

THE OPTIMIZATION OF BOARDING HOUSE TAX AS LOCAL OWN-SOURCE REVENUE

(Study at Local Tax Service Agency of Malang City)

UNDERGRADUATE THESIS

As Undergraduate Thesis Submitted for Bachelor Degree of Public
Administration

Faculty of Administrative Science, University of Brawijaya

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FACULTY OF ADMINISTRATIVE SCIENCE
DEPARTMENT OF PUBLIC ADMINISTRATION
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MOTTO

**“If thou hast
knowledge, let
others light their
candle at thine.”**

Thomas Fuller

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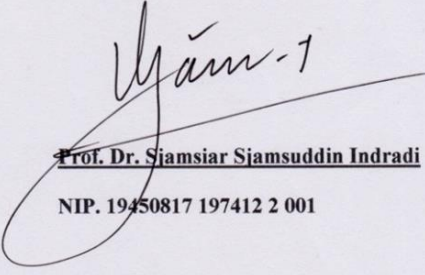
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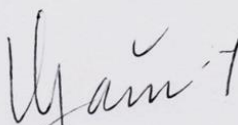
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DECLARATION OF ORIGINALITY UNDERGRADUATE THESIS

I declare with truth that all my knowledge, in this undergraduate thesis there is no scientific papers that have been asked by others to get the work or opinion which ever written or published by others, except for the written quotes in this script, it referred and mentioned in the source of references.

If evidently in this undergraduate thesis, may be proven are elements of plagiarism, I am willing for this thesis being disqualified and academic degree I have gained for Bachelor Degree (S-1) is canceled, then will be processed in accordance with the Law in force (UU) No. 20 of 2003, Article 25 of Paragraph 2 or in the article 70.

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SUMMARY

Ryan Dwi Firmansyah, 2018. **The Optimization of Boardinghouse Tax as Local Own-source Revenue (Study at Local Tax Service Agency of Malang City)**. Prof. Dr. Sjamsiar Sjamsuddin Indradi. Brawijaya University, 124 Pages + xv

The implementation of regional autonomy in Indonesia based on the Law No. 23 of 2014 makes every Local Government has the responsibility to develop and manage its financial through Local Own-source Revenue for the welfare of its citizen. One of the ways to develop Local Own-source Revenue is through the maximize of local taxes. Taxation is the largest contributor of national and local income. Malang city is one of the cities that considered has good local tax potency. One of the potential local taxes in Malang City is Boardinghouses Tax due to Malang as city of education and tourism so there are many boardinghouses business.

This research uses descriptive research with qualitative approach. The focuses of this research are (1) optimization of boardinghouses tax through intensification and extensification and (2) the barriers of optimizing boardinghouses tax as local revenue. The data obtained through observation, interviews and documentation in the field. The data analysis method used is the analysis data from Miles, Huberman and Saldana.

Local Tax Service Agency of Malang City has been made several effort to optimize boardinghouses tax. In the general the effort made by Local Tax Service Agency of Malang City can be classified as intensification and extensification. But there still some barriers found such as lack of awareness of taxpayers, tax evasion, and unfair regulation of boardinghouses tax. These barriers make the implementation of intensification conducted by the Local Tax Service Agency of Malang City cannot be optimal. In order to handle those barriers, Local Tax Service Agency needs to enforce sanctions, optimize profiling, give tax education, improve tax administration, and propose the revision of Law No. 28 Year 2009 regarding Local Tax and Levy

Keywords: Tax Optimization, Boardinghouses Tax

PREFACE

Assalamualaikum, Wr. Wb.

Praise to Allah SWT, who has given us grace and mercy, so the author was able to finish the undergraduate thesis entitled “**The Optimization of Boardinghouse Tax as Local Own-source Revenue (Study at Local Tax Service Agency of Malang City)**”. This undergraduate thesis is submitted to fulfill the requirement for obtaining undergraduate degree of Public Administration in Faculty of Administrative Science, University of Brawijaya.

The author realizes that this undergraduate thesis would not be possibly finished without help and support from several parties. Therefore, with grace and honor the author would like to send the gratitude to:

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2. Mr. Drs. Andy Fefta Wijaya, MDA., Ph.D as the Head of Public Administration Department in Faculty of Administrative Science, University of Brawijaya.
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4. Mrs. Prof. Dr. Sjamsiar Sjamsuddin Indradi as the only adviser of my undergraduate thesis who willing to dedicated her time to guide, supervise, and inspire the author.

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The author expects some suggestion and positive criticism from the reader for the perfection of this undergraduate thesis. Hopefully, this undergraduate thesis will give benefit and meaningful contributions towards those who are concerned. At the end, thanks to you, reader. If you are reading this line after the others, you at least read some page of my undergraduate thesis. Thank You.

Malang, May 25th 2018

Author



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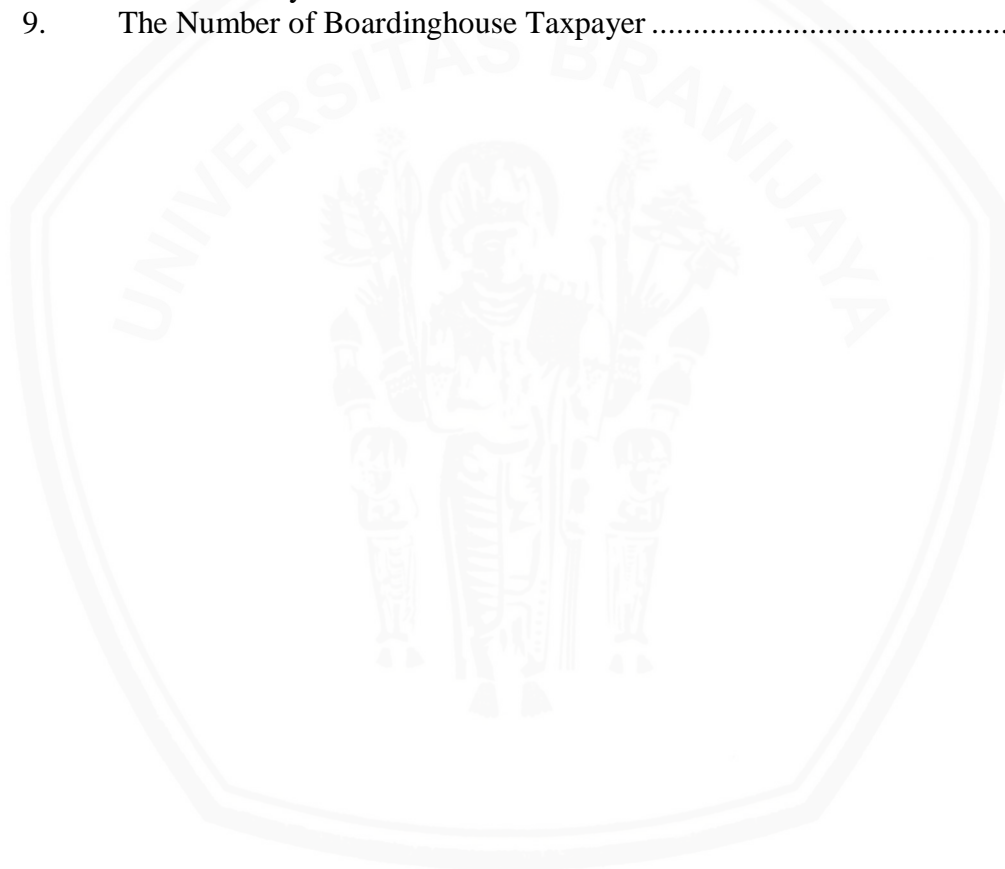


