



Contribution of Hotel Tax in Increasing Local Revenue of Surakarta City and its Influence in Sustainable Economic Development of the Country

Rachmadita Sheila Alikaputri

Faculty of Law, Universitas Sebelas Maret, Surakarta, Indonesia
Ir. Sutami Street, No. 36 Kentingan, Jebres, Surakarta, Jawa Tengah, Indonesia 57126
rachmaditas99@student.uns.ac.id

Waluyo Waluyo

Faculty of Law, Universitas Sebelas Maret, Surakarta, Indonesia
Ir. Sutami Street, No. 36 Kentingan, Jebres, Surakarta, Jawa Tengah, Indonesia 57126
waluyo.fh@staff.uns.ac.id

Abstract—One of the local revenues comes from local taxes. Specific Goods and Services Tax (PBJT) in Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments (HKPD Law) is one type of district / city local tax. PBJT has objects including Hotel Tax. PBJT on Hotels in Surakarta City still uses the old nomenclature, namely Hotel Tax . The object of this research is Solo Tiara Hotel and Surakarta City Regional Revenue Agency. The research aims to determine the potential contribution of PBJT collection on Hotel Tax to Surakarta City's Original Revenue (PAD) and its influence on sustainable state economic development. This type of research is legal research with normative juridical and empirical juridical approaches. Data collection methods are library studies and field studies, with data management through the stages of data selection, data classification, and data preparation. Data analysis using descriptive analysis.

Keywords- Hotel Tax; Surakarta City Local Revenue; State Economy; State Finance

I. INTRODUCTION

Currently, the decentralization system has been implemented in Indonesia, which is the handover of responsibility and authority from the central government to autonomous regions. Local governments are given full rights and authority in carrying out some or all of the management and administrative functions to regulate and manage their territory and use their local economic resources. It means that local governments must have their own sources of income. Local governments are required to continue to be creative in exploring sources of potential as economic builders in their regions with the aim of meeting government financing needs and carrying out development. The strategy carried out by the local government to realize development is to increase local revenue (PAD). Local tax is one of the sources of revenue needed to sustain the regional economy in order to realize the implementation of national development in Indonesia. The tax sector is the right choice to encourage an increase in PAD, this is because the amount of tax is relatively stable. One source of PAD that continues to grow is hotel tax and restaurant tax. Hotel occupancy rates and restaurant sales turnover have experienced developments after the Covid-19 Pandemic, namely in 2020. Then during the pandemic, the Surakarta City Government provided hotel tax relief, namely paying the minimum bill every month and if there is still a shortage, it can be paid in the future and also if there is an excess of payment it will be returned. As a result, the contribution of hotel and restaurant taxes to PAD is also reduced from before. There are several studies that examine local taxes in research that will be conducted at this time the results are very varied, including research conducted by which shows that the level of effectiveness of hotel tax and restaurant tax in Surakarta City in 2023 is in the highly effective category with an effectiveness rate of more than 100 percent. The effectiveness variable and the contribution of hotel and restaurant taxes to local revenue show that the effectiveness level of hotel and restaurant taxes in Surakarta City from 2023 on average has increased well. hotel taxes and restaurant taxes in 2023 have made a good contribution to local revenue with an average contribution from hotel taxes and restaurant taxes to local revenue of 20 percent.

The implementation of regional autonomy is expected to improve the efficiency, effectiveness and accountability of Indonesia's public sector. In terms of regional autonomy, regions must seek alternative sources of development financing, without weakening the expectation that the support and role of the state will still come, and use public funds according to the priorities and wishes of the community. With regional autonomy comes decentralization, which involves regional economic management, economic planning, including the preparation of regional development and other planning delegated from the center to the regions. As a result of the implementation of regional autonomy in Indonesia, power is divided between the central government and local governments (the monetary sector and state finances are decentralized to the regions). One of the forms that local self-governance can take is the existence of autonomy in the management of local economies, known as fiscal autonomy or fiscal decentralization. The implementation of fiscal decentralization and regional autonomy in Indonesia as a political consequence is now irreversible, so further considerations regarding capacity building and quality improvement are presented. Therefore, fiscal decentralization and regional autonomy are expected to bring inclusive and sustainable prosperity to Indonesia in the future. In order for tax decentralization to successfully achieve autonomy throughout Indonesia, all efforts and efforts of the government must certainly receive full support from all stakeholders and non-stakeholders. Without the full support of the policy, the government itself will certainly not be able to implement it optimally, and the pendulum of autonomy will certainly swing more often towards negative and destructive impacts.

