

CHAPTER ONE

INTRODUCTION

A. Background of Research

The Revenue Statistics in Asian and Pacific Economies 2020 which was published by The Organization for Economic Cooperation and Development (OECD) shows that Indonesia had the lowest Tax-to-GDP 2018 ratio in the Asia Pacific. Indonesia got an 11.9% Tax-to-GDP 2018 ratio from the overall average of 34.3%.¹ It is because the Indonesian tax system does not use the broad tax ratio of the OECD to calculate the Tax Ratio, but the 2001 Government Finance Statistics Manual (GFSM) standard was published by the International Monetary Fund (IMF).² Indonesia's tax ratio is the tax imposed by the central government and does not take into account local taxes.³ In 2019, Indonesia began to adopt the definition of tax ratio in the broad sense by starting to take into account the royalty acceptance of natural resources as an Administration of Non-Tax State Revenue (PNBP).⁴

Based on the study in Asia, Tax-to-GDP is important because the government's effectivity and the quality of taxation authorities positively affect the tax ratio.⁵ Robert Pakpahan, Director of the Directorate General of Taxation

¹ OECD, "Revenue Statistics in Asian and Pacific Economies 2020", *OECD Publishing*, Paris, (July, 2020), pg. 9.

² Lisno Setiawan, "Perbandingan Komponen dan Struktur Pajak OECD dan Government Finance Statistic Manual dan Pengaruhnya atas Pendefinisian Tax Ratio di Indonesia", *Jurnal Direktorat Penyusunan APBN*, Direktorat Jenderal Anggaran, Kementerian Keuangan, p. 3.

³ "Meningkatkan Tax Ratio Indonesia", *Analisis APBN Biro Analisa Anggaran dan Pelaksanaan APBN-SETJEN DPR-RI*, (2014), p. 2.

⁴ Farida Rosadi, "Fenomena Tax Ratio Indonesia", *Media Keuangan*, Volume XIV / No. 138, (March, 2019), Kementerian Keuangan Republik Indonesia, p. 18.

⁵ Joshua Aizenman et al, "Tax Revenue Trends in Latin America and Asia: A Comparative Analysis", *Emerging Markets Finance and Trade*, Vol 55(2) (2019), pp. 427-449.

of the Republic of Indonesia stated that Tax Ratio was used to measure the government's ability to finance national needs through the State Budget (APBN).⁶ Although the tax ratio is relatively low, according to the data of the APBN posture Year 2016 to 2019, the tax is always the biggest source of acceptance to the State Budget for the last four years with a proportion of taxes to the state budget over 80% annually (Table 1).

Table 1
The Role of Tax on Indonesian State Budget 2017 to 2020

Budget Year	Total (in IDR triliun)		Percentage Tax: State Budget
	State Budget	Tax	
2019	2.165,1	1.786,4	82,5%
2018	1.894,7	1.618,1	85,4%
2017	1.750,3	1.498,9	85,7%
2016	1.822,5	1.546,7	84,9%

Source: Posture Data of the State Budget by Ministry of Finance. June, 2020.

Meanwhile, the average local tax ratio in Indonesia in 2018 is 1.2%. According to the Benedictus Raksaka Mahi, this ratio is quite low compared to Australia at 4.4%.⁷ The tax ratio of local taxes is calculated by dividing the tax revenue aggregation of district/city/provincial with Gross Regional Domestic Product (GRDP).⁸ The Indonesian tax capacity of 2012-2016 is 3.26% of GRDP.⁹

⁶ Mengenal Rasio Pajak Indonesia, *Kementerian Keuangan Republik Indonesia*, (February, 2019), taken from <https://www.kemenkeu.go.id/publikasi/berita/mengenal-rasio-pajak-indonesia/>, accessed on 9th August 2020, at 2.52 PM.

⁷ Muhammad Wildan, Tax Ratio Pajak Daerah di Indonesia hanya 1,2 Persen, 13th August 2019, taken from <https://ekonomi.bisnis.com/read/20190813/259/1136046/tax-ratio-pajak-daerah-di-indonesia-hanya-12-persen>, accessed on 23th July 2020 at 5.30 AM.

⁸ *Ibid.*

⁹ David, Y, 2017, “Estimasi Tax Capacity dan Tax Effort Provinsi-Provinsi di Indonesia Tahun 2012-2016 dengan Metode Stochastic Frontier Analysis”, (Undergraduate Thesis, Universitas Andalas).

