

LEVERS OF INCREASING REGIONAL REVENUE IN BITUNG CITY, NORTH SULAWESI PROVINCE, INDONESIA

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ABSTRACT

This study aims to explore levers for increasing regional revenues. The problem in this study is how regional autonomy can increase regional income and the possibility of developing regional income potential while regions have limited resources. This study is the result of a qualitative study. The research location is in Bitung City, North Sulawesi Province. Data collection was conducted through interviews with selected stakeholders. With purposive sampling techniques and direct observation at the research site. Data analysis is done through coincidences: data reduction, data presentation, coding, data conceptualization, and conclusions/verification. The findings of this study are that three levers play a role in the success of increasing regional revenues, primarily provincial taxes, namely digitization of taxpayer data, the part of business knowledge transfer in taxation, and grouping potential local taxes. Digitalization of taxpayers is carried out to facilitate tax administration and supervise tax collection. Transferring knowledge about the business is needed to improve the general circulation of money. With more and more people trying and increasing quality in doing business, it will increase the circulation of money in society. Meanwhile, grouping potential taxes is needed to map revenue targets through taxes to be right on target. The implication of this study is a follow-up study on making a predictive model of local tax revenue, taking into account the characteristics of the local economy.

Keywords: digitization, local tax revenue, transfer of knowledge, regional potential

ABSTRAK

Penelitian ini bertujuan untuk mengeksplorasi pengungkit untuk meningkatkan pendapatan daerah. Permasalahan dalam penelitian ini adalah bagaimana otonomi daerah dapat meningkatkan pendapatan daerah dan kemungkinan pengembangan potensi pendapatan daerah sementara daerah memiliki sumber daya yang terbatas. Penelitian ini merupakan hasil penelitian kualitatif. Lokasi penelitian di Kota Bitung, Provinsi Sulawesi Utara. Pengumpulan data dilakukan melalui wawancara dengan para pemangku kepentingan terpilih. Dengan teknik purposive sampling dan observasi langsung di lokasi penelitian. Analisis data dilakukan melalui alur: reduksi data, penyajian data, pengkodean, konseptualisasi data, dan kesimpulan/verifikasi. Temuan dari penelitian ini adalah terdapat tiga pengungkit yang berperan dalam keberhasilan peningkatan pendapatan daerah, utamanya pajak provinsi, yaitu digitalisasi data wajib pajak, bagian dari alih pengetahuan bisnis di bidang perpajakan, dan pengelompokan pajak daerah yang potensial. Digitalisasi wajib pajak dilakukan untuk memudahkan administrasi perpajakan dan pengawasan pemungutan pajak. Transfer pengetahuan tentang bisnis diperlukan untuk meningkatkan perputaran uang secara umum. Dengan semakin banyaknya orang yang berusaha dan semakin berkualitas dalam berbisnis, maka akan meningkatkan perputaran uang di masyarakat. Sementara itu, pengelompokan potensi pajak diperlukan untuk

memetakan target penerimaan melalui pajak agar tepat sasaran. Implikasi dari penelitian ini adalah adanya penelitian lanjutan mengenai pembuatan model prediksi penerimaan pajak daerah, dengan mempertimbangkan karakteristik perekonomian daerah.

Kata kunci: digitalisasi, penerimaan pajak daerah, transfer of knowledge, potensi daerah

BACKGROUND

Taxes are one of the most critical revenues in a country, in addition to other revenues such as various levies (charges) and loans (Musgrave & Musgrave, 1991). Tax levies can be imposed on almost all economic activities, such as production or service taxes, sellers or buyers, and households or companies. Regional tax is one of the provincial revenues (income/revenue) manifestations of financial decentralization, as regulated in Law Number 23 of 2014 concerning Regional Government. Regional revenue is one of the sources of funding for regional development. The need for financing in development that increases from year to year requires the government to provide more significant funds. One of the primary sources of state revenue is taxes. State revenue from the tax sector as one of the sources of state revenue is very potential and wide open. This is based on the number of taxpayers increasing yearly along with the increase in population and public welfare. Idham, et.al (2021) said there is a positive influence between regional tax revenue and retribution on the economic growth of a region. Furthermore, Harahap, et al. (2020) said that economic growth directly impacts human development through increasing income, which is reflected in community welfare, which can be observed from the Human Development Index (HDI).