Furthermore, coordination and mutual cooperation among all the stakeholders, both within the central government and between the central government and local governments, will be crucial. All of these are complex issues in an uncertain political environment, raising doubts as to whether local governments can truly achieve effective decentralization..

II. LITERATURE REVIEW

A. Regional Autonomy

Regional autonomy is one form of decentralization and essentially aims to realize the national interest. According to Marwood, regional autonomy is the right of civil society to equal opportunity and equal treatment, both in expressing and fighting for interests and in participating in monitoring the performance of local governments. The implementation of the regional government system is an obligation stipulated in the 1945 Constitution of the Republic of Indonesia and the Second Amendment of 2000, and is carried out based on laws specifically stipulated to regulate regional government. The history of regional autonomy in Indonesia began at the time of independence. This story ended when centralization of government was imposed during the New Order. Later, as the reform era developed in Indonesia, the path of decentralization continued. However, the lack of institutional and societal readiness for decentralization has created vertical and horizontal imbalances.

According to Said, there are four perspectives underlying the positive and four perspectives underlying the negative aspects of regional autonomy. The four perspectives underlying the positive aspects of regional autonomy are the means to 1) democratize, 2) help improve the quality and efficiency of government, 3) promote national stability and unity, and 4) advance regional development. Four perspectives underlying the negative aspects of regional autonomy, namely 1) creating unwanted fragmentation and disunity, 2) weakening the quality of government, 3) creating greater inter-regional disparities, and 4) allowing for greater democratic balancing. The implementation of autonomy must be carried out in accordance with the concept of autonomy, which is interpreted as the transfer of Central Government affairs to the regions, except for five powers that are used for the continuity of the nation's life. [1]

However, outside the five excluded powers must be handed over to the regions. By considering the transfer of affairs as an effort to reduce the burden and duties of the Central Government. In addition, in order to level the responsibility. In accordance with the democratic system, the responsibility of the government can be shouldered equally by the entire community which is included through functional and territorial decentralization. This can create government stability in general. The implementation of local autonomy offers regions a great opportunity to improve their own financial performance. Regions have the power to manage and improve their own local resources.. However, the implementation of regional autonomy, which is often twisted into "automoney", has led to a great need for regions to develop various regional financial schemes to finance the shift of various authorities from the center to the regions.

B. Fiscal Decentralization

Decentralization is a tool to achieve one of the country's goals, which is to provide better public services and build a more democratic public decision-making process. Decentralization is the transfer of authority to regulate and manage areas from the Central environment to the Local government environment based on actual conditions. Therefore, we can conclude that decentralization is the transfer of government authority from the central

government to the autonomous regions to regulate and manage government affairs within the framework of the Unitary State of the Republic of Indonesia.

Fiscal decentralization is a consequence of the implementation of regional autonomy in Indonesia. In principle, it is the same as regional autonomy, fiscal decentralization basically aims to increase regional potential, in this case in terms of fiscal. The 1945 Constitution of the Republic of Indonesia calls for the division of the unitary state of the Republic of Indonesia into provinces, which are further divided into districts and cities. Each region has the right and obligation to regulate and carry out its own government affairs which are its authority by adjusting the financial capacity of the region concerned. [2]

The existence of local autonomy leads to decentralization of economic planning, including local financial management, formulation of regional development programs and other plans delegated to the regions by the central government. The implementation of local autonomy in Indonesia involves the division of powers between the central government and local governments (the national currency and financial sector is decentralized and transferred to the regions). One of the realizations of local autonomy is the autonomy of regions in financial management, called fiscal autonomy or fiscal decentralisation. [3]