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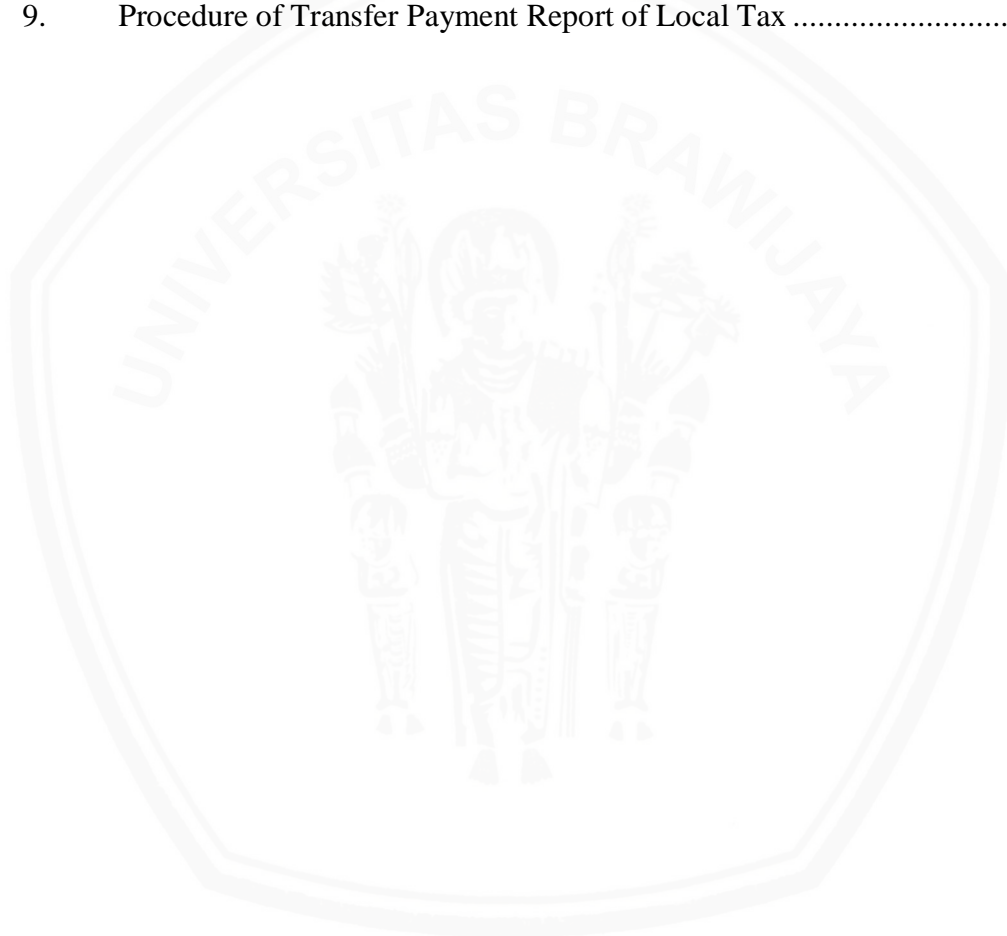
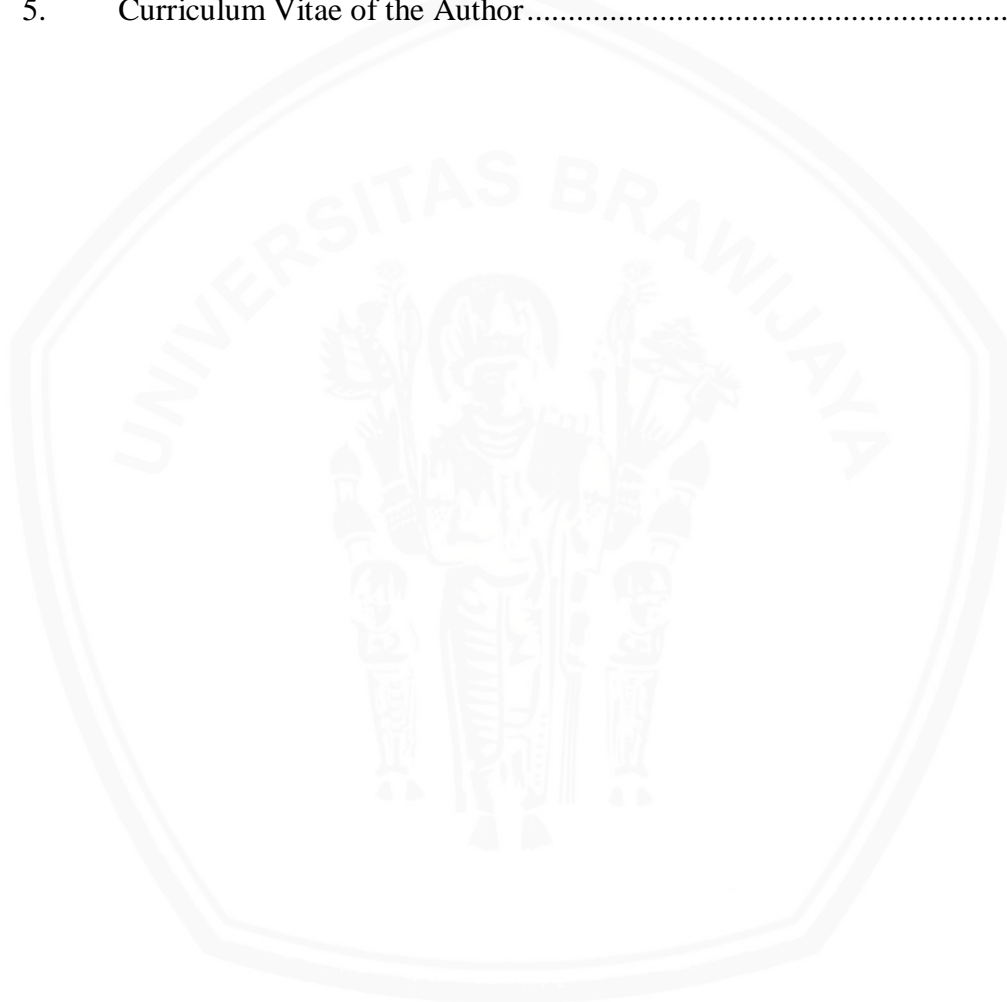


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CHAPTER I

INTRODUCTION

A. Background of Study

The implementation of regional autonomy is deemed necessary to provide broad and responsible authorities to local governments to organize their governments to face the demands of society and global competition. As it is known that the Indonesian government system based on Law Number 9 Year 2015 about the local government that explained that local government is the freedom to organize regional autonomy. The regional autonomy done due to the central government is impossible to implement, supervise, and directly manage affairs of all regions in Indonesia. In addition, the provision of autonomy as big as possible to the region is expected to accelerate the realization of the welfare of the community through improving services, empowerment, and community participation.

Regional autonomy is done by giving some central government affairs to local governments through the principle of decentralization. Decentralization is a tool to achieve the goals of the state, especially in order to provide better public services and create more democratic public decision-making process. So it can be concluded that decentralization is a principle to implement the regional autonomy. According to Law Number 9 Year 2015 about local government, decentralization is handover of Government Affairs by the Central Government to the autonomous regions. Implementation of decentralization allows each region to regulate and

manage its own affairs in order to improve the effectiveness of governance and development implementation.

Regional autonomy makes each region has great authority in developing and managing its own region. Even if each region has great authority to manage its own affair but the existence of regional autonomy does not make the central government completely lose its power. This can happen due to the distribution of affairs between the central government and local government. Based on Law Number 9 Year 2015 Article 9 stated that government affairs are divided into three, namely the absolute government affairs, the concurrent government affairs, and general government affairs. The central government has full authority in the absolute government affairs that cannot be given to local government. The absolute governments affairs are consist of foreign policy, defense, security, justice, monetary and national fiscal, and religious affairs.

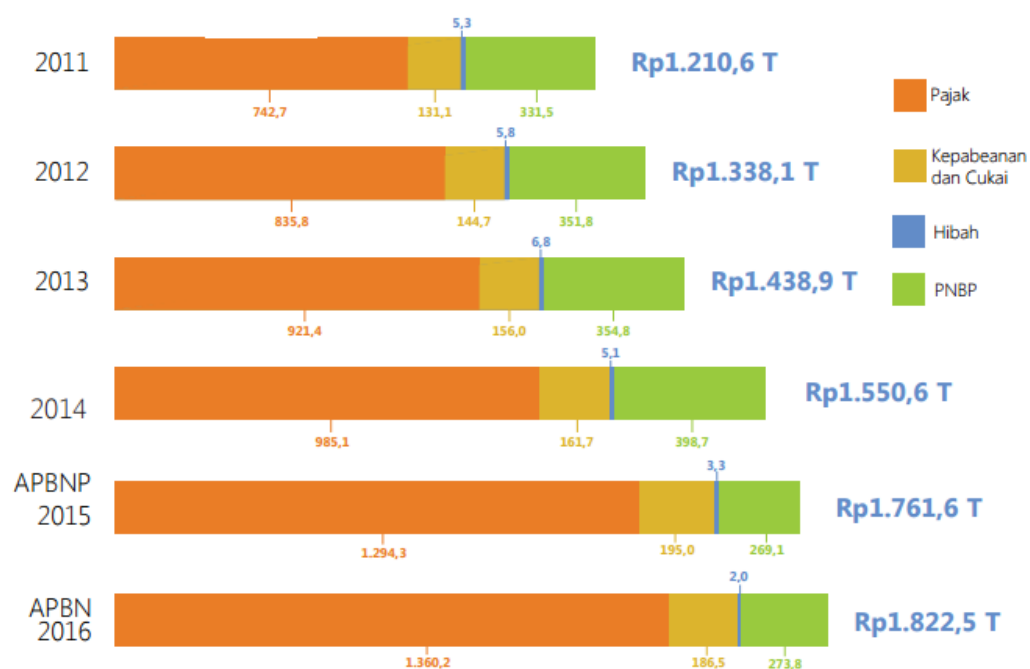
In line with the existence of regional autonomy then also develop what is called the independence in the context of finance. Autonomy is often regarded as one of the efforts in advancing the regional economy, because with the existence of regional autonomy each region is entitled to manage their respective local government financial. In addition, the granting of authority to local governments is expected to help the process of equitable development, so that development is not only focused in the capital city.