In its development, state duties are increasingly expanding, significantly

improving the welfare of the people, and the state is obliged to employ employees, such as law enforcement and State Civil Apparatus (ASN). According to Hidayati & Syamyudi (2017), ASN is a precious government asset, so it must be adequately managed by the government to make an optimal contribution to public services. The government needs adequate state revenues to finance the salaries of civil servants and other employees, the provision of civil services, the provision of public services, and funds for development. At the regional level, local governments also need revenue to finance the needs of their local communities. According to Article 285 paragraph 1 (a) of Law Number 23 of 2014 concerning Regional Government, the composition of regional revenue consists of Regional Original Revenue (PAD), which includes 1. Regional taxes; 2. regional levies; 3. the results of the management of the wealth of the separated regions; and 4. miscellaneous legitimate native revenue of the Region.

PAD revenue highly depends on natural resources and the area's potential (Rante & Ratang, 2019). To improve PAD, local governments should work with investors to manage it better so that it has an impact on increasing regional financial revenues. According to Pandelaki et. al (2021), the ability of regions to increase revenue from the regional tax and levy sector shows that the Region has the potential to continue to be developed to

increase the success of regional development.

Aji and SBM (2021) identified several factors affecting tax revenue: Gross Regional Domestic Product (GDP) and inflation. The population density and the number of industries are relatively low in local tax revenue. Nevertheless, factors such as GDP, inflation, population density, and several industries affect local tax revenues.

One exciting area to study in local tax revenue is Bitung City in North Sulawesi Province. The potential local taxes owned by Bitung City are street lighting tax (PNJ), rural and urban land and building tax (PBB P2), and land and building rights transfer duty (BPHTB). This potential has yet to be

developed optimally. Even though Bitung City has the potential for ports and fish processing industries, oil, and others, on the other hand, Bitung City's PAD is still below other cities. For example, Manado City, which is an area with the highest regional tax revenue in the district/city in North Sulawesi, amounted to IDR 168.46 billion in the realization of regional tax revenue until the third quarter of 2021 (<https://djpb.kemenkeu.go.id/kanwil/sulut/id/data-publikasi/artikel/2998-pelaksanaan-anggaran-dan-pendapatan-belanja-daerah-triwulan-iii-ta-2021-di-provinsi-sulawesi-utara.html>). The realization of Bitung City's regional revenue in 2019 to 2021 can be seen in Table 2.

Table 2 Regional Revenue Realization of Bitung City 2019-2021

Year	Percentage of Local Tax and Retribution against PAD
2019	71.92 %
2020	76.21 %
2021	85.80 %

Source: BPS, 2020,2021, 2022.

Table 2 informs that Bitung City's highest PAD revenue comes from its local tax and retribution sector. This data shows that the government can allocate funds more optimally so that the goals of the government to be able to improve the welfare of the people can be achieved. This means that Bitung City can finance the needs of the growing Region. Bitung City can adjust its revenue in line with the increase in the local tax and retribution base and discretion in applying tariffs. On the other hand, not giving authority to the regions to set new types of taxes will provide certainty for the community and the

business world, which in turn is expected to increase public awareness in fulfilling their tax obligations. The factors that cause the suboptimal regional tax revenue in Bitung City are that the local government has yet to fully use all its potential in collecting local taxes, and there is still a lack of compliance with taxpayers in carrying out their tax obligations. This article aims to explore the levers that can increase regional revenue.

Local tax revenue sources consist of hotel tax, restaurant tax, entertainment tax, billboard tax, street lighting tax, class C excavation and management tax, and parking tax. In addition to local taxes,

regional revenues come from regional levies. Local governments can provide good public services, encourage economic growth, create new jobs, and improve people's incomes.

