

CONTRIBUTION OF SWALLOW'S NEST TAX AND LOCAL TAX TO LOCAL OWN REVENUE: EVIDENCE IN ONE OF THE REGION IN INDONESIA

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ABSTRACT

Swallow nest tax is a type of local tax. Meanwhile, local tax is one part or source of local own revenue. The existence of decentralization policy in Indonesia requires local governments to increase their financial independence. Increasing financial independence in an area is one of the successes of the decentralization policy. Ciamis is one of the regions in Indonesia, and the same as other regions are required to be able to optimize the sources of revenue, including those from local taxes. Ciamis has experienced a decline in independence because one of the tourist locations has been separated into a new autonomous region. Based on this, the purpose of this study is to analyze the contribution of swallow's nest tax to local tax and its contribution to local own revenue. This study uses a descriptive method with a quantitative approach. The method is used to explain phenomena and characteristics during research and to test and answer research questions. The results showed that swallow nest tax has a very low contribution to local taxes in the period 2013-2018. Whereas regional taxes in 2013-2015 had a very low contribution to local revenue, and in 2016-2018 had low criteria.

Keyword: Decentralization, Local Tax, Local Own Revenue, Swallow's Nest Tax.

I. Intriuction

Indonesia issued a regional autonomy policy as a country that adheres to the principle of decentralization in its government administration (Putri & Rahayu, 2015; Rusyiana, 2017; Sujarwoto, 2017). The policy requires local governments to manage their administration by utilizing the resources needed, including sources that can increase regional income. In addition to the transfer of funds from the central government, local own revenue is one source of income for local governments (Akbar, Brata, Herlina, Prawiranegara & Prabowo, 2019). Based on the Law of the Republic of Indonesia number 23 of 2014 concerning Regional Government, one source of regional income comes from local taxes. Buschman, & Sjoquist (2011) explain that local tax is the biggest contributor to local own revenue.

In order for local taxes to contribute significantly to local own revenues, it must be managed properly by the government, starting from determining the types and objects of taxes to the collection system. In Indonesia, there is one type of local tax that is unique, namely the swallow nest tax. Swallow nest entrepreneurs are required to pay taxes on these businesses. In general, this tax is the same as other types of local taxes, such as restaurant tax, entertainment tax, and hotel tax. Everything is a tax that is imposed on the company because it operates in an area in Indonesia. These taxes are collected by the regional government and become a potential source of income for a region.

Ciamis is one of the regions in Indonesia. In 2012, one tourist location was no longer part of the area, because it was part of another area. The tourist attraction is Pangandaran beach tourism and is the biggest contributor to regional income. This condition causes Ciamis to experience a decline in income of around 12 billion rupiahs per year. Some local tax sources from tourist sites are lost, such as hotel taxes, entertainment taxes and swallow nest taxes.

At present, the Ciamis local own revenue from the tax on swallow nests is decreasing. This condition was caused by Ciamis losing one of the areas that became the center of the tax revenue. For this reason, the regional government must be able to optimize the sources of local own revenue that are still available, including income from other local taxes.

Several studies on local taxes have been carried out in various countries, including in several regions in Indonesia. Like in German states (Baskaran, 2014) (Asatryan, Baskaran, & Heinemann, 2017), in Serbia (Ancić, Jelić, & Đurović, 2016), in the United States (Paarlberg, Mozaffarian, & Micha, 2017) (Alm & Leguizamon, 2018), in Bali (Darmayasa & Aneswari, 2015) and several studies in other countries. These studies are more focused on the rules, politicization, and culture of taxation. In contrast to previous studies, this study focused on the contribution of swallow's nest tax to regional taxes, and how their contribution to local own revenue.

This study aims to analyze the contribution of swallow's nest tax to local taxes, and how its contribution to local own revenue. In this study also will compare the results of research conducted in other regions in Indonesia and several regions in other countries.

II. Literature Review

Regional revenue according to the Law of the Republic of Indonesia number 33 of 2004 concerning Financial Balance between the Central Government and Regional Government is the income obtained by the regions collected based on regional regulations and in accordance with laws and regulations. The source of regional income in the Republic of Indonesia Law Number 23 of 2014 concerning the Government consists of 1) Regional Taxes; 2) Regional Retribution; 3) Results of management of separate regional assets, and; 3) Other legitimate regional income. Some of these explanations conclude that local own revenue is regional income collected based on regional regulations and in accordance with laws and regulations and its growth needs to be encouraged continuously so that the development independence in the region and the quality of services for the public can be increased.