The local government in carrying out government affairs in its authority must have the financial resources to be able to service and to set welfare to the people in the region. Local governments are expected to be more capable to seek financial resources especially to meet the needs of government finance and

regional development through local own-source revenue. Local own-source revenue is revenue derived from the utilization of potential of the region.

One of the instruments that can be maximized to increase local own-source revenue is through the optimization of local taxes. Taxation is the largest sector of national income contributor. This is in line with the information from the Ministry of Finance which stated as follows:

Pendapatan Negara 2011-2016



Sumber: Kementerian Keuangan

Figure 1: The Source of National Income (2011-2016)

Source: Ministry of Finance

Based on the data above, it can be seen that taxation is not only the biggest contributor in National Budget, but also the amount of tax contribution in national income is always increase year by year. It means that taxation is the most potential sector to be maximized in order to increase the National Budget. This statement is

also support by the data from *Direktorat Jenderal Anggaran* that showing the sectors which contribute in taxation income are tends to increase.

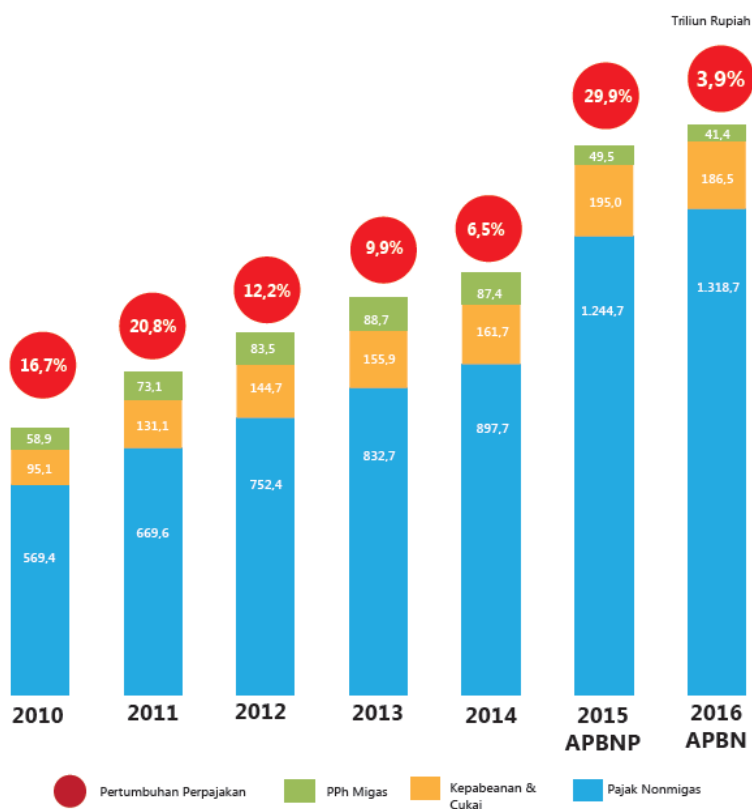


Figure 2: The Growth of Tax Revenue 2010-2016

Source: Direktorat Jenderal Anggaran

The picture on the above is showing that income from taxation is divided into three potential sectors. Those sectors are tax from gas and oil, customs and excise, non-oil tax. Among the three tax sectors, the most potential is non-oil tax sector. The contribution of non-oil tax is always increase every year. Besides that based on the data above it can be seen that non-oil tax is the biggest contributor in taxation.

Taxation not only gives a huge contribution toward the state revenue, but also gives a significant contribution toward the local own-source revenue. The

increasing of local own-source revenue through tax collection is in line with one of the tax functions disclosed by Purwono (2010: 8) that tax collection is revenue or called the budget function. It is also in line with the Law Number 9 Year 2015 article 1 about Local Government which stated the sources of local own-source revenue are local tax, local retribution, results of the management of regional assets, and other source of revenue.

Mardiasmo (2016:14) defined local tax as a mandatory contribution of an individual or entity to be paid under the law by not obtaining direct remuneration and is used for regional purposes and community needs. Tax as one of the sources of local revenue can be used as one indicator of increasing local revenue. If local taxes in a region are increase every year, then the revenue of the area also increases. In addition, the increasing of local taxes annually also indicate if the region can manage local finances well and can optimize the source of local own-source revenue.

One of the regions that experienced an increase in local taxes every year is the Malang City. Rapid progress, especially in the economic field has made Malang City becomes the second largest city in East Java. Malang City becomes the object of this research because this area continues to improve the regional apparatus, seen from Report Realization of Local Tax Revenue of Malang City from 2013 to 2015 which tends to increase. Besides that, another reason to choose this city as the location of research is moral obligation of the writer. The writer is the student of Brawijaya University which located in Malang City, so that the writer feels to have an obligation to contribute in the effort to make Malang City better.

Table 1. Realization of Local Tax Revenue Malang City in 2015 to 2017

Types of Tax	Realization of Tax Every Year (Rp)		
	2015	2016	2017
Hotel Tax	31,828 billion	37,857 billion	43,119 billion
Restaurant Tax	39,071 billion	47,498 billion	55,192 billion
Entertainment Tax	6,031 billion	6,610 billion	7,816 billion
Advertisement Tax	19,557 billion	22,101 billion	19,094 billion
Street Lighting Tax	45,805 billion	47,568 billion	54,213 billion
Parking Tax	3,662 billion	4,888 billion	5,280 billion
Groundwater Tax	777,523 billion	809,152 billion	807,463 billion

Source: Tax Service Agency, Malang City (data processed)

Based on the table above it can be concluded that the realization of revenue from local tax in Malang showing the positives trend, because it is increase every year almost in every sectors. The largest tax revenue annually are derived from groundwater tax and for the lowest taxes derived from parking taxes. Among several taxes, the hotel tax ranks fourth in terms of the largest tax contribution amount.

Hotel tax is one of the local taxes that have great potential to increase the local revenue, especially for the Malang City. According to Government Regulation of Malang City Number 16 Year 2010 about Local Tax article 4 point 1, the objects of Hotel Tax are:

1. Motel
2. Inn
3. Rooming House

4. Boarding House with more than 10 rooms
5. Other similar business activities

Boarding house tax is a part of hotel tax with the qualification is having more than ten rooms to be rent. Based on the Government Regulation of Malang City Number 16 Year 2010 article 7 explains that the boarding house tax is 5% of total income of the owner.

Table 2. The Report of Hotel Tax Revenue Realization in the Category of Boardinghouses Tax in 2015-2017

No.	Fiscal Year	Target (Rupiah)	Realization (Rupiah)
1.	2015	1.000.000.000,00	1.738.576.832,50
2.	2016	1.500.000.000,00	2.487.028.903
3.	2017	2.500.000.000,00	2.425.628.187

Source: Local Tax Service Agency

It can be seen from the table above that the amount of boarding house tax revenue is not always increase. The increasing of boarding house tax revenue is significant in 2015 to 2016. In 2015, the tax target for boarding houses is 1,000,000,000.00 and its realization is 1,738,576,832.50. In 2016, the amount increased significantly when compared with the realization of taxes in boarding houses in 2015. But the decreasing is happen in 2017. Moreover in 2017, the realization cannot meet the target.