According to (Yoduke & Ayem, 2016), the component of considerable regional potential is expected to be able to contribute to optimal income. Regional Taxes and Regional Levies are exciting things to study because regional taxes and regional levies tend to show fluctuating results. However, they are also an essential source of regional revenue to finance regional administration and regional development to carry out regional autonomy. According to (Widodo, 2016), the regional tax sector is one of the Regional Original Revenues. Regional taxes are one of the primary sources of revenue for regions in the context of financing independent development and financing the implementation of activities and routine expenditure needs of the District/City. Therefore, the amount of revenue from the tax sector must always be sought to increase by the provisions of tax laws and regulations, so the government, in its realization, constantly strives to make changes in the form of additions, updates, or adjustments to applicable laws and regulations from time to time. According to (Haerah, 2017), in a study conducted in Jember Regency, Jember's potential is quite significant. However, unfortunately, until now, the strategy or efforts to increase regional revenues, especially from the hotel and restaurant tax sector, have yet to be carried out correctly and optimally. Similar cases are not impossible in other areas.

Local Tax

The definition of tax, according to Andriani quoted by (Iswan Masirete, 2013), is people's contributions to the state treasury based on Law (which can be enforced) with no direct lead services (counterperformance) that can be shown and which are used to pay public expenses. Meanwhile, the definition of tax, according to (Kurniawan et al., 2020), is a mandatory contribution to the state owed by individuals or entities that are coercive based on the Law by not getting direct compensation used for state purposes for the greatest prosperity of the people (Law No. 28 of 2007 concerning KUP). From several definitions of tax, it can be concluded that tax is a mandatory contribution from the people to the state as a form of participation in development, whose imposition is based on Law and does not receive direct rewards, and can be forced on those who violate it.

According to the general provisions of Law Number 28 of 2009 Article 1, Regional tax (Afandi & Hulu, 2016) is a mandatory contribution to the Region owed by an individual or entity that is coercive based on the Law, with no direct compensation and used for regional purposes for the greatest prosperity of the people." There are several criteria/aspects regarding local taxes. According to Kurniawan (2004), quoted by (Noorain & Yahya, 2018), namely: 1) Levies are taxes and not levies. 2) The tax object is located or located in the area of the district/city concerned, has low mobility, and only serves the community in the area of the district/city concerned. 3) The object and basis of the imposition of taxes do not conflict with the public interest. 4) The tax

potential is adequate, meaning that the tax revenue must be greater than the cost of collection. 5) The Tax Object is not central. 6) Does not have a negative economic impact. 7) Pay attention to aspects of justice and community ability. 8) Aspects of community capabilities. 9) Preserve the environment.

Optimization of Tax Revenue

According to Winardi quoted by (Sambodo, 2020), optimization is a measure that causes the Achievement of goals, namely making something better or entirely perfect. To optimize local tax revenue, intensification and extensification of subjects and objects of local tax revenue are needed. Optimization of tax revenue according to Nurmantu (Akbar, 2020) has several factors that determine success, namely the clarity of tax laws, the level of education of taxpayers, the quality and quantity of tax officers, tax administration strategies in the organization are fulfilled if all taxpayers fulfill their tax obligations.

Local Tax Revenue

Local tax revenue can be seen from the customer aspect, namely public services. The definition of Public Service in Law Number 25 of 2009 concerning Public Services, is affirmed in Article 1 point 1, which states that public services are activities or series of activities to fulfill service needs by laws and regulations for every citizen and resident of goods, services, and administrative services organized by public service providers. According to Gabriel Joseph quoted by (Setyobudi, 2009), said that public service is defined as services available to the community, either

in general (such as in museums) or specifically (such as in food restaurants). According to (Holle, 2011) the nature of Public Service includes: a. Improve the quality and productivity of the implementation of government duties and functions in the field of public services; b. Encourage efforts to streamline service systems and governance so that public services can be held more efficiently and successfully; c. Encourage the growth of creativity, initiative, and community participation in the pace of development and in efforts to improve the welfare of the wider community.

