which was later amended to Law Number 33 of 2004. The law emphasizes that regional autonomy is the right, power, and responsibility of autonomous regions to manage and regulate government affairs and the interests of their people in accordance with applicable laws and regulations.

Regional Tax Effectiveness

According to Mahmudi (2010), effectiveness is a medium for measuring the relationship between tax levies and predetermined targets. High effectiveness is characterized by the large percentage of targets achieved which can be used to measure government performance to monitor PAD, including regional taxes. Tax effectiveness can be obtained as follows:

$$\text{Analysis of regional tax effectiveness} = \frac{\text{Regional tax realization}}{\text{Regional tax target}} \times 100\%$$

Regional Tax Contribution

Regional tax contribution is the amount of contribution given to an activity carried out on tax revenues (Octovindo, 2014). The formula for calculating tax contributions is as follows. Measuring regional tax contributions can be used as a barometer in monitoring PAD (regional original income), government performance and regional tax revenues.

$$\text{Analysis of regional tax contribution} = \frac{\text{Regional tax realization}}{\text{PAD realization}} \times 100\%$$

METHODS

In this study, a quantitative descriptive approach was used to determine the effectiveness value and contribution of regional taxes to local revenue. The data obtained are secondary data from the financial report of South Sumatra Province for the observation period 2021-2023.

The analysis method used in this study is the analysis of regional tax effectiveness and analysis of regional tax contributions. The following is the tax effectiveness formula:

$$\text{Analysis of regional tax effectiveness} = \frac{\text{Realization of regional taxes}}{\text{Regional tax targets}} \times 100\%$$

Table 1 Criteria for Level of Effectiveness

Effectiveness Percentage	Criteria
> 100%	Very Effective
90-99%	Effective
80%-89%	Moderately Effective
60%-79%	Less Effective
<60%	Not Effective

Source : research data processed in 2025

Analysis of regional tax contributions is obtained as follows:

$$\text{Analysis of regional tax contributions} = \frac{\text{Realization of regional taxes}}{\text{Realization of PAD}} \times 100\%$$

RESULTS AND DISCUSSION

Based on the data obtained, the following analysis results were obtained for the observation year during 2021 – 2023, as follows it also shows the data during Covid 19.

Before and During Pandemic:

2020

Regional tax contribution analysis = $\frac{\text{regional tax realization}}{\text{PAD realization}} \times 100\%$

$$= \frac{\text{Rp } 3.081.800.984.699,61}{\text{Rp. } 3.375.100.984.842,03} \times 100\% = 91,3\%$$

Tax effectiveness analysis = $\frac{\text{tax realization}}{\text{tax target}} \times 100\%$

$$= \frac{\text{Rp } 3.081.800.984.699,61}{\text{Rp. } 3.231.780.000.000} \times 100\% = 95,36\%$$

It shows that, the effectiveness during 2020 is not in 100% range, but still in effective criteria (95,36%). Meanwhile, the contribution also still wide and still the largest contribution of all regional original income.

After Pandemic:

2021

Regional tax contribution analysis = $\frac{\text{regional tax realization}}{\text{PAD realization}} \times 100\%$

$$= \frac{3.523.785.342.246,24}{3.865.463.033.085,17} \times 100\% = 91.16\%$$

Tax effectiveness analysis = $\frac{\text{tax realization}}{\text{tax target}} \times 100\%$

$$= \frac{3.523.785.342.246,24}{3253,157,659,082} \times 100\% = 108.31\%$$

2022

Regional tax contribution analysis = $\frac{\text{regional tax realization}}{\text{PAD realization}} \times 100\%$

$$= \frac{4.461,152,465,008.65}{4,930,954,855,677.74} \times 100\% = 90.47\%$$

Tax effectiveness analysis = $\frac{\text{tax realization}}{\text{tax target}} \times 100\%$

$$= \frac{4,461,152,465,008.65}{4,001,707,595,934} \times 100\% = 111.48\%$$

2023

Regional tax contribution analysis = $\frac{\text{regional tax realization}}{\text{PAD realization}} \times 100\%$

$$\text{Regional tax contribution analysis 2023} = \frac{4649,349,674,256.16}{5197,288,200,424.89} \times 100\% = 89.45\%$$

$$\begin{aligned} \text{Tax effectiveness analysis 2023} &= \frac{\text{tax realization}}{\text{tax target}} \times 100\% = \\ &= \frac{4649,349,674,256.16}{4355,163,819,899} \times 100\% = 106.76\% \end{aligned}$$