The amount of tax contribution from boarding house tax is huge caused by the number of boarding houses in Malang is very much. This is because Malang is a city of education that has many schools and even colleges. Here is the data of the number of schools and universities in Malang based on government data of Malang City which is accessed through <http://malangkota.go.id> , as follows:

Table 3. The Amount of Schools and Universities in Malang

No.	Types of Educational Institution	Total
1.	Elementary School	274
2.	Junior High School	95
3.	Islamic Junior High School (Madrasah)	24
4.	Senior and Vocational High School	96
5.	Islamic Senior High School (Madrasah)	13
6.	Universities	62

Source: Official Website of Government of Malang (malang.go.id)

There are many schools and universities in Malang, causing many students from outside Malang who wants to continue education in Malang. Especially for students who want to continue their education to college, because in Malang there are some universities who have good quality such as Brawijaya University, State University of Malang, Muhammadiyah University, State Polytechnic of Malang, and so on. It is impacted on the need of boarding house as a temporary residence for students who study in Malang. The needs of a boarding house are create business opportunities for many people, including businessmen from outside the city of Malang.

The large amount of boarding house business in Malang City caused the government of Malang through the Tax Service Office of Malang City to make a boarding house business as one of the potential tax sources to increase local revenue. This makes the Malang City Government issued a regional regulation number 16 of 2010 on December 30, 2010 about the business boarding house taxed in the category of hotel taxes. Tax collections for boardinghouses are using self assessment system. According on Mardiasmo (2016:9) opinion, self-assessment system is a tax collection system that authorizes the taxpayer to determine the amount of tax payable by themselves. This means that the taxpayer is authorized to calculate the amount of tax they must pay by themselves so that

the tax officer is only to supervise. In addition, in Malang City Local Regulation Article 5 section 2 explains that the taxpayer for the object of hotel tax is the person or entity that owns the hotel business. While in the article 5 section 5 explains about the subject of hotel tax is the person or entity who pay to the owner of the hotel. So it can be concluded that the taxpayer for hotel tax in the category of boarding house tax is the owner of boarding house and the subject of boarding house tax is the person who rent the rooms of boarding house.

Although the amount is quite large and increase every year but the boarding house tax is considered less than the maximum. Boarding house tax cannot contribute maximally because many boarding house business owners who have not registered as a taxpayer. This happens because the government's efforts to socialize the hotel tax category of boarding houses less than the maximum, so many boarding house owners who do not know that they are taxpayers.

Tax rates of boarding houses imposed Local Tax Service of Malang according to the existing rules have been referring to the number of rooms. The boarding house tax is only charged to those who have a minimum of 10 rooms. Determination of tax rate of boarding house according to the number of rooms is based on the Regional Regulation Number 2 Year 2015 which is a change of Regulation No. 16 of 2010 on taxes. Many boarding houses with large incomes that cannot be taxed because the number of rooms rented is less than ten. This condition makes taxes boarding house cannot be contributed maximally. It is in line with the statement of Ade Herawanto as The Head of Local Tax Agency of Malang on <http://suryamalang.tribunnews.com> who stating that:

“There are boarding houses in Lowokwaru that rent out rooms for one million per month but only 8 rooms, so the owners are free of taxes. Whereas the the income is greater than the owner of a boarding house that has more than 10 rooms and has been registered as a taxpayer”.

Some of the problems that become obstacles in the tax collection of the tax-house hotel category show if every policy implementation does not always work well. Many factors influence the success of local tax collection. As in the policy of tax collection of boarding houses in Malang which depends on the compliance of the taxpayer. In addition the tax laws that still determine the taxpayer boarding house on the number of rooms owned causing taxable boarding house contribution has not been maximized. Therefore this research tries to elaborate step from Local Tax Service Agency of Malang City in optimizing tax of boarding house to increase local own-source revenue of Malang City.

B. Problem Formulation

Based on the explanation above, to give the limitation of this research then the writer make a problem formulation, as follows:

1. How is the optimization of the boarding house tax as the local own-source revenue of Malang City?
2. What are the barriers of boarding house tax collection in Malang City?

C. Research Objectives

Based on the background of the problem and the formulation of the problem that has been mentioned on the above, then the objectives of this research are:

1. Describe the optimization of boarding house tax in order to increase the local own-source revenue of Malang City.

2. Analyzing the supporting factors and the barriers of boarding house tax collection in Malang City

D. Research Contributions

The expected contributions of this research are:

1. Theoretical Contributions

- a. As material review and development of public administration
- b. The result of this research is expected to be an input and understanding of the theories in this research especially related to taxation and local government effort to optimize it in order to support existing theories and input material of the other researcher

2. Practical Contributions

- a. The result of this research is expected to be an input and consideration for the government of Malang City and the other city or regency to optimize the local tax especially hotel tax in the category of boarding house tax
- b. This research is also expected to be an input of material for other researcher who conduct research in the context of hotel tax in the category of boarding house tax

E. Systematic of Writing

In order to understand the outline of this thesis proposal, the author provide systematic of writing that consist of the whole arrangement of this thesis proposal in the simple form, so it will be easier for the reader to understand it. This systematic of writing consist of 3 chapters in the following order:

CHAPTER I INTRODUCTION

This chapter consists of background that explains about the regional autonomy in Indonesia and the obligation of local government to manage their own financial sources to funding their government function and local development. Besides that the background also explains about the contribution of local tax as the main source of local own-revenue in decentralization era. After that the background contain of the potential of boarding house tax to increase the local own-source revenue of Malang City.

CHAPTER II LITERATURE REVIEW

This chapter is explains about the relevant theories used as a tool to analyze the focus of the research based on the data found during the research. The theories mentioned in this research are based on theoretical basis and the statement of the expert.

CHAPTER III RESEARCH METHOD

This chapter defines the research method used in this research which is descriptive with qualitative approach. Besides that in this chapter also explained about focus of research, location and sites of research, types and sources of research, data collection technique, data analysis, and validity of data.

CHAPTER IV RESULT AND DISCUSSION

In this Chapter the author will explain deeper about the location of the research that is Malang City and provide the result of the research towards the informants. Discussion also provide the analysis of the focus that consist of optimization of boardinghouse tax of Malang City and the barriers of its.

CHAPTER V CONCLUSSION AND SUGGESTION

Closing of the research include conclusion that able to answer formulation of problem in the Chapter I. The author also provides suggestions and recommendations based on research discussion in Chapter IV.



CHAPTER II

LITERATURE REVIEW

A. Public Administration

The term of Administration is often interpreted as a clerical activity only. This condition happens as a result of Dutch colonialism in Indonesia, because at that time the people of Indonesia only given the task in the clerical activities. So that it is impacted on the interpreted of administrative term which until now still defined limited to clerical work. Whereas the term administration can be interpreted more broadly, such as the opinion of Leonard D. White in Sjamsuddin (2010: 9) stating that administration is a common process in every action of groups, both government and private, civil and military either in large or small sizes. Based on these opinions the term administration can be understood as any form of activity from either government or private groups to achieve its goals.

Walters explains the word administration in more detail in Sjamsuddin (2010: 10) that the administration is the process of planning, organizing, managing, appraising, and supervising a company. Through the understanding conveyed by Walters can be understood if the administrative activities are not limited to clerical work. More than that administration can be defined as a form of cooperation of people in a group to realize common goals through the process of planning, organizing, management, assessment, and supervision.

After gaining a shared understanding of the administration, then it will be explained about public administration. If the term of administration defined as a

corporation process of people in a group, then the public administration can be interpreted as the corporation of people in government body to achieved share welfare. It is in line with the opinion who conveyed by Pasolong (2013: 8) that public administration is a form of cooperation undertaken by a group of people or institutions in carrying out government duties in meeting the needs of the public efficiently and effectively.

Public administration is not the same as the management implemented by the private sector. Public administration has specificity in its implementation. As expressed by Thoha (2008: 36) about the exclusivity of public administration in its implementation as follows:

1. Public administration is a unavoidable activity
2. Public administration requires compliance
3. Public administration has priority
4. Public administration has an unlimited size (on land, at sea, and in the air)
5. Public administration is led by political officials
6. The implementation of public administration is very difficult to measure
7. Much expectation toward public administration

Based on the explanation above, it can be concluded that the public administration is a process to create prosperity through the cooperation of all elements of the state, whether government, private, or the community itself. In this case the public administration has the monopoly right to use its authority and power on the citizens to comply with rules and regulations that have been established. One form of coercive power from public administration is manifested in the tax system.