According to Gunadi, quoted by (Viva et al., 2019), Taxpayer Compliance describes the circumstances in which taxpayers can carry out all their tax rights and obligations. According to (Rizki & Nurmantu, 2018), Tax compliance is a condition where taxpayers fulfill all obligations and exercise their tax rights. According to Rahayu (2017: 193) quoted by (Viva et al., 2019), tax compliance is divided 2, namely formal tax compliance and material tax compliance. Formal tax compliance is the taxpayer's compliance in fulfilling the provisions of formal tax law, while material taxation compliance is the taxpayer's compliance in fulfilling its material taxation provisions.

The Industrial Revolution 4.0 brought many changes in government administration, including in local government administration (Twizeyimana & Andersson, 2019). The concept of e-government is widely applied in government administration, whose purpose is to facilitate local government services and administration (Bovaird & Löffler, 2015).

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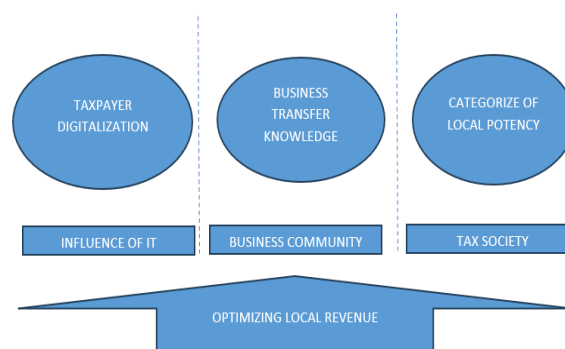
Information and Communication Technology (ICT) is a Management Information System that aims to improve the quality of public services that are expected to be more accountable and transparent, especially in state financial management (Yusuf, 2019). In addition to the aspect of using ICT, the transfer of knowledge about business as a source of tax needs attention because business is part of economic circulation, which is an essential element in increasing state and regional revenues (Khan et al., 2021) (Gigli et al., 2019). The imposition of taxes can be disaggregated based on tax classification.

For some reason, Musgrave & Musgrave (1991) classify taxes into individual taxes and "in Rem" taxes or taxes. Individual taxes are levied based on a person's ability to pay taxes (personal income tax). This tax is imposed on certain object activities such as the sale, purchase, or ownership of herta wealth regardless of the

characteristics of the party conducting the transaction or owner. Other tax classifications are direct and indirect taxes. The tax grouping is useful for classifying taxpayers to facilitate data collection and withdrawal that is right on target. (Arkan, 2021) (Wiarta et al., 2021) (Rahmaulidyah et al., 2021) Digitalization of taxpayers based on tax classification is a breakthrough to accommodate the development of digital transformation in all sectors, which is a requirement to improve service quality and achieve business targets, including regional revenue targets which from time to time increase in line with regional development needs (Simanjuntak, 2022) (Fitria et al., 2022) (Wicaksono & Andreas, 2018). This article explores the levers that have a role in increasing regional revenues and their development potential.

Based on the description above, the logical thinking framework developed in this study can be described as in Figure 1.

Figure 1: Thinking Framework for Regional Revenue Optimization through the Tax Sector.



Sources: Research results

METHOD

The type of research used is Descriptive-Qualitative. The purpose of this

study is to explore the dominant factors in regional revenue from the aspect of taxation. Data were obtained from observations and

in-depth interviews with several informants. The research location is in Bitung City, North Sulawesi Province. The data collection technique uses purposive sampling by selecting informants, namely the Regional Secretary (Sekda), Heads and employees of the Regional Revenue Agency (BAPENDA) and Bitung City Community Figures. This study used two data collection techniques, namely Primary Data, which is data obtained through field research directly meeting informants in two ways: observation and in-depth interviews. Observation, namely data collection by observing the research object to obtain information or as needed. In-depth interviews ask in-depth questions to respondents that are closely related to the problem and use interview guidelines. The step taken in data analysis techniques in this study is to use Qualitative Data Analysis by the Miles & Huberman Interactive Model (1992). Data processing and analysis are carried out through three activities that co-occur: data reduction, data presentation, and conclusion drawing/verification.