One source of local own revenue comes from local taxes (Ruliana, 2015; Fafurida & Pratiwi, 2017; Sari, Garvera, & Sihabudin, 2018). Swallow nest tax is one of the most potential sources of regional tax in Indonesia. Swallow nest entrepreneurs are taxed by the local government because the high selling power of swallow's nests makes the commodity potentially able to help tax growth and economic growth in the region.

Receipts from local taxes account for almost half of total local own revenue, so local governments usually depend on local sources of revenue, including one from local taxes (Alm. Buschman & Sjoquist, 2011; Akbar, Dermawan, & Prawiranegara, 2018). Each jurisdiction has different tax policies and can be interdependent for several reasons. First, each jurisdiction will set its tax rate well (Wilson, 1986; Zodrow & Mieszkowski, 1986). Second, the success of tax management is one of the evaluations of the performance of regional officials (Besley & Case, 1995). Therefore, local officials have incentives to imitate tax policies with other jurisdictions that have been successful (Case et al, 1993).

In administering the government, Indonesia issued a regional autonomy policy as a form of a unitary state that adheres to the principle of decentralization (Putri & Rahayu, 2015; Rusyiana, 2017; Sujarwoto, 2017). The policy requires local governments to be required to be independent in managing and regulating the running of the government by utilizing all the resources they have, including sources that can increase regional revenue. In addition to funds originating from the central government, local revenue is one source of income for the regional government. In the law, it was stated that one of the sources of local own revenue

originated from regional taxes. Alm, Buschman, & Sjoquist (2011) explain that regional tax is the biggest contributor to local own revenue.

With the implementation of the regional autonomy policy, all regions in Indonesia are expected to be able to carry out development and provide services to the public to the fullest by relying on local own revenues. In the old order era, development had been carried out with a centralized system. Development in all regions is regulated by the central government. Now in an effort to support development in the region, the Indonesian government provides opportunities for local governments to carry out autonomy so that there is no development imbalance. This condition requires that welfare is enjoyed by the entire community. Sunanto (2015) states that the purpose of development is to improve all aspects of people's lives.

Decentralization is the surrender of government affairs by the central government to regional governments based on regional autonomy. Decentralization in the broad sense is a shift of responsibility between levels of government by several fiscal, administrative and political instruments that are expected to improve coordination between regions and encourage public participation (Grindle in Abrianty, 2017). The basis for decentralization is to improve efficiency, cost effectiveness and program performance in all regions (Litvack and Seddon in Abrianty, 2017).

It can be explained that decentralization is the delegation of responsibility for government affairs given by the central government to local governments to be able to improve coordination between sectors and to improve efficiency, cost effectiveness, and program performance. With the decentralization policy, it is expected that development independence in the regions can be carried out by optimizing local own revenues (Akbar et al., 2018).

III. Method

This study uses a descriptive method with a quantitative approach. The method is used to explain phenomena and characteristics during research and to test and answer research questions by processing data derived from numbers. Research is conducted in Ciamis which is one of the regions in Indonesia through the Local Government Finance Office as a government institution that manages regional finance in Ciamis. The focus of the study is the contribution of swallow's nest tax to local taxes, and how its contribution to local own revenue for the 2013-2018 fiscal year.

The year of observation is based on the release of Pangandaran beach from Ciamis to a new autonomous region in 2012. So far Pangandaran is the largest local own revenue contributor from the tourism sector, so Ciamis is required to be able to optimize local own revenue sources starting in 2013. Data taken from the structure local own revenue consisting of local taxes, local retribution, proceeds from local wealth and other income.

The measurement of the contribution of swallow's nest tax to local taxes is to compare the amount of realization of swallow's nest tax revenue with the total realization of local tax revenues formulated as follows:

$$\frac{\text{The contribution of Swallow's Nest Tax}}{\text{Nest Tax}} = \frac{\text{Realization of Swallow's Nest Tax}}{\text{Realization of Local Tax}}$$

Among other things, the measurement of the amount of the contribution of local taxes to local own revenue is to compare the magnitude of the realization of local tax revenues with the magnitude of the realization of local own revenues formulated as follows:

$$\frac{\text{The contribution of Local Tax}}{\text{Tax}} = \frac{\text{Realization of Local Tax}}{\text{Realization of Local Own Revenue}}$$

To find out the level of contribution of swallow's nest tax to local taxes, and its contribution to local own revenue, it will be guided by the following Table 1:

Percentage	Contribution Rate
0-25	Very Low
26-50	Low
51-75	Medium
76-100	High

IV. Result and Discussion

Result

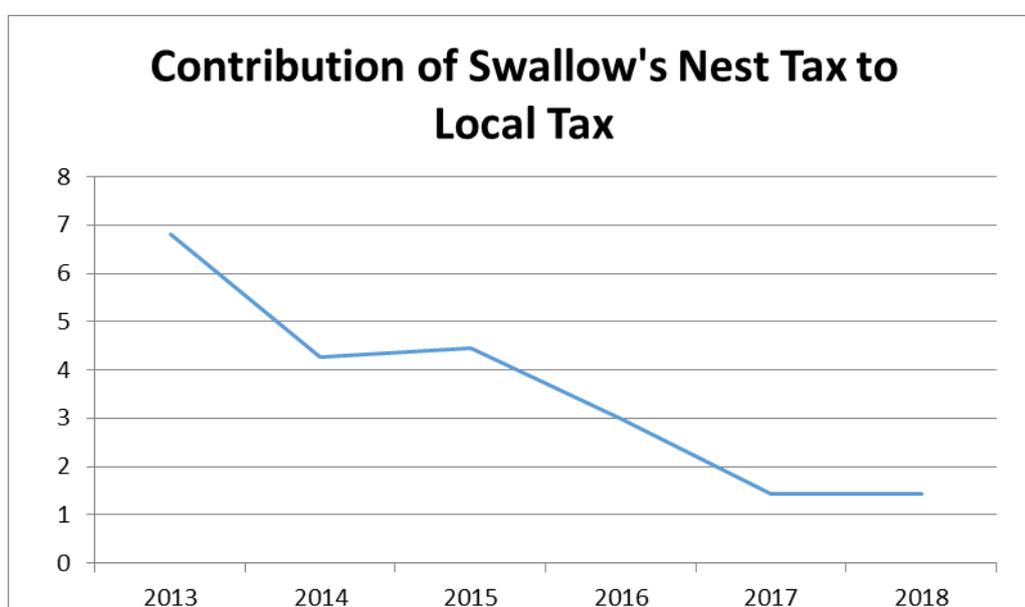
Based on the results of the calculation of data on the realization of swallow's nest tax revenue against local taxes during the 2013-2018 fiscal year is in the very low category. To find out how much the swallow nest tax contribution to the Ciamis regional tax can be seen in Table 2 below:

**Table 2. Contribution of Swallow's Nest Tax to Ciamis Local Tax
2013-2018 Budget Year (in millions of rupiah)**

Year	2013	2014	2015	2016	2017	2018
Realization of Swallow's Nest Tax	1.960	1.800	2.015	1.630	880	946
Realization of Local Tax	28.824	42.117	45.367	54.483	61.723	66.586
Percentage (%)	6,80	4,27	4,44	2,99	1,43	1,42
Criteria	Very Low					

Source: Data Processed

The contribution of the swallow's nest tax to the Ciamis local tax for the period 2013-018 can be seen statistically in Figure 1 below:



**Figure 1. Contribution of Swallow's Nest Tax to Ciamis Local Tax
2013-2018 Budget Year**

Table 2 and Figure 1 show that the swallow nest tax has a very low contribution because the calculation results are still below 25%. Over the past 6 years, the contribution of swallow's nest tax to local taxes has declined. In 2013 the highest contribution was achieved, which was 6.80%. Meanwhile, the lowest contribution occurred in 2018, which was 1.42%. This condition is due to the decline in swallow nest tax, even though in 2015 the revenue from the tax had increased to reach Rp2,015 million. Realization of local tax revenues during the period of 2013 to 2018 is increasing, where revenues in other sectors increasingly have real and increasing contributions.

Swallow's nest tax is one of the local tax sources in Ciamis. Local taxes are sourced from various types, such as hotel tax, restaurant tax, entertainment tax, advertisement tax, street lighting tax, mineral tax, parking tax, and among them are taxes on swallow nests. Not all regions in Indonesia have the potential to swallow nests. The tax can be collected by the area that produces swallow nests. Local tax is one of the potential sources for local own revenue. A large contribution to local taxes on local own revenue is highly expected. With the amount of local own revenue, the regional government can carry out the development in person.