The role of public administration in the tax system is very essential. This is because the tax has become the mainstay of the government in collecting revenue. Public administration is said to be ideal in the context of taxes are realized when it is able to work effectively to meet fiscal needs, namely ensuring the funds that are right of the state is collected properly. Based on these explanations, the theory of public administration is appropriate to used in this study.

B. Regional Autonomy

The definition of regional autonomy based on Law Number 23 Years 2014 about local government is the right, authority and obligation of the autonomous regions to regulate and manage their own governmental affairs and the interests of the local community in accordance with the laws and regulations. Regional autonomy comes from the Greek which consists of two words namely "*autos*" meaning "own" and "*nomos*" meaning "government". So that regional autonomy is defined as self-governing. Based on these two conclusions, it can be concluded that regional autonomy is a governmental concept which gives authority to local government to regulate and manage its own government affairs according to the applicable law.

According to Mardiasmo (2002: 102) autonomy given to districts or municipalities is carried out by granting authorities that wide, real, and accountable to the local government proportionately. This means that the delegation of responsibilities will be followed by fair sharing rules, utilization, and national resources and the balance of central and regional finances. Then it is also explained that the two reasons underlying the granting of broad autonomy are:

1. Central government interventions in the past that have led to problems of low capability and effectiveness of local governments in promoting development processes and democratic processes in the regions
2. The demand for autonomy emerged as an answer to entering a new era and new regulations on all aspects of life in the future. At a time when the era of globalization cascade is widespread, the government will lose control of the issues such as international trade, information, and ideas and financial transactions.

Theoretically, autonomy also means decentralization. In order to carry out the role of a good provider of public goods, local governments must have a good capacity in terms of political authority embodied in the form of freedom and independence of the region from the dominant influence of the central government which is then implemented in regional autonomy. As stated in Law No. 23 of 2014 article 1 (12):

”autonomous region, hereinafter referred to as region, is a legal community entity which has certain territorial boundaries which are entitled, authorized and obliged to regulate and manage its own household in the Unitary State of the Republic of Indonesia.”

Based on the quotation above, regional autonomy divides the role of central government and local government based on regional boundaries of each region. The enactment of regional autonomy does not make the central government lose its power absolutely. Regional autonomy only divides central and regional government affairs, including financial resources, and the renewal of government bureaucratic management in the regions. The concept of regional autonomy is used in this study to explain the different roles of central government and local governments in financial resources, especially roles in tax management.

1. Decentralization

The word decentralization means transfer of power and authority from the central government to local or sub national units of the government for the meeting of grass root peoples demand. Based on Law Number 23 Years 2014 about the local government article 1, paragraph 8 referred to the definition of decentralization is the transfer of central government authority to the autonomous regions to regulate and manage the governance in the system of the Unitary State of the Republic of Indonesia. Mahfud Sidik (2002:2) stating that decentralization can be grouped into four major types, they are:

- a. Political decentralization: it is the transfer of authority to a sub national body. Political decentralization aims to give citizens or their elected representatives more power in public decision making. It is often associated with pluralistic and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies (World Bank Thematic Team).
- b. Administrative decentralization: administrative decentralization refers to redistribute authority, responsibility and financial resources for providing public services among different levels of government (World Bank Decentralization Thematic Team). On the other hand according to center for Democracy and Governance's Decentralization and Democratic local Governance programming handbook "administrative decentralization involves the full or partial transfer of an array of functional responsibilities to the local level such as health care service, the operation of schools, the management service personnel, the building and maintenance of roads and garbage collection.
- c. Fiscal decentralization: financial responsibility is core component of decentralization. Fiscal Decentralization transfers two things to local governments and private organizations: funds to deliver decentralized function; and revenue-generating power and authority, to decide on expenditures.
- d. Economic or market decentralization: Economic or market decentralization is the passing over the private sector of the functions exclusively performed by government. It is manifested through privatization and deregulation. This type of decentralization promotes the engagement of businesses, community groups, cooperatives, private voluntary associations, and other nongovernment organizations/

Decentralization is a tool to achieve the goals of the state, especially in order to provide better public services and create a more democratic public decision-making process. Decentralization has three main objectives, they are:

- a. Political objective is the process of democratization of national and state life on the level of infrastructure and political superstructure
- b. Administrative objective is effectiveness and efficiency of government administration processes so that service to the community becomes faster, precise, cheaper, and transparent
- c. Social and economic objective, to improve social welfare through equitable economic development

Social and economic objectives will be achieved through fiscal decentralization. Fiscal decentralization is the main component of decentralization. The fiscal decentralization policy in Indonesia according to Kadjatmiko in Halim and Theresia (2007: 193-194), is basically aimed at :

- a. Continuity of fiscal policy (Fiscal Sustainability) in the context of macroeconomic policy.
- b. Correcting vertical imbalance, ie to minimize inequality that occurs between the central government and local governments.
- c. Correcting horizontal imbalance, ie to minimize the inequality that occurs between regions in their financial capabilities are still very varied.
- d. Improve accountability, effectiveness, and efficiency in order to improve local government performance.
- e. Improve the quality of service to the community.
- f. The existence of community participation in decision making in the public sector (democratic)

2. Fiscal Decentralization

Decentralization has a meaning as a form of support for the implementation of broad, real, and accountable regional autonomy. Then the region is given the authority to utilize its own finances, hereinafter referred to as the concept of fiscal

decentralization. The definition of fiscal decentralization based on Saragih (2003:83) opinion, fiscal decentralization is a process of distributing budgets from higher levels of government to lower government, in order to support government functions or tasks in public services.

Implementation of local government functions will be implemented optimally, if the administration of government affairs followed by the provision of adequate sources of revenue to the region. There are several objectives why fiscal decentralization implemented. According to Robert Simanjuntak (2002) the objectives of fiscal decentralization in Indonesia in general are:

- a. To fulfill the regional aspirations concerning the control over the source local financial resources
- b. To encourage accountability, and transparency of local governments
- c. Increase community participation in regional development process
- d. Reduce inter-regional divisions
- e. Ensure minimum public service delivery in each region
- f. Improving the welfare of society in general

The implementation of fiscal decentralization in a region can be measured through several indicators. According to Wibowo (2006:16), to see whether fiscal decentralization is effective or not, it should be linked to two important components in fiscal decentralization, namely local government revenue and local government expenditure. Indicators that have been mentioned can be used as a reference for the evaluation of the implementation of fiscal decentralization in Indonesia.

Local government revenue as an indicator of the implementation of fiscal decentralization means that autonomous regions must have the authority and ability to extract their own financial resources, so that dependence on central government assistance can be minimal. In addition, local own-source revenue should be part of the largest financial source supported by the policy of financial distribution between the central and local governments as a fundamental prerequisite of the state governance system. The function of local government revenues is to know the amount of available budget to cover the needs of regional expenditure, that is by paying attention to the amount of total revenue in the one year budget received by the region, then compared with the estimated financing needs in the year, so it will be seen whether the available budget can cover the regional budget or not.

In the other hand, local government expenditure as the second indicator of fiscal decentralization is the consumption of government goods and services and financing by the government for the purposes of government administration and development activities. In more detail government expenditures are used to pay the salaries of government employees, finance the education and public health systems, finance shopping for the armed forces and finance various types of infrastructure in the development process. Local government expenditure policies and regional revenues are determined in accordance with the characteristics of the area and adjusting for changes in the economy, and at the same time these policies may affect the rate and net of development in the area. Hence the assessment of development policy should consider the interrelationship between the policy and the rate of economic growth.

C. Local Government Finance

Local government finance is important to run the function of regional autonomy. Local government finance is often interpreted as a financial mobilization that is owned by a region. This opinion is so simplistic that they tend to produce unilateral reactive policy recommendations. Mamesah stating in Halim (2004:18) that local government finance is

“all rights and obligations that can be assessed with money as well as everything in the form of money or goods that can be used as regional wealth as long as not owned or controlled by a higher state and other parties in accordance with the provisions or laws and regulations.”

Based on these definition, it can be concludes that local government finance is regional wealth that can be managed by the region for the welfare of its people.

The object of local financial management according to Halim (2004:68) is as follows:

”Regional revenue can do the following: First, the mobilization of the conventional revenue sources through the intensification and extension of local taxes and levies as well as the optimization of regional loans and profit enterprises. Secondly, the regions can optimize the sources of revenue from the results of the management of other separated areas of wealth”

The existence of regional autonomy is expected every region will be able to give high contribution in the implementation of public service. Improved regional services will be faster if the regions can manage their local finances well. Local government finance is one of the most important elements in governance related to the high-growth service because it has to adjust to the amount of authority transferred to the regions, as well as the tasks that must be supported by the delivery of local assets to be self-managed to increase local revenue.