The research instrument consists of questions: 1). Achievement of local taxes and levies; 2). Is the Achievement by the existing potential? ; 3). Efforts made by local governments to increase regional revenues; 4). In the next five years, whether efforts have been realized or efforts have been achieved in increasing local tax revenues; 5). Other efforts made by the local government in addition to digitalization to increase local original income are carried out by BAPENDA; 6). Of the 11 types of local taxes, the most contributors to regional income for now are 7). Tax incentives provided by local governments to local

taxpayers; 8). Tax identification and extensification carried out by the local government to local taxpayers; 9). The toughest tax sanctions given by the local government to regional taxpayers in Bitung City.

RESULT AND DISCUSSION

Bitung City is one of the cities in Indonesia that has a considerable regional tax potential, but the tax contribution to regional revenue has decreased in the last few years. The city was formed based on Law Number 7 of 1990 concerning the Establishment of Level II Regional Municipalities of Bitung. Based on the Regulation of the Minister of Home Affairs Number 58 of 2015 concerning the regional boundary of Bitung City with North Minahasa Regency of North Sulawesi province, Bitung City has a land area of 33,008.60 Ha, which is divided into 8 (eight) sub-districts and 69 wards.

The total population of Bitung City is 225,134 people, comprising 115,531 men (51%) and 109,603 women (49%). Based on data from BPS Bitung City, demographically the population of Bitung City is classified as having a young age structure which can be seen from the population graph formed from the distribution of population according to age groups. In the centre of the graph, the proportion of the population is dominant in the young population. This is predicted to continue, as indicated by large numbers in the population of the age group of 20 years and over. This population structure is an advantage in terms of the availability of labour and the potential for regional sources of income. However, this also has

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implications for potential problems such as increasing the number of unemployed if efforts are not made to prepare labour skills, labour needs and business fields.

Tax Potential

Bitung City has promising tax potential. This can be seen from the local tax

levied in Bitung City, which contributes significantly to local revenue. Based on existing data, there are 11 types of local taxes in Bitung City. The realization of local taxes in 2020 and 2021 in Bitung City can be seen in Table 3. Below, namely:

Table 3. Types of Local Taxes and Achievements

Types of Local Taxes	2020		2021	
	(%) Caption	Target	(%) Caption	Target
Hotel Tax	63%	1,374,437,642.00	69%	2,472,159,089.00
Restaurant Tax	113%	2,618,293,806.00	87%	4,449,323,637.00
Entertainment Tax	83%	250,000,000.00	41%	589,809,777.00
Advertising Tax	116%	932,500,000.00	120%	1,532,500,000.00
Street Lighting Tax	124%	15,923,011,699.00	110%	18,223,011,699.00
Parking Tax	87%	65,000,000.00	70%	165,000,000.00
Groundwater Tax	110%	1,950,640,906.00	99%	2,450,640,906.00
Swallow's Nest Tax	0%	2,000,000.00	100%	9,625,000.00
Nonmetallic Minerals and Rocks Tax	67%	281,115,947.00	26%	581,115,947.00
Rural and Urban Land and Building Tax (PBBP2)	120%	10,150,000,000.00	95%	14,150,000,000.00
Land and Building Rights Acquisition Duty (BPHTB)	61%	7,953,000,000.00	71%	10,376,813,945.00
Total		41,500,000,000.00		55,000,000,000.00
The average percentage(%) of Local Tax achievement is	86%		81%	

Source: Bapenda Kota Bitung, 2022

Table 3 above shows that there are 11 types of local taxes in Bitung City, which reflect the potential of the Bitung City area. In 2020, the highest local tax revenue was in the type of street lighting tax, and the lowest was the swallow's nest tax. Meanwhile, in 2021, the highest Achievement of local tax revenue remains in the type of street lighting tax and the lowest is the type of non-metal and rock mineral tax. The percentage for the

average regional tax achievement in 2020 was 86% and decreased in 2021 by 5% to 81% in 2021. The Achievement of tax revenue of each type can be a real achievement, or it could be because the target is too low. Another source of PAD revenue is regional levies. The realization of regional retribution in 2020 2021 in Bitung City can be seen in Table 4.