The implementation of fiscal decentralization and local autonomy as a result of policies in Indonesia is currently at a point of no return, so the proposed aspects are more of a capacity building and quality improvement nature. Therefore, fiscal decentralization and local autonomy are expected to lead Indonesia to inclusive and sustainable prosperity in the future. All efforts and initiatives of the government must be fully supported by all parties and stakeholders to support the success of fiscal decentralization in the implementation of autonomy throughout Indonesia. Without the support of all parties, the government itself will not be able to carry out optimally and the pendulum of autonomy will more often move towards negative and destructive impacts. Coordination and willingness to support each other from all parties then become the main keywords both within the Central Government and between the Central Government and Regional Governments. All are complex issues in an uncertain political environment, which in turn raises the question of whether Regional Autonomy really works towards effective decentralization. [4]

The implementation of decentralization that results in autonomy is carried out and developed in two basic values, namely unitary values and territorial decentralization values. Regional autonomy is a manifestation of the implementation of the principle of decentralization, which gives authority to the Regional Government in terms of regulating all affairs concerning the interests of the region in accordance with the situation, conditions and potential that exist in the region. In the implementation of regional autonomy, there is one important aspect, namely the ability of local governments to meet the financial needs of their regions, which is useful for running the government and regional development through fiscal decentralization.

C. Local Own-source Revenue (PAD)

PAD is an accumulation of tax revenues consisting of local and regional taxes, non-tax revenues in the form of income from locally controlled enterprises, investment income and natural resource management, and investment income and natural resource management. PAD is a local revenue generated from sources. It is collected within the territory of a country in accordance with applicable laws and regulations and is collected based on local regulations. Article 3, paragraph 1 of Law No. 33 of 2004 on Fiscal Equalization between the Central and Local Governments states that the purpose of the PAD is to empower local governments to exercise local autonomy according to their local potential as a form of decentralization. Fiscal factors are the main factors that represent financial resources to finance the implementation of local government. One of the financial resources that can support the functions of local government is Local Own-source Revenue (PAD). PAD is revenue sourced from within one's territory that is levied based on local regulations, in accordance with applicable laws and regulations. Regional autonomy and state and regional development can only be achieved when accompanied by effective fiscal autonomy. This means that local governments must be financially independent from the central government by exploring sources of PAD such as taxes and duties as much as possible. Regional creativity and initiative in exploring financial resources mainly depend on the policies promoted by the government. Central Java Province is one of the provinces on the island of Java that is experiencing rapid progress in terms of its local revenue, most of the revenue is generated from sources that affect it such as taxes, levies, and others that have been authorized, quite potential areas include the city of Surakarta, Cilacap City and Semarang city. Surakarta City, especially hotel tax, contributes to PAD in Central Java due to the increase in tourism in Surakarta City in the last 3 years.

Table 1. Realization of Surakarta City Local Revenue Year

Jenis Pendapatan	Realisasi Pendapatan Pemerintah Kota Surakarta Menurut Jenis Pendapatan (Rupiah)	
	2022	2023
1. Pendapatan Asli Daerah (PAD)	647 440 585 331,88	681 886 164 583,00
1.1 Pajak Daerah	408 526 805 553,00	441 128 031 998,00
1.2 Retribusi Daerah	60 959 392 370,00	60 200 294 238,00
1.3 Hasil Pengelolaan Kekayaan Daerah yang Dipisahkan	15 295 029 480,00	16 638 197 110,00
1.4 Lain-lain PAD yang Sah	162 659 357 928,88	163 919 641 237,00
2. Pendapatan Transfer	1 376 198 105 714,00	1 249 849 380 900,00
2.1 Pendapatan Transfer Pemerintah Pusat	1 156 908 079 100,00	1 046 964 337 089,00
2.2 Pendapatan Transfer Antar daerah	219 290 026 614,00	202 885 043 811,00
3. Lain-lain Pendapatan yang Sah	4 800 000 000,00	900 000 000,00
3.1 Pendapatan Hibah	4 800 000 000,00	900 000 000,00
3.2 Lain-lain Pendapatan Sesuai dengan Ketentuan Peraturan Perundang-Undangan	-	-
Jumlah	2 028 438 691 045,88	1 932 635 545 483,00
Catatan: 2023: Angka Sementara		
Sumber: Badan Pengelolaan Keuangan dan Aset Kota Surakarta		

Source: Surakarta City Asset Management and Finance Agency.