1. The Scope of Local Government Finance

According to Government Regulation Number 58 Year 2005 on Local Government Finance Management section 2, the scopes of local government finance are as follows:

- a. The rights of local government to collect local taxes, levies and lending
- b. Regional obligations to administer local government affairs and pay third-party bills
- c. Regional revenue
- d. Regional expenditure
- e. Regional assets that managed by itself or other parties in the form of money, accounts receivable, goods, and other rights which can be valued with money, including wealth separated from regional companies
- f. Wealth of other parties controlled by the local government in the context of the implementation of the tasks of regional government and or public interest

2. Common Principles of Local Government Finance Management

According to Government Regulation Number 58 Year 2005 on Local Government Finance Management Article 4, common principles of local government finance management are as follows:

- a. Regional finance managed in an orderly, obedient to laws and regulations, efficient, economical, effective, transparent and

accountable with regard to the principle of fairness, compliance, and benefits to society.

- b. The regional financial management is implemented in an integrated system embodied in the regional income and expenditure budget which is annually set by local regulations.

Based on the principles outlined above, it can be seen that local financial management must be transparent, effective, and efficient considering the benefits to the community. Point advantage in the area of financial management principles intended for local financial management preferred to meet community needs. All of the above principles must be implemented well so that the implementation of local financial management can run effectively and efficiently and provide great benefits to the community.

D. Local Own-source Revenue (PAD)

Local own-source revenue is revenue derived from the utilization of potential of the region. The era of regional autonomy requires every region to optimize the existing resources in its area to be utilized properly in order to increase the original income of the region. Mardiasmo (2002: 132) provides the definition of local own-source revenue as revenue derived from the local tax sector, regional levies of regional enterprises, and management of local wealth. While the definition of local own-source revenue according to law number 23 of 2014 on the financial balance between the central and regional articles 1 verse 18 that the local own-source revenue hereinafter referred to as PAD (*Pendapatan Asli Daerah*) is revenue obtained by the area levied according to local regulations in accordance with the laws and regulations.

Based on these two concepts, it can be deduced that the local own-source revenue is income obtained by seeking self-management of local revenue sources owned by the region to be utilized and optimized so as to support the needs of the region. In other words local own-source revenue is revenue derived from the region and used for the benefit of the region itself.

Local own-source revenue based on the regulation of the Minister of Home Affairs Number 59 Year 2007 Section 26 divided by type of income consists of:

1. Group of local own-source revenue divided by type of income consisting of:
 - a. Result of local tax
 - b. Result of local retribution
 - c. The results of the management of regional assets (profit sharing from BUMS and the results of cooperation with third parties)
 - d. Other source of revenue
2. Types of local taxes and local retribution as referred to in paragraph (1) a and b shall be itemized according to the object of income in accordance with the law on local tax and local retribution
3. The type of local wealth management result that is separated as referred to in paragraph (1) letter c is itemized according to the income object which includes:
 - a. share of profits on equity participation in regional / local-owned enterprises
 - b. share of profit on capital participation in state-owned enterprised (BUMN)

- c. share of profits on capital participation in private-owned enterprises or community business groups
- 4. Other types of legitimate PAD as referred to in paragraph (1) sub-paragraph d shall be provided for budgeting regional revenue not included in the types of local taxes, regional retributions, and the results of the management of regional assets separated as specified by the objects of income. They are:
 - a. Proceeds from the sale of regional assets which are not separated by cash or installments
 - b. Current account service
 - c. Interest income
 - d. Income of claims for damages
 - e. Income of commissions, deductions or other forms as a result of the sale and / or procurement of goods and / or services by the region
 - f. Acceptance advantage of the difference in the exchange rate against foreign currencies
 - g. Income penalties for late implementation of work
 - h. Income from tax penalties
 - i. Income of levy penalty
 - j. Income resulting from execution of collateral
 - k. Income from returns
 - l. Social facilities and public facilities
 - m. Income from education and training
 - n. Revenue from the Regional Public Service Agency (BLUD)

E. Tax

The source of state income from Tax has become a major element in supporting economic activities, carrying out government functions and providing public facilities for the community. Even on a percentage form, at least the tax meets approximately 70% of revenue in the State Budget (APBN). The definition of tax under Law Number 16 Year 2009 concerning general provisions and taxation procedures in section 1, paragraph 1, is a compulsory contribution to a country that is owed by a person or body that is forcing under the law, by not obtaining direct repayment and is used to the needs of the state for the greatest prosperity of the people.

Another opinion about the definition of tax is from Soemitro in the Resmi (2008: 1), he said that taxes are a contribution of the people to state treasury based on law (which can be imposed) with no direct reciprocity which used to pay general expenses. Based on these two definitions, it can be concluded that the tax is a compulsory contribution of every citizen used to finance state expenditure in accordance with the law. Besides that Soemitro in Mardiasmo (2016:5) also explained that tax has two main functions namely *budgetair* and *regulerend*. The *budgetair* function is one of the funding sources for the government to finance its expenditure. While the *regulerend* function is as a tool to organize or implement government policy in the field of socioeconomic.

Mardiasmo (2016: 4) explains there are several conditions that must be fulfilled so that the tax collection does not cause obstacles and resistance, namely:

1. Tax collection should be fair
2. Tax collection should be based on the law

3. Tax collection does not disrupt the economy
4. Tax collection should be efficient
5. Tax collection should be simple

The tax collection conditions disclosed by Mardiasmo above must be fulfilled so that tax collection by the government can be effective and efficient. In addition, by implementing these conditions, the withdrawn of tax by the government will not be a burden to the people so that will not cause problems in the future.

1. Tax Collection System

According to Mardiasmo (2016: 9) there are three systems of tax collection, namely:

a. Official Assessment System

Official assessment system is a tax collection system that authorizes the government to determine the amount of tax payable by the taxpayer. The characteristics of this system are:

1. The authority to determine the amount of tax payable is on the tax authorities
2. Taxpayers are passive
3. The tax liability arises after the tax assessment letter issued by the tax authorities

b. Self Assessment System

Self assessment system is a tax collection system that authorizes the taxpayer to determine the amount of tax payable by themselves. The characteristics of this system are:

1. The authority to determine the amount of tax payable is on the taxpayer itself
2. Taxpayers are active. They calculate their own tax amount, deposit taxes and self-report the tax payable.
3. The duty of tax authorities is only as supervisor

c. Withholding System

Withholding system is a tax collection system which authorizes third parties (not tax authorities and not taxpayers concerned) to withhold or levy tax payable by the taxpayer.

The tax collection system applied in Indonesia is a self-assessment system, enforced since January 1, 1984. The foundation of the self assessment system is voluntary compliance. This is in line with the principles of administration where the objective to be achieved is voluntary compliance.

2. Tax Rates

Mardiasmo (2016: 11) stating that there are four systems of tax rates, namely:

a. Proportional Rates

Tariff in the form of fixed percentage toward regardless amount of tax so that the amount of taxes owed are proportional against the taxable value. An example is the delivery of taxable goods within the customs area will be subject to value added tax of 10%

b. Fixed Rates

Tariff of a fixed amount against any amount taxed so that the amount of tax payable is fixed. An example is the amount of revenue stamp for check and *bilyet giro* with any nominal value is Rp. 3000.00.

c. Progressive Rates

The percentage of tariffs will be increase if the amount taxed is greater.

The example is income tax for domestic.

d. Digressive Rates

The percentage rate will decrease if the amount taxed is greater

3. Obstacles in Tax Collection

Mardiasmo (2016:10) stated that there are several obstacles in tax collection which are grouped into two, as follows:

a. Passive Resistance

Passive resistance has strong relationships with the economic and social structure of society in a country. In general, people are reluctant to pay tax because it is caused by several things, such as:

1. The intellectual and moral development of society
2. The taxation system is difficult for the public to understand
3. Control systems that cannot be performed or implemented properly

b. Active Resistance

Active resistance includes all efforts and deeds performed by the taxpayer in order to avoid taxes. The form of active resistance is as follows:

1. Tax Avoidance, efforts to lighten the tax burden without violating the law

2. Tax evasion, efforts to lighten the tax burden by violating the law

F. Local Tax

Local taxes are local revenue derived from taxes. Local taxes can be interpreted as one source of local revenue to meet the local government budget in order to meet the needs of local communities. While Mardiasmo (2016:14) defined local tax as a mandatory contribution of an individual or entity to be paid under the law by not obtaining direct remuneration and is used for regional purposes and community needs.