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Table 4. Types of Regional Levies and Their Achievements

Types of Regional Levies	2020		2021	
	Achievement Percentage	Target	Achievement Percentage	Target
I. Public Service Levy				
Health Care Levy	103%	425,000,000.00	143%	218,005,000.00
Waste / Hygiene Service Levy	147%	550,000,000.00	121%	1,741,805,000.00
Public Curbside Parking Service Levy	77%	77,409,257.00	39%	177,409,257.00
Market Service Levy	136%	750,000,000.00	51%	1,071,606,634.00
Motor Vehicle Testing Levy	67%	157,090,743.00	23%	487,090,743.00
Fire Extinguisher Inspection Levy	89%	325,000,000.00	73%	325,000,000.00
Levy on Provision and Suction of Latrines	0%	0	0%	12,000,000.00
Tera Service Levy	326%	5,000,000.00	141%	25,000,000.00
Telecommunication Tower Control Levy	117%	200,000,000.00	124%	200,000,000.00
Total		2,489,500,000.00		4,257,916,634.00
The average percentage(%) of achievement is	118%		79%	
II. Business Services Levy				
Levy on the Use of Regional Wealth	5%	30,000,000.00	11%	25,000,000.00
Port Service Levy	160%	50,000,000.00	75%	60,000,000.00
Total		80,000,000.00		85,000,000.00
The average percentage(%) of achievement is	83%		86%	
III. Certain Licensing Levies				
Building Permit Levy	107%	5,200,000,000.00	110%	5,500,000,000.00
Levy of Alcoholic Beverage Sales Place Permit	346%	35,000,000.00	126%	100,000,000.00
Route Permit Levy	77%	75,500,000.00	43%	175,500,000.00
Levy on Extension of Permit to Employ Foreign Workers	241%	150,000,000.00	51%	700,000,000.00
Total		5,460,500,000.00		6,475,500,000.00
The average percentage(%) of achievement is	193%		83%	

Source: Bapenda Kota Bitung, 2022

Based on the information shown in Table 4, it can be described that in regional retribution, there are 3 groups: a. general service retribution, b. business services levy,

and c. certain licensing levies. The general service levy includes 9 (nine) types of levies, where the average percentage of the general service levy in 2020 was 118% and

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decreased by 39% for 2021 to an average percentage of 79%. Business services levies consist of 2 types of levies, where the average percentage in 2020 is 83%, an increase of 3% in 2021 to 86%. There are 4 types of certain licensing levies, where the average percentage of fees of 193% decreased by 110% to 83% in 2021. The three regional levy groups recorded in the

average percentage of Achievement are general service levies and certain licensing levies because the decline is very significant in 2021. As with local taxes, the average Achievement of the Bitung City regional levy is above 100%. This could happen due to the low target imposed on each type of retribution.

Table 5 Contribution of Taxes and Levies to Local Original Revenue

Year	Percentage of Local Tax Against PAD	Percentage of Regional Retribution Against PAD	Local Original Revenue (PAD)
2019	115,92%	36,54%	88.194.541.966,80
2020	86%	133%	70.250.413.125,11
2021	81%	75%	71.716.802.585,36
2022	64%	14%	86.471.655.329,60

Source: LRA and RPMJMD Bitung City

Based on Table 5 above, the contribution of local taxes to Bitung City PAD in 2019 was 115.92%, and the regional levy was 36.54%. In 2020, the contribution of local taxes to PAD was 86%, while the levy was 133%. The levy has increased because the amount has increased, and the realization exceeds the target. The contribution of local taxes to the PAD of Bitung City in 2021 is 81%, and the regional levy is 75%. In 2022, the contribution of local tax to the PAD is 64%, while the percentage of local tax is 14%.