The Law Number 23 of 2014 has authorized local government through regional autonomy, one of which is by managing local tax as a potential source of regional revenue.¹⁰ Yogyakarta Special Region (DIY) Government is a regional autonomy and has the predicate as a city of education.¹¹ Data from the Central Statistics Agency showed that there were 45 private colleges in the city of Yogyakarta with a total of 77,101 students.¹² These students are not only from Yogyakarta but also from outside of the area that has an impact on the increasing demand for temporary housing known as a boarding house.¹³ Based on Investment and Licensing Office (DPMP) Yogyakarta data, total Building Permit for *Rumah Kos* or *Indekos* or *Pondokan* from 1959 until the year 2018 reached 710 boarding houses.¹⁴ These data are the accumulation of a boarding house for a variety of rooms.

Based on article 4 paragraph (2) of the Regional Regulation of Yogyakarta City Number 1 of 2011, the object of hotel tax includes boarding houses that have more than 10 rooms with Air Conditioner so that Yogyakarta Government does not separate the boarding house income tax from the hotel tax. The hotel tax realization data in Yogyakarta always above 100% from the year 2015 to

¹⁰ Andika Prasetya, "Pelaksanaan Pemungutan Pajak Hotel Kategori Rumah Kos di Surakarta, *GEMA: THN XXVII/50*, (2015), p. 1691.

¹¹ Sri Rumani, Predikat Yogyakarta Sebagai Kota Pendidikan, 11th May 2018, taken from <https://www.kompasiana.com/srirumani/5ae8ea3fdd0fa802611a8862/yogyakarta-kota-pendidikan?page=all>, accessed on 23th July 2020 at 8.37 AM.

¹² Bidang Integrasi Pengolahan dan Diseminasi Statistik, 2018, *Daerah Istimewa Yogyakarta in Figures 2018*, Badan Pusat Statistik Provinsi D.I. Yogyakarta, CV Magna Raharja Tama (MAHATA) Yogyakarta, pp. 125-156.

¹³ Syarif Hidayat, 2017, "Implementasi Kebijakan Pajak Rumah Kos Kabupaten Sleman", (Undergraduate Thesis, Universitas Negeri Yogyakarta), pp. 2-3.

¹⁴ Data of Boarding House Licensing in Yogyakarta City, 2019, Investment and Licensing Office (DPMP) Yogyakarta City.

Table 2
Hotel Tax Realization Report in Yogyakarta City

Year	Fiscal Budget	Realization	Percentage
2015	87,000,000,000	93.609.098.453	107.60
2016	112,000,000,000	114.772.723.848	102.48
2017	118,000,000,000	129.599.729.238	109.83
2018	146,000,000,000	150.256.960.050	102.92
2019	152,000,000,000	163,969,302,385	107.87

Source: Financial and Assets Management Agent Yogyakarta. June, 2019.

2019 (Table 2). Meanwhile, based on the Finance and Asset Management Board of Yogyakarta (Table 1.3), there are only 21 boarding houses from 710 boarding houses in Yogyakarta City which are paying the boarding house tax in 2018. Based on the data above, the Yogyakarta City Government has a high potential for boarding house tax, but it has not been optimally effective.

Table 3
Income Tax Report of Boarding House and Building Permits
in Yogyakarta City

Category	Total Data			
	2015	2016	2017	2018
Building Permits	570	622	660	710
New Building Permits of Boarding House	35	52	38	50
Income Tax of Boarding House	8	15	17	21

Source: Board of Financial and Assets Management (BPKAD) of Yogyakarta City and Investment and Licensing Office (DPMP) of Yogyakarta City. December, 2019

Regional Regulations of Yogyakarta City Number 1 of 2011 on Local Tax regulates calculation and tax reporting of the boarding house tax in Yogyakarta City. Tax collection system in Yogyakarta is a Self-Assessment System where taxpayers are required to play an active role. Normatively, Self-Assessment System is influenced by the level of taxpayer compliance to pay tax voluntarily

(voluntary compliance).¹⁵ In this research, the tax compliance level is characterized by the compliance of the owner of the boarding house. The owner of the boarding house in Yogyakarta city has two obligations, namely paying the income tax according to Government Regulation Number 46 of 2013 and collecting from the renter also depositing the boarding house tax according to the Article 5 paragraph (2) in Regional Regulation of Yogyakarta City Number 1 of 2011. The indication of the boarding house owner's low compliance level is when the realization of the boarding house tax is lower.¹⁶ The integration between the government as a policymaker, supervisor, and tax service authority with the willingness of boarding house owner as a collector and the tax deposit category of the boarding house is necessary to optimize the collection of taxes.¹⁷