The criteria for local tax are that it is a tax and not a levy; The tax object is located or located in the district/city concerned and its mobility is quite low and it only serves the community in the district/city concerned; The purpose and basis of tax determination are not contrary to the public interest; There is a lot of potential. Tax revenue must be greater than the cost of collection; There is no negative financial impact. The tax does not hinder the distribution of funds or hinder the movement of funds between regions or export-import activities. Focus on equality and community capacity; and preserving the environment, meaning that the imposition of taxes does not provide opportunities for local governments, governments or the wider community to do environmental damage. Implementation of the tax law is defined as the stage of implementing the legal regulations contained in the tax law. The 1983 Law on General Provisions and Tax Procedures stipulates that legal protection can be carried out in two ways, namely administrative or criminal.

Local tax reform was implemented as part of the national tax reform in 1983. This is because in 1983 there was a very fundamental change in the taxation system applied in Indonesia. The Indonesian tax system has changed from the official tax system that was in effect until 1984. The main objective of tax reform is to increase tax revenue from the taxation sector and maintain the financial independence of national development. Taxation is a policy of changing the current taxation system in accordance with the development of government and economic, political and social goals. Tax policy is only one part of fiscal policy, for example the 1983 tax reform.

With this tax reform, the government wants to increase state revenue from the taxation sector in order to achieve financial independence and state and nation development. Surakarta City Regional Regulation Number 14 Year 2023 on Regional Taxes and Levies is part of the substance of the law. This material component provides peace of mind for taxpayers in fulfilling their obligations in paying local taxes. In the context of this legal culture, local taxes are a product of the legal system, and the way they are collected and managed depends heavily on the values and beliefs of taxpayers. Values and beliefs are part of the culture of a society. If the community (taxpayers) assesses and believes that the local tax collected can increase the local revenue of Surakarta City, then the purpose of local tax collection as an effort to increase the local revenue of Surakarta City will be achieved.

Based on the theory of the source of authority, it is said that delegation is the delegation of government power by the legislator directly to state organs and is also called the actual delegation of power. The grantor can make a new power of attorney or expand an existing power of attorney in such a way that the internal and external responsibility for the implementation of the power of attorney rests entirely with the grantor. In this context, the authority of the Surakarta City Regional Revenue Office in collecting hotel tax from hotel taxpayers is based on ownership based on the General Tax Provisions Law No. 16 of 2009 and the Surakarta City Regional Regulation No. 14 of 2024 concerning Regional Taxes and Levies.

D. Contribution of Hotel Tax in Local Revenue

Based on research conducted by the author to Mrs. Alfina Tarnisa Putri, S.E, S.H., M.H, namely as Finance Director of Tiara Group Hotel in Surakarta which oversees 2 hotels with Melati class, namely Hotel Tiara Puspita which is located at Jl. Dr. Rajiman No.404 A, Penumping, Kec. Laweyan, Surakarta City, Central Java 57141 and Solo Tiara Hotel which is located at Jl. Kebangkitan Nasional No.11 A, Sriwedari, Kec. Laweyan, Surakarta City, Central Java 57141.

According to information from Mrs. Alfina Tarnisa Putri, S.E, S.H., M.H as a taxable entrepreneur, the hotel tax rate in Surakarta city is high, which is at 21% - 23%. This figure has increased from 2019 which was previously

at 19% - 21%. The hotel tax rate is directly deducted from the monthly Turnover Revenue. In accordance with the Surakarta City Mayor Regulation No. 11 of 2018 Article 7 letter (a) reads "Hotels other than boarding houses which include hotels, motels, inns, tourism huts, tourism guesthouses, guesthouses, lodging houses and the like are set at 10% (ten percent);" this is different from the reality, where the Hotel Tax is charged 21% - 23% of the total turnover, this is related to increasing Surakarta City's Regional Original Revenue.

In the last 2 years, starting from 2022. The Surakarta City Government provides assistance by holding events in Surakarta City by involving hotels. It will also increase the willingness to pay tax from taxpayers. The hotel tax collection system in Surakarta City has also improved and there has been a lot of socialization. In the last 2 years, starting from 2022. The Surakarta City Government provides assistance by holding events in Surakarta City by involving hotels. With that, it will also increase the willingness to pay tax from taxpayers. The hotel tax collection system in Surakarta City has also improved and there has been a lot of socialization. So that tax payment by the taxpayer is easier.