Based on the results of the calculation of the data on the realization of local tax revenues on Ciamis region's local own revenue during the 2013-2018 fiscal year it is in the very low and low category. This means that there is a slight increase in the contribution of local taxes to local own revenue, but not significantly. To find out how much the contribution of local taxes to the Ciamis region's local own revenue can be seen in Table 3 below:

**Table 3. Contribution Local Tax to Ciamis Local Own Revenue
2013-2018 Budget Year (in millions of rupiah)**

Year	2013	2014	2015	2016	2017	2018
Relization of Local Tax	28.824	42.117	45.367	54.483	61.723	66.586
Realization of Local Own Revenue	117.475	182.320	180.304	204.749	223.076	234.446
Percentage (%)	24,54	23,10	25,16	26,61	27,67	28,40
Criteria	Very Low	Very Low	Very Low	Low	Low	Low

Source: Data Processed

The contribution of a local tax to the Ciamis local own revenue for the 2013-2018 period can be seen statistically in the following Figure 2:

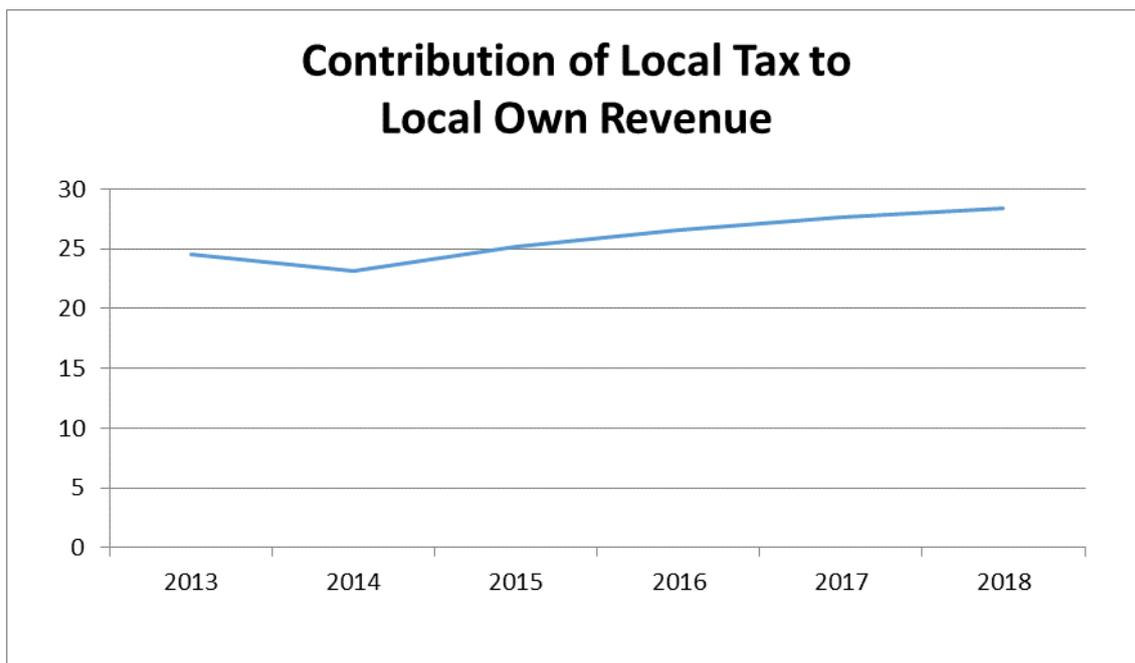


Figure 2. Contribution of Local Tax to Ciamis Local Own Revenue 2013-2018 Budget Year

Table 3 and Figure 2 show that the contribution of local taxes to local own revenues has increased slightly. The criteria produced from 2013 to 2015 are very low, while in 2016 to 2018 low criteria are produced. This means that there is an increase in contribution, but not significantly. As seen from the percentage, it is known that the contribution of local taxes to local own revenues during the period 2013 to 2018 continued to increase, even though in 2014 it had experienced a decline. But the decline is not a serious problem, because in the following period it continued to increase. The biggest contribution occurred in 2018, which was 28.40%. Meanwhile, the lowest contribution occurred in 2015, which was 23.10%.

Discussion

Swallow's nest tax is a type of tax collected by the newly implemented regency/city government based on Law Number 28 of 2009. Swallow's nest tax is a tax levied by the local government to swallow nest entrepreneurs and is one of the types of local tax. The tax based on research results has a very low contribution to local tax revenues.

Mathematically, the contribution of swallow's nest tax to local taxes is still far below 25%. The highest contribution occurred in 2013 which only reached 6.80%, which in the following years continued to decline. Meanwhile, the lowest contribution occurred in 2018 which only reached 1.42%. This condition is caused by the lack of awareness of taxpayers to

pay their obligations, a decrease in selling prices in the market which causes tax revenues for swallow nest to be low and there is an effort to avoid paying taxes.