This research is a further development of Nuraini (2019) research which analyzed the influence of taxpayer perception on tax knowledge, taxpayer environment, quality of tax service authorities, and tax sanctions on the taxpayer's compliance level. The purposive sampling method is used to limit research subjects, research objects, and research areas. The research subject is a boarding house owner who had more than 10 rooms with air conditioner facilities located in the Umbulharjo, Kotagede, Gondokusuman, Wirobrajan, and Gondomanan sub-districts. Nuraini (2019) used survey methods and short

¹⁵ Harjanti Puspa Arum, 2012, "Pengaruh Kesadaran WP, Pelayanan Fiskus dan Sanksi Pajak Terhadap Kepatuhan Wajib Pajak Orang Pribadi yang Melakukan Kegiatan Usaha dan Pekerjaan Bebas (Studi di wilayah KPP Pratama Cilacap)", (Universitas Diponegoro), p. 2.

¹⁶ Imam Aziz Ardhyanto, 2017, "Analisis Persepsi Wajib Pajak yang Mempengaruhi Kepatuhan dalam Membayar Pajak Hotel Kategori Kos (Studi Empiris Wajib Pajak Kota Semarang)", (Undergraduate Thesis, Fakultas Ekonomika dan Bisnis Universitas Diponegoro), pp. 13-14.

¹⁷ Veronica Sulistianingtyas, Rosidi, and Imam Subekti, "A Perspective of Theory of Planned Behavior and Attribution Theory for PBB P2 Taxpayer Compliance in Probolinggo", *Journal of Accounting and Business Education*, 2(2), (March, 2018), pp. 323.

interviews to collect data from 32 boarding house owners. The contribution of the research is the importance of law enforcement for hotel tax policy on boarding house in Yogyakarta City, as well as the separation of the tax object of a boarding house with other tax objects. This research examined the same area of Yogyakarta City with the same tax object that is the boarding house.¹⁸

Tax authorities have arranged boarding house tax through Yogyakarta City Regulation Number 1 of 2011 on Local Tax, however, there is still a tax gap. The tax gap is a significant difference between the building permit data of buildings with the realization data on the boarding house. The condition is an indication of weak law enforcement for the boarding house tax in Yogyakarta city.

According to Soerjono Soekanto, there are 5 (five) factors that influence law enforcement. There are the legal factor, the law enforcement officers factor, the facilities factor, the community factor, and the cultural factor. This research adopted tax sanctions variable and quality tax service authority variable from Nuraini (2019), then elaborated with 3 other factors of law enforcement, namely legal factors, law enforcement officers, and facilities. It is used to limit the discussion in the scope of legal research. Therefore, researchers are interested in analyzing the law enforcement of Yogyakarta City Regulation Number 1 of 2011 on Local Tax, especially for the boarding house tax.

¹⁸ Fatimah Nuraini, 2019, “Pengaruh Persepsi Wajib Pajak atas Pengetahuan Pajak, Lingkungan Wajib Pajak, Kualitas Pelayanan Fiskus, dan Sanksi Pajak Terhadap Tingkat Kepatuhan Wajib Pajak Pemilik Rumah Kos”, (Undergraduate Thesis, Faculty of Economic and Business, Universitas Muhammadiyah Yogyakarta).

B. Statements of Problem

Based on the background stated above, the researcher formulates two research problems that would be discussed in this legal research, which are:

1. How is the enforcement of the Regional Regulation of Yogyakarta City Number 1 of 2011 concerning Local Tax on boarding houses by the Local Government of Yogyakarta City?
2. What are the obstacles of the enforcement of the Regional Regulation of Yogyakarta City Number 1 of 2011 to increase local revenue through boarding house tax?

C. Objectives of the Research

Based on the questions above, the objectives of this legal research are:

1. To analyze the enforcement of the Regional Regulation of Yogyakarta City Number 1 of 2011 concerning Local Tax on boarding houses by the Local Government of Yogyakarta City?
2. To analyze the obstacles of the enforcement of the Regional Regulation of Yogyakarta City Number 1 of 2011 to increase local revenue through boarding house tax.

D. Benefits of the Research

1. Theoretically

The results of this legal research would give evidence for the development of legal science, especially the law enforcement by the local government based on the Regional Regulation of Yogyakarta City Number 1 of 2011

concerning Local Tax on boarding house tax would increase the local revenue.

2. Practically

The results of this legal research would give suggestion for Yogyakarta City Government on tax policy that the enhancement of local revenue could be obtained through the law enforcement of Regional Regulation of Yogyakarta City Number 1 of 2011 concerning Local Tax on boarding house tax.