Local tax is separated into two forms, first is tax of province and secondly is tax of regency or municipality. Provincial tax types that can be levied in accordance with law No. 28 of 2009 Article 2 paragraph 1 on local taxes and local retribution consist of:

1. Vehicle Tax
2. Vehicle Name Transfer Fee
3. Vehicle Fuel Tax
4. Water Tax from The Settlement
5. Cigarette Tax

While the types of municipality or regency tax that can be collected in accordance with law No. 28 of 2009 Article 2 paragraph 2 on local taxes and local retribution consist of:

1. Hotel Tax
2. Restaurant Tax
3. Entertainment Tax
4. Advertisement Tax

5. Street Lighting Tax
6. Non-Metallic Mineral and Rock Taxes
7. Parking Tax
8. Groundwater Tax
9. Swallow Nest Tax
10. Land and Building Taxes of Rural and Urban Areas
11. Fee of Acquisition rights on Land and Building

The regency or municipality may not collect any of the specified tax types if the potential of the area is not good enough. The explanation of the type of taxes regency or municipality based on the law No. 28 of 2009 on local taxes and local retribution are as follows:

1. Hotel tax is the tax imposed on services provided by the hotel. Hotel is The a provider of lodging services and other related services with a certain costs, for example such as motels, guesthouses, tourist homes, lodging houses, including boardinghouses with more than ten rooms.
2. Restaurant tax is the tax imposed on services provided by the restaurant. The restaurant is a food and or beverage provider with certain costs, for example a restaurant, cafeteria, canteen, bar, and others including catering services.
3. Entertainment tax is the tax imposed on the performance of entertainment. Entertainment is any type of spectacle, show, game, and or festivity that is enjoyed with certain cost.
4. Advertisement tax is the tax imposed on the implementation of the billboard. Advertising is an object, tool, or media intended to

introduce, suggest, promote, or draw public attention to goods, services, persons or agency that can be seen, read, heard, felt and or enjoyed by the public.

5. Street lighting tax is the tax imposed on the use of electric power, either generated personally or obtained from other sources.
6. Non-metallic mineral and rock taxes are taxes on the activities of non-metallic mineral and rocks taking, whether from natural sources within and or the surface of the earth for use. Non-metallic minerals and rocks are non-metallic minerals and rocks as defined in the mineral and coal regulations
7. Parking tax is a tax imposed on the parking area provider outside the road
8. Ground water tax is a tax on ground water utilization. Groundwater is water that is found in soil layers or rocks below the soil surface
9. Swallow nest tax is a tax on the activity of swallow nest utilization
10. Land and Building Taxes of Rural and Urban Areas are taxes on land and buildings owned, controlled or utilized by persons or entities, except for areas used for plantation, forestry, and mining.
11. Fee of Acquisition rights on Land and Building is a tax on the acquisition of land and building rights

G. Hotel Tax

Pandiangan (2002: 338) defines the hotel as a special building provided for people to stay or rest, obtain services, and other facilities with certain cost. Meanwhile, the local regulation of Malang Number 16 Year 2010 article 1 point

10 defines the hotel in more detail as the provider of lodging services and other related services with a certain costs, for example such as motels, guesthouses, tourist homes, lodging houses, including boardinghouses with more than ten rooms. Based on the definition of the hotel above can be concluded that the hotel is a building that provides lodging and lodging facilities including other services for a fee.

The object of Hotel based on the Local Regulation of Malang Number 16 Year 2010 about Local Tax article 4 point 1 are:

1. Motel
2. Inn
3. Rooming House
4. Boarding House with more than 10 rooms
5. Other similar business activities

Not all lodging services are taxed, but there are several criteria that are not classified as hotel taxes. It is also described in the local regulation of Malang Number 16 of 2010 Article 4 paragraph 4 that which does not include the object of hotel tax that is:

1. Dorm housing services organized by provincial or local government
2. Apartment rental services, condominiums and more
3. Residential services at educational or religious centers
4. Housing services in hospitals, nursing dormitories, nursing homes, orphanages and other similar social institutions
5. Travel agency or travel services organized by the hotel that can be utilized by the public

In the local regulation of Malang Number 16 of 2010 Article 5 paragraph 5 described the subject of hotel tax is "an individual or a institution that makes payments to an individual or entity that manage the hotel". Whereas in paragraph 2 it is explained that the hotel taxpayer is "a private person or entity that manages the hotel". Based on the explanation above, it is clear that there are object of hotel tax that can be claimed as taxpayer and not.

1. Hotel Taxes for Boarding House Categories

The definition of boarding house based on Supariarta in Murandika (2014:39) is houses that its room is used a part or all of its to be a source of income by the owner by accepting residents of the boarding house at least one month by collecting certain fees. Meanwhile the Local Regulation of Malang Number 6 of 2006 about the conduct of lodgings business, in Article 3 paragraph 2 describes the scope of boarding house includes:

- a. House or room reserved for residence within a certain period of time for a person or group except hotel
- b. The rooms as meant in paragraph 1, include the rooms within the house or outside the owner's house which is leased to a person or group in a certain period of time with the agreement of both parties

Hotel taxes for boarding house categories cannot be separated with the local regulation about hotel. It caused due to the boarding house tax is a part of object of hotel tax. Indeed not all boarding houses can be categorized as an object of the hotel tax, but only a boarding house with more than ten rooms.

Based on the Local Regulation of Malang Number 16 Year 2010 about Local Tax, the subject of tax in the relation in hotel tax is individual or institution

who manages the hotel business. In line with these statements, so the subject of hotel taxes for boarding house categories is the consumers who are use the services given by the hotel management. Meanwhile, the taxpayer is an entrepreneur or owner of a boarding house either personally or entity. It can be concluded that the subject of taxes and taxpayers in the hotel taxes for boarding house categories is not the same. Consumers who receive the services from boarding house are tax subjects who pay or bear taxes, whereas the owner of the boarding house is a taxpayer who has an obligation to levy tax from consumers and perform other tax obligations.

2. The Foundation for Imposition of Tariffs and the Calculation of Hotel Taxes for Boarding House Categories

Based on the Local Regulation of Malang Number 16 Year 2010 about Local Tax article 6 explained that “the foundation of hotel tax imposition is the total payment or amount should be paid to the hotel”. The tariffs of hotel tax in the category of motel, inn, rooming house, or other similar business activities are set a tax of 10 percent. While the tariff of hotel taxes for boarding house categories with more than ten rooms is set a tax of 5 percent. The amount of tax payable of the hotel is calculated by multiplying the rate with the tax imposition. The detail explanation about calculation of taxable taxes is as follow:

<u>Tax Payable = Tax Rate x Tax Base</u>	
Information:	
• Tax Payable is a tax to be paid	
• Tax Rate	10% for category of motel, inn, rooming house, and other 5% for boarding house categories
• Tax Base is	amount of payment made to the hotel

Figure 3. Hotel Tax Calculation Formula

Source: data processed according to local regulation of Malang Number 16/2010

3. Tax Period And Determination of Tax Payers

Tax period and determination of obligatory tax due to the category of boarding house is not written specifically, but entered into the hotel tax regulation. This is because taxes for boarding house are included in the hotel tax object. The hotel tax period is a month. Based on the Local Regulation of Malang Number 16/2010 article 10 stated about the determination of Hotel Tax, as follows:

- a. The hotel taxpayer is required to fill SPTPD (Regional Tax Notice)
- b. SPTPD as referred to in paragraph (1) shall be filled in clearly and completely and signed by the taxpayer or his proxy
- c. SPTPD as referred to in paragraph (1) shall be submitted to the head of region or appointed official at the latest within 10 days of the expiry of the tax period
- d. The form, contents, and procedure of SPTPD filling will be further regulated with the head of regional regulation

Tax payable in the tax period occurs at the time of payment to the hotelier or since the SPTPD is issued.

H. Tax Optimization

Local government finance is the main characteristics to measure that a region can run the regional autonomy well. This is mean every region should have the authority and capability to seek financial resources and to manage its in order to carry out government affairs. The dependence to central government aid should be minimal, so that the local own-source revenue (PAD) especially local tax becomes the biggest financial resource. Based on that explanation, optimization of local tax should be done to increase the capability of local government finance.