Djaenuri (2012) elaborated on his opinion on the tax collection system. According to Djaenuri (2012), success in implementing tax collection depends on 3 (three) aspects: tax law, tax policy, and tax administration. Tax law is the entire regulation that regulates the legal relationship between the government as a tax collector and the people as taxpayers.

Tax policy is an inseparable part of economic policy or state revenue policy. Tax policy is a way or tool of government with specific targets or to achieve a particular goal in the social and economic fields. At the same time, tax administration is the way or procedures for imposing and collecting taxes. Tax administration includes the stages of taxpayer registration, determination, and collection. These three aspects support each other, if one aspect is weak then the tax system is unstable and will be able to lead to collapse. Related to that, the government's obligation is to form and build these three elements to support an increase in tax revenue. Based on Law Number 28 of 2009 concerning regional taxes and regional levies, the latest regulation is Law Number 11 of 2020 concerning job creation, which states that to implement the provisions of Article 114, market 176, and Article 185 letter b,

stipulate Government regulations on Regional Taxes and Regional Levies in order to support ease of doing business and regional services. Meanwhile, the latest regional regulation on regional taxes and regional levies is Bitung Mayor Regulation Number 1 of 2022, concerning technical guidelines for assessing land and land tax objects and rural and urban toll roads.

Bitung City made improvements to its tax administration, which can be seen in the development of its tax administration system, which the Bitung City Regional Revenue Agency always updates. The form of improving the quality of tax administration is to follow the progress of science and technology. By digitizing all matters related to local taxes and regional levies, it will increase the appropriateness of taxpayers. Based on existing data, 3 (three) levers were found in an effort to increase regional revenue from the local tax sector, namely digitization of taxpayer data (WP), transfer of knowledge about business, and grouping potential local taxes.

Digitization of Taxpayer Data (WP)

One aspect that supports the success of tax collection is the realization of tax administration that facilitates management, is easily accessible to the broader community, is transparent, and supports the principle of accountability. The form of improving the quality of tax administration is by adopting advances in science and technology. Digitization of WP data is one of the efforts to improve the quality of administration in collecting local taxes. According to informants, Bitung City is preparing digital-based data processing to make it easier for people to make

transactions and information about local taxes. Transactions include digital UN payments, checking tax arrears, and paying directly to BKUD without going back and forth from one office to another.

System integration between licensing, BAPENDA, finance, inspectorate, and SP3 with KUD, makes it easier for entrepreneurs to take care of permits and determine the level of WP compliance in fulfilling their tax rights and obligations. When WP has many arrears and does not carry out its obligations, SP3 access will be opened to facilitate action in the field, which can be done through reprimand, closure, or revocation of its business license. WP's digitization efforts are targeted within 5 years. WP data digitization targets include UN and BPHTB data-based, other types of taxes have been running but have yet to be integrated with related parties.

Digitalization is also done by installing a tool that connects directly between Bapenda and WP, where the tool will administer consumer taxes. For example, restaurant taxes consumers pay will automatically enter regional revenue income. The tool serves to monitor the income of restaurants in Bitung City. However, the number of these tools is only available as many as 75 units in Bitung City, so it has not been effective because the Restaurant Tax WP still commits many frauds.