Table 2. Realization of Surakarta City Local Tax Revenue in 2023

REALISASI TAHUN 2023			
No	Kode	Rekening	Jumlah
		Jenis Pajak	Pembayaran 01-01-2023 s/d 29-05-2024
1	4.1.1	TOTAL REALISASI PAJAK DAERAH	420.590.939.675
2	4.1.1.01	Pajak Hotel	53.389.272.000
3	4.1.1.02	Pajak Restoran	84.710.271.600
4	4.1.1.03	Pajak Hiburan	20.253.185.500
5	4.1.1.04	Pajak Reklame	16.221.249.800
6	4.1.1.05	Pajak Penerangan Jalan	63.773.421.744
7	4.1.1.07	Pajak Parkir	6.816.799.000
8	4.1.1.08	Pajak Air Tanah	5.349.498.500
9	4.1.1.11	Pajak Bumi dan Bangunan (PBB)	90.338.441.131
10	4.1.1.12	Pajak Bea Perolehan Hak atas Tanah dan Bangunan (BPHTB)	79.738.800.400

Source: Surakarta City Asset Management and Finance Agency.

E. The Role of Increasing Local Revenue of Surakarta City and its Influence in Sustainable Economic Development of the Country

Understanding the relationship between local government, law and sociology allows people to dig deeper into how economic policies can collectively shape the economic dynamics of a society. Economic policies play an important role in shaping socio-economic dynamics. These policies include government actions that regulate aspects of the economy, such as resource distribution, inflation, and economic growth. Through policy instruments such as fiscal and monetary policies, the government can influence the level of investment, consumption and employment, thereby creating a sustainable economic structure. Smart economic policies can create an environment that improves people's welfare and achieves overall economic development goals. [6]

The economic dynamics of a community as a whole involve complex interactions between various factors that influence local economic activity. These include aspects of production, distribution and consumption as well as social, cultural and political factors. A holistic understanding allows for a more comprehensive analysis of economic change and recognizes that certain events and policies can have long-term impacts on the overall social structure. One of the local government strategies to increase the economic potential of the region is by levying local taxes. An example of local tax is hotel tax. As one of the sources of support for regional income, hotel tax is the basis for improving the welfare of the community. Because one way to assess the economic growth of a region is from the success of its level of development. [7]

Local economic development, on the other hand, involves management of existing resources of local governments and their communities, forming partnerships between local governments and the private sector, creating new jobs in the region, and managing the process of promoting growth. Positive economic growth reflects strong economic activity, while negative economic growth indicates a decline in economic activity. Local governments play an important role in carrying out development functions. The concept of development includes resource allocation, regulation, and community empowerment. As a way of allocating local resources such as natural resources, energy, finance, and technology, development aims to expand people's access to the resources needed to achieve prosperity. In addition, development also aims to facilitate people's access to basic services and ensure the availability of infrastructure and resources for local livelihoods.

In general, regional economic development strategies have the potential to have a positive impact because they include not only increasing employment opportunities for the community, but also achieving economic stability and diversifying the existing economic and employment base. The success of economic development depends on skill enrichment. The efficiency, effectiveness and professionalism of local human resources and public

institutions in resource management, along with efforts to strengthen the independence of dynamic and accountable local governments and achieve more concrete local empowerment and autonomy are needed to enhance this in the region. [8]

Improved management of regional resources must be comprehensive and integrated, including planning, implementation and evaluation, so that the autonomy granted to the regions can improve public welfare. In terms of implementation, local governments are expected to be able to build a management system that supports the management of regional development.

In Indonesia, there have been several developments related to tax policy and the sustainable economy. Here are some key points: Increased Value Added Tax (VAT): In previous years, the Indonesian government has adjusted VAT rates for some goods and services. This VAT rate increase aims to increase state revenue and strengthen the tax base. Providing Tax Incentives for Sustainable Investment: The Indonesian government has also provided tax incentives for investments in projects that support sustainable development, such as investments in renewable energy, sustainable agriculture, and green infrastructure. These incentives aim to encourage environmentally-friendly economic growth.