It can be seen from the analysis above, the data can be summarized as follows:

Table 2. Recapitulation Data on Tax Contribution and Effectiveness 2021-2023 of South Sumatra Province

Year	Contribution	Effectiveness
2021	91,16%	108,31%
2022	90,47%	111,48%
2023	89,45%	106,76%

Source: Data processed, 2025

Based on the data management above, it can be seen that there is a fluctuating pattern in tax effectiveness and a decrease in the percentage of regional tax contributions in South Sumatra Province.

It can be seen that during 2021, the contribution of regional taxes to South Sumatra's original regional income was 91.16%, in 2022 it was 90.47% and in 2023 it was 89.45%. This decrease was due to the target for original regional income which increased each year, and there were still many other sources of income that contributed to South Sumatra's PAD. However, regional taxes are still the largest source of original regional income in South Sumatra.

Then for the effectiveness of South Sumatra's regional taxes it fluctuated, in 2021 it was 108.31%, in 2022 it was 111.48% and in 2023 it was 106.76%. Based on the criteria set by the Ministry of Home Affairs (2006), the percentage shows regional taxes with a very effective level, or above 100%. This is in line with the opinion of Rosmala et. Al (2020) that through observing regional tax contributions, it can be seen to what extent the portion or results of the amount of funds collected from the regional tax sector are against regional original income.

Based on these data, it can be understood that in 2021 the effectiveness of taxes will not be as large as in 2022, because most of the economic conditions of the community have not recovered after Covid 19, and in 2021 it is still a transitional period and the government has even re-implemented direct contact restrictions level IV in the year in question, which resulted in limited community activities, decreased income from the tourism and entertainment sector and restaurant visits, which also caused a decrease in regional original income from regional taxes. Meanwhile, in 2023, the expected target is quite high with the realization of revenues slightly decreasing from the previous year. This study is in line with the research results of Asmadandi and Wicaksono (2022) which stated that fluctuations in contributions and the effectiveness of regional taxes were caused by changes in the realization of regional original income and conditions in a region at that time, considering that the 2021-2023 period is the year of recovery after Covid 19.

Table 3. The Comparison Between Before and After Covid 19 in South Sumatra

Before/ During Covid 19		
Year	Contribution	Effectiveness
2020	91,3%	95,36%
After Covid 19		
Year	Contribution	Effectiveness
2021	91,16%	108,31%
2022	90,47%	111,48%
2023	89,45%	106,76%

Source: Data processed, 2025

It can be seen from table 3 above that the contribution and effectiveness of taxes during the pandemic and after Covid 19, there were differences and increases. In 2020, the contribution of regional taxes to regional original income decreased, namely from 91.3% to 91.16%. This is understandable, because the target for regional original income from 2020 increased in 2021, this is in line with previous research, which said that the amount of contribution will change according to the increase in the target for regional original income.

However, both post and post Covid 19, regional taxes are still the largest source that contributes a lot to the original income of South Sumatra. A fairly contrasting comparison can be seen from the effectiveness before and after Covid 19. Effectiveness increased after the Covid 19 pandemic, this was due to the recovery and also incentives provided by the regional government in order to revitalize regional tax revenues. It can be seen that effectiveness increased from 95.36% to 108.31% and 111.48% in 2021 and 2022.

CONCLUSIONS

In this study, it can be concluded that in 2021, regional taxes in the province of South Sumatra had the largest contribution in the 2021-2023 period, which was 91.16%. This is due to the target for regional original income which is increasing every year. Then in the observation year period, there was a fluctuation in the level of effectiveness. There's also comparison between pre and post covid 19 situation, however the situation get better as the pandemic's gone and government gives the effort to revitalize regional tax income in South Sumatera. This fluctuation is in line with the targeted tax revenue, however, regional taxes in South Sumatra are still considered very effective (above 100%) and are still the largest source of income from South Sumatra's regional original income. Based on the results of the analysis of this study, the author suggests that socialization of tax awareness needs to be increased again in South Sumatra, and for further research, further studies can be carried out regarding the study and analysis of factors that influence South Sumatra's regional original income, studied from regulations and types of regional original income other than regional taxes that contribute, such as regional levies.

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