The digitization of WP is a step towards modern tax administration. According to Hertati (2021), the modernization of tax administration will improve WP compliance in fulfilling its obligations, increase the responsibility of government officials not to commit fraud,

serve the community, and optimally increase tax revenue. The modern tax administration system also influences WP compliance. Tax accountability and sanctions affect taxpayer compliance partially and simultaneously (Puteri et al (2019), Septiliani (2020), Hutagaol & Ginting (2020)

Knowledge Transfer of Business

Transferring business knowledge will increase public interest in developing small and medium enterprises, which will increase tax revenue, although not directly. In the process of knowledge transfer and a means of education, WP, which will improve tax compliance and payment distribution and reporting, must continue to be a new effort in this information technology era (Liyana, 2019). The Bitung City Bapenda carries out these efforts by providing knowledge about how to try according to the rules to provide opportunities to advance their business in terms of capital government assistance, which is now boosted by MSMEs, which are often related to MSMEs related to 11 types of regional taxes and central taxes that are often connected to article 21 income tax.

The transfer of knowledge about small businesses is also provided by DGT, financial balance, MSME cooperatives and local governments, and providing stimulants to MSMEs to improve the business of individuals/community groups. This effort is undoubtedly also in line with achieving a balance between regional income and expenditure. Business knowledge transfer is needed, considering the young population currently dominates in Bitung City. With so many people who have

jobs and businesses, it will encourage the smooth flow of regional economic circulation, increasing regional income.

Grouping of Local Tax Potential

Based on existing data, the 11 types of regional taxes that contribute the most to regional income are street lighting tax, and the second order is PBB, BPHTB, and the rest are other taxes. The realization until September 2022 is 60.16%, and the target is 68 to 70% in September, which is BAPENDA's homework of 9% to meet its target. Tax reporting is through e-SPT GDP from 11 types of taxes handled by 4 fields to manage tax administration. The incentives provided by Bapenda are in the form of incentives in the form of additional income. In terms of restaurant tax, once a month a random day picking test is carried out, which the taxpayer is suspected of cheating in calculating and reporting taxes, this is where BAPENDA comes to conduct inspections. The harshest sanction given by the local government to WP is to issue SKPKBPD (local tax underpayment assessment letter) submitted to the collection. Then, integrate the final tax action into the civil service and licensing fields.

Exploration of tax potential can be done by grouping types of tax revenue. Irwan et al. (2022) grouped the types of tax revenue in Makassar City using the Fuzzy Clustering Means (FCM) method, where differences in the number of offices and industries were found, causing tax revenue in each sub-district to be different. In addition to grouping tax types based on bookkeeping, grouping based on the potential of each Region can be an

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alternative to optimizing regional tax revenue.

Digitalization of WP, transfer of knowledge about business to the community and MSMEs, and grouping potential local taxes are part of the tax administration built by local governments along with the development of the community. In the financial relationship between the Center and the Regions, the government adheres to the revenue approach, which means that the regions are given a certain amount of authority to carry out certain government affairs, and then based on the handover of these authorities to the regions are given certain sources of financial revenue. In principle, the utilization of these revenue sources is entirely in the hands of local governments (Djaenuri, 2012). Having this opinion, the success in exploring and utilizing the community's potential depends on the local government's willingness (political will) to direct and empower all existing potentials, as well as efforts to build a modern tax administration.

CONCLUSION

The leverage factor in increasing regional income can be traced from the potential and characteristics of each Region.

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However, in general, the factor of digitizing taxpayers is the answer to the influence of the Industrial Revolution 4.0. The Bitung City BAPENDA has made efforts to intensify and extensify digitalization-based taxes. The intensification and extensification carried out by BAPENDA are in the form of extensification to conduct socialization and supervision to WPs to increase the number and awareness of WPs (taxpayers). Tax intensification is how to increase tax revenue from 11 types of regional taxes. There are 8 self-assessment systems, and the rest are official assessment systems. There are plans for 4 types of taxes to be merged into 1 type of tax, namely street lighting, restaurant, entertainment, and parking tax (manager) into certain goods service tax (PJBT). This is a factor in classifying taxes, which classification is needed to facilitate tax administration. The knowledge transfer factor about business is needed to trigger the flow of regional economic circulation. The more developed the potential of businesses and MSMEs, the higher the potential for imposing regional taxes and levies. The implication of these findings is the need to measure the influence of these three factors on success in increasing local revenues through the regional tax and levy sector.

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