Tax Compliance and Law Enforcement: The Government of Indonesia continues to step up efforts to improve tax compliance and prosecution of tax offenders. This includes increased cooperation between relevant agencies, development of information technology for financial transaction monitoring, and increased sanctions against tax offenders. Development of Digital Tax System: The Government of Indonesia is also developing a digital tax system to simplify the tax payment process for stakeholders, including companies and individual taxpayers. This system is expected to improve the efficiency of tax administration and reduce potential tax leakages. Increasing Tax Awareness: The Government of Indonesia is also active in raising tax awareness among the public through education and socialization campaigns. The aim is to raise awareness of the importance of paying taxes appropriately and on time to support sustainable economic development.

The similarity between tax collection in Indonesia and Thailand is the self-assessment system. Where on this occasion the author takes an example of comparison with because Thailand has just implemented a unique policy that extends the freedom of hotel tax payments which previously began in 2022 and is now extended until 2026. This is unique because it can be applied in Indonesia, because it encourages economic development in the country.

One of the taxes levied by the state is the Value Added Tax (VAT), which is a type of indirect tax paid by a party (PKP) other than the taxpayer (the final consumer). Taxes are generally levied at each stage of production and distribution, but the tax amount is charged to the final consumer who uses the product. VAT is an important type of tax because its reach is broader than other taxes. The reach of VAT includes all people from all walks of life who buy the necessities of life. Almost all consumer goods are products that are subject to VAT where the burden of VAT is transferred by the company to consumers.

The legal basis of this Value Added Tax explains the existence of the Multi Stage Tax system as a tax imposed in stages, in the production and distribution chain. Every delivery of goods that are the object of VAT from the factory, wholesaler to retailer is subject to VAT. This regulation also regulates the indirect subtraction/invoice method, which is a way of calculating tax using the indirect method of tax on domestic consumption as a tax that is definitively imposed on consumer goods in Indonesia. Basically, all goods and services are taxable goods and taxable services so that they are subject to VAT, except for the types of goods and services stipulated in the law. Goods that are taxed under the law are called Taxable Goods (BKP) and services that are taxed under the law are called Taxable Services (JKP).

The mechanism of collecting, paying and reporting VAT lies with the dealer or manufacturer, hence the term "taxable entrepreneur", abbreviated as PKP. When calculating the VAT paid by the PKP, the terms output tax and input tax are known. Output tax is the VAT collected when the PKP sells the product, while input tax is the VAT paid when the PKP purchases, acquires or manufactures the product. The self-assessment system requires an active role of the community to fulfil the tax obligation. High awareness and compliance of taxpayers is the most important factor in the implementation of the self-assessment system, because the system tolerates the failure of taxpayers to fulfill their tax obligations properly due to the taxpayer's negligence, willfulness or neglect of the tax obligation. This will affect tax revenue. VAT is collected on a self-assessment basis. To achieve the tax target, it is necessary to continuously raise taxpayer awareness so that they can comply with their tax obligations in accordance with applicable regulations.

Considering that taxpayer awareness and compliance with tax laws are key factors in increasing tax revenue, periodic VAT returns are one of the concrete manifestations of the self-assessment system, providing taxable persons with the opportunity to report and justify the calculation of their VAT tax liability. Indonesia and Thailand have responded to the growth of the digital economy in the tax aspect by imposing VAT levies on digital products/services from abroad. In the midst of transformation and digitalization, maintaining VAT revenue is an important priority for many governments in the Asia Pacific region including Indonesia and Thailand. Moreover, VAT is a major source of revenue for Indonesia and Thailand. In addition, the international tax community considers Thailand to be a model for digital tax in ASEAN as Thailand is proactive in adopting best practices

from around the world. Thailand also conducts public consultations and interacts informally with taxpayers to get feedback on the law and the Digital VAT registration system.

III. METHOD

The type of research used is normative juridical research by focusing on the application of current legal regulations. In this study using 3 (three) research approach methods. The first is the statute approach, which is carried out by reviewing all laws and regulations relevant to the legal problem being addressed. The second is the case approach, namely by conducting a review of cases related to the legal issues at hand. Third, the conceptual approach, with this approach the author uses the views and doctrines developed in law as a basis for building and providing legal arguments on the issues under study.