For the Ciamis jurisdiction, local taxes are one of the potential components of local own revenue. The potential for local tax collection provides more opportunities for regions to be mobilized to the maximum when compared to other local revenue components. This is caused by several factors, mainly because the potential of local tax collection has clear characteristics and characteristics, both from the theoretical level, policy, and at the level of implementation.

Based on the results of the study, the contribution of local taxes to local own revenue in 2013 to 2015 has very low criteria. Meanwhile, from 2016 to 2018 has a low criterion. This means that there is an increase in the contribution of local taxes to local own revenue. This is due to the increase in local tax revenues from 2013 to 2018, although in 2015 it had experienced a decline. The highest contribution occurred in 2018, which reached 28.40%. While the lowest contribution occurred in 23.10%. Local tax revenues are dominated by other tax objects, compared to revenues from the tax on swallow nests. If local taxes can be optimized, then local own revenue can be relied upon to realize financial independence.

Starting from the decentralization carried out in the hope of having the ability to finance development in accordance with the principles of real autonomous regions. This principle requires the Ciamis regional government to prioritize regional independence. The main requirement in the implementation of regional autonomy is the existence of independence in the financial sector to finance development, support government nets and services to the public. (Nur Jannah, Suyadi, & Utami, 2016). The success of receipts originating from local taxes depends on the policies issued by the government to realize the amount of the tax (Ly & Paty, 2018).

The link between local taxation and tax base mobility was initially debated in the study of tax competition with a focus on efficiency caused by business capital mobility in all local jurisdictions in the provision of public goods and services. This problem has been analyzed by many experts, such as Wilson (1999), Wilson and Wildasin (2004) and Wellisch (2006) for a comprehensive review of this study. In the basic tax competition model, it allows jurisdictions to choose a level not only of capital tax but also local taxes which leads to unavoidable results. All jurisdictions will not impose capital taxes and will impose all tax

burden on households. Therefore, it is difficult to explain capital taxation if we want to consider the taxation of capital and local taxes in the same arrangement.

Another discussion of the study of taxes, which was initiated by Wilson (1995), Richter & Wellisch (1996) and Brueckner (2000), considers the mobility of the population and local governments in the collection system. However, in these models household mobility is still not in line with the characteristics of the city, because residents are assumed to be paying taxes in all jurisdictions where they live and where they work. Many observers believe that the financial crisis triggered by the subprime mortgage default affects public sector institutions at all levels by putting a lot of pressure on their finances. Although the channels are numerous and sometimes indirect, the general perception is that seizures generated from these defaults have a very large and negative impact on local government revenues (Alm & Leguizamon, 2018).

Another discussion regarding the determinants of the success of local tax revenues is influenced by the effect of sales using alternative distance measures, which were previously introduced by Thompson and Rohlin (2012). Simply bordering other states or within a certain distance from the border is an unsatisfactory action on the costs of cross-regional spending. Residents of border areas with physical barriers, such as lakes or rivers, or large traffic densities or limited transportation infrastructure, can face high costs even though they are close. Cross-border travel to work is a better proxy for costs than distance or proximity. Commuter workers have traveled, and there is relatively no cost to react to any incentives from changes in sales tax. We explore the different responses among border areas using the share of the population that is entrepreneurial in other regions (Rohlin & Thompson, 2018).

The conclusion is that local taxes are very important in increasing financial independence in the region. Various efforts must be made in increasing the revenue potential, including the optimization of tax collection to various sectors which are the object of local taxes. The success of local tax revenues is influenced by government policies in carrying out its programs relating to tax collection. This condition shows that there is mobility in regional taxes which are sought to be levied as much as possible by local governments.

V. Conclusion

Swallow nest tax has a very low contribution to local tax revenues. This condition is due to the lack of awareness of taxpayers to pay their obligations. There is a decrease in

selling prices in the market which causes tax revenues for swallow nest to be low and there is an effort to avoid paying taxes. Meanwhile, the contribution of local taxes to local own revenue from 2013 to 2015 was at a very low criterion, while in 2016 until 2018 it was in the low criteria. This means that there is an increase in contributions. Local tax revenues are dominated by other tax objects, compared to revenues from the tax on swallow nests. If local taxes can be optimized, then local own revenue can be relied on to realize financial independence in the region.

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