IV. RESULTS AND DISCUSSION

Based on research conducted by the author to Mrs. Alfina Tarnisa Putri, S.E, S.H., M.H, namely as Finance Director of Tiara Group Hotel in Surakarta which oversees 2 hotels with Melati class, namely Hotel Tiara Puspita which is located at Jl. Dr. Rajiman No.404 A, Penumping, Kec. Laweyan, Surakarta City, Central Java 57141 and Solo Tiara Hotel which is located at Jl. Kebangkitan Nasional No.11 A, Sriwedari, Kec. Laweyan, Surakarta City, Central Java 57141.

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Improved management of regional resources must be comprehensive and integrated, including planning, implementation and evaluation, so that the autonomy granted to the regions can improve public welfare. In terms of implementation, local governments are expected to be able to build a management system that supports the management of regional development.

In Indonesia, there have been several developments related to tax policy and sustainable economy. Here are some of the main points: Increased Value Added Tax (VAT): In previous years, the Indonesian government has adjusted the VAT rate for some goods and services. This VAT rate increase aims to increase state revenue and strengthen the tax base. Providing Tax Incentives for Sustainable Investment: The Indonesian government has also provided tax incentives for investments in projects that support sustainable development, such as investments in renewable energy, sustainable agriculture, and green infrastructure. These incentives aim to encourage environmentally-friendly economic growth.

Tax Compliance and Law Enforcement: The Government of Indonesia continues to step up efforts to improve tax compliance and prosecution of tax offenders. This includes increased cooperation between relevant agencies, development of information technology for financial transaction monitoring, and increased sanctions against tax offenders. **Development of Digital Tax System:** The Government of Indonesia is also developing a digital tax system to simplify the tax payment process for stakeholders, including companies and individual taxpayers. This system is expected to improve the efficiency of tax administration and reduce potential tax leakages. **Increasing Tax Awareness:** The Government of Indonesia is also active in raising tax awareness among the public through education and socialization campaigns. The aim is to raise awareness of the importance of paying taxes appropriately and on time to support sustainable economic development.

One type of tax collected by the State is Value Added Tax (VAT), which is a type of indirect tax to be paid by other parties (PKP) who are not the tax bearer (end consumer). The basic principle is that a tax must be imposed on every production and distribution process, but the amount of tax owed is charged to the end consumer who uses the product. VAT is an important type of tax because its reach is wider than other taxes. The reach of VAT includes all people from various levels who buy the necessities of life. Almost all consumer goods are products subject to VAT where the burden of VAT is transferred by the company to consumers.

V. CONCLUSION

The funding source of Local Own-source Revenue (PAD) shows a very effective level of effectiveness based on the calculation of the overall effectiveness level of the amount. Local taxes provide the highest influence at 124.34%, followed by local taxes at 111.61%, rich areas at 108.03%, and finally residual PAD at 105.97%. Meanwhile, the contribution of PAD sources to Surakarta City PAD in 2022 to 2023 is dominated by revenue from other legal PAD, with an overall average of 43.13%, which is classified as good. In addition, local taxes, local payments, and local assets contributed 28.94%, 20.20%, and 9.08% respectively. Based on the forecast results of PAD financial sources in 2014, only local taxes have negative estimated results compared to the previous year.

The remaining local taxes, local asset management, and other PAD showed positive results, with higher forecasts than the previous year. The predicted effectiveness of PAD sources in 2014 showed very good results. Local retribution, management of local assets and other PAD were classified with very good effectiveness, namely 104.82%, 125.21 and 121.17. Meanwhile, the effectiveness of local taxes amounted to 92.37 with the effectiveness category.

Based on the estimated contribution of PAD financial sources, the largest PAD contribution in Surakarta City is 51.34% from other PAD, followed by local taxes of 33.19%, local assets of 8.31%, and finally local taxes of 33.19% 7.16%. The results of this study suggest the following: (1) There needs to be stricter supervision of PAD revenue and prevent those who take advantage of it so that the results can be utilized meaningfully for regional development. (2) There needs to be greater attention to. Create new regional regulations that are tailored to the development and context to generate regional income from new sources.

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