According to *Kamus Besar Bahasa Indonesia* second edition (2006:703) optimization is derived from optimum contains meaning the best, the highest, and the most favorable. So optimization can be defined as process or the way to optimizing. So in this context, optimization is defined as the best effort to get tax from boarding house maximally.

Related to improving local government finance to support the financing of regional development, optimization must be carefully planned so that the objectives can be achieved. In order to optimizing the local own-source revenue then the local government should make efforts to increase local taxes, especially tax of boarding house so as to increase the local own-source revenue. There so many things that can be done by the government to increase the local tax. One of them is through optimization. Sutedi (2008: 99) stating that the efforts in order to optimize local taxes are through intensification and extensification.

1. Intensification

Chulsum (2006:304) stated that intensification is an attempt to improve something to be more terrific, aggressive, strong, and accurate. In the other hand, Praetyo (2016:83) stating about the definition of intensification in the context of tax is activities to explore potential tax from taxpayers who have registered or already have Taxpayer Identification Number. So it can be concluded that intensification is an effort to increase tax revenue through tax collection which more terrific, aggressive, strong, and accurate toward the taxpayers who have already registered. While the intensification of boarding house tax is an activity to increase the revenue of boarding house tax which done by terrific, aggressive, strong, and accurate action.

The policy of intensification effort is in the form of increased of local own-source revenue from existing sources. Optimization of boarding house tax through intensification will depend to the creativity and quality of the apparatus. Mardiasmo (2002:153) said that the effort to increase local own-source revenue will be success if the local government fixes the local tax system.

Sutedi (2008:100) stated that in general there are five ways of intensification, as follows:

a. Expanding the Revenue Base

Expanding the revenue base is the potential way to increase the tax income.

This is done through identification of new tax payers, improve the object data base, improve the assessment system, and calculate the capacity of revenue in every kind of tax levied.

b. Strengthen the Collection Process

The effort to strengthen the collection process are done through improve the regulation and increase the quality of human resource.

c. Improve Oversight and Enforce the Law

Improving the oversight can be done by performing a sudden and periodic check. In addition, improvements in the process of oversight and gives sanctions to taxpayers and tax officers who break the regulation need to be done to increase tax payments.

d. Improve Administrative Efficiency and Reduce Collection Cost

This is done by improving tax administration procedures through simplifying tax administration and improving tax collection efficiency.

e. Improve the Capacity of Revenue through Better Planning

This is done by improving the coordination with other agencies.

2. Extensification

Based on Prasetyo (2016:83) extensification is activities undertaken to increase the number of registered taxpayers in Directorate General of Taxes administration by providing Taxpayer Identification Number. Base on this definition, it can be concluded that extensification is an attempt to expand tax collection by adding new taxpayers through finding new taxpayers or creating new taxes or extending existing scope. In the context of boarding house tax, the extensification should be done through find the owner of a boarding house that has not been registered as a taxpayer.

Extensification efforts in this case can be done by providing socialization of local regulations on taxes boarding house to the public. Extensification will be successful depending on the quality of local government apparatus. Because in the implementation of socialization is inseparable from the willingness, ability, skill, and mentality of the apparatus as the executor.

I. The Relationship between Local Taxes on Local Own-source Revenue in The Context of Regional Autonomy

The existence of regional autonomy led to the implementation of decentralization. Regional autonomy in Indonesia is implemented in the context of decentralization in the field of government. Regional autonomy under Law No. 23 of 2014 on regional governments is the right, authority and obligation of autonomous regions to regulate and manage their own governmental affairs and the interests of local communities in accordance with the law.

According Mardiasmo (2002: 8) autonomy given to districts and municipalities implemented by giving broad authority to the local government in proportion. One form of broad authority given by the central government to local governments is the authority to regulate and manage finances and resources in each region. Regional financial capability is an important indicator in assessing a region whether able or not to implement regional autonomy well.

This can be interpreted if the regional autonomy provides flexibility to the region in managing and regulating sources of regional revenue such as those derived from local own-source revenue. Local own-source revenue are a source of local finance obtained within its own territory including the results of local taxes, regional charges, and the results of separated regional wealth management. Regional autonomy also forces every region to be able to manage maximally the sources of local revenue to be able to finance the implementation of local government. The region's largest financial source of contribution to local revenue is local taxes.

Local own-source revenue is heavily dependent on local taxes, so the contribution of local taxes must be large in order to make the local government financial large. The large of local own-source revenues indicate the ability of local governments to carry out regional autonomy well, large local own-source revenues will support good local financial capacity. When local governments can maximize local taxes as local revenue, the area can be said to have succeeded in implementing regional autonomy.

BAB III

RESEARCH METHOD

A. Type of Research

Research is an effort to find, to develop, and to clarify a phenomena or knowledge through research method so that can be measured the level of its result. Sugiyono (2014:2) stating that research method basically is a scientific way to get data with a specific purpose. Type of research in this thesis use descriptive method with qualitative approach. The reason why this type of research chosen are the direct interaction between the researcher with the respondent and the sensitivity in adjustment to the deepening of problems, patterns of values, and mutual influence.

Descriptive research method is used in this thesis due to the purpose of this study are to describe systematic and accurate about facts and relationships between phenomena. This is in line with Moleong (2006:6) opinion that descriptive research is defined as research that attempts to reveal the real problem and condition so that it will only reveal the factors without use hypothesis testing. Meanwhile Bogdan and Taylor in Moleong (2012:4) explain that qualitative approach as a research procedure that produces descriptive data in the form of written or oral words of the people and behavior observed. This approach was chosen for two reasons. First, the problem studied in this research about the effort of Local Tax Service Agency of Malang City in increasing the contribution of the boarding tax as the local revenue, requires a number of actual and contextual field

data. Second, this choice is based on the characteristics of qualitative approaches that have high adaptability allowing researchers to constantly adjust to the changing situations encountered in this study. Based on the explanation above can be concluded that the descriptive research with qualitative approach is expected to see the process of research conducted to produce explanation and understanding in depth and comprehensive about how the optimization of boarding house tax as local revenue of Malang.

B. Focus of Research

The important step to conduct a research is to determine the focus of research that will be taken. The focus of research is needed to give limitation of study in order to make the object that will be observed is not too broad. It is in line with the opinion of Moleong (2012:12) who states that qualitative research requires the determination of limits in research based on focus that arises as problem in research. The focus of research is also intended to make this research more focused and not out of the formulation of problems that have been determined.

Focus on this research is using the tax optimization concept from Sutedi in 2008. The reason is because the tax optimization concepts by Sutedi have a clear explanation and appropriate with the condition in Local Tax Service Agency of Malang City. Accordance to the problems that have been formulated and the objectives that have been set, so the focuses of this research are:

1. Optimizing boarding house tax as local revenue (Sutedi, 2008):
 - a. Intensification of Boarding House Tax Collection
 - 1) Expanding the Revenue Base

- 2) Strengthen the Collection Process
 - 3) Improve Oversight
 - 4) Improve Administrative Efficiency and Reduce Collection Cost
 - 5) Improve the Capacity of Revenue through Better Planning
- b. Extensification of Boardinghouse Tax Collection
2. The barriers of optimizing boarding house tax as local revenue (Study in Badan Pelayanan Pajak Daerah Malang)
 - a. Lack of Awareness of Taxpayers
 - b. Tax Evasion
 - c. The Unfair of Boardinghouse Tax Regulation

C. Location and Sites of Research

The location of research is the place determined by the researcher to conduct research based on suitability with the research focus. This research is conducted in Malang City, East Java Province. The reason for choosing this location is because Malang has become one of the developing cities in the field of tourism and education. The progress of education in Malang City makes property developers do massive business development, one of them is boarding house business. Based on that explanation it can be seen that there is a good potential income from boarding house tax of Malang City that should be optimized.

Research site is the research object that will be used to gain perspective and information on the data that the researcher needed. Research site in this study is Badan Pelayanan Pajak Daerah (BP2D) of Malang City. The reason for choosing

this institution due to Badan Pelayanan Pajak Daerah (BP2D) is technical executor that manages local tax as local revenue of Malang City.

D. Source of Data

According to Moleong (2013), the data source of qualitative research is the display in the form of oral or written words observed by researchers, and objects observed to the detail in order to capture the meaning implied in the document or the object. The data from the research can be collected from various sources. Data sources can be divided into primary data sources and secondary data sources (Silalahi, 2009).

The data sources in this study are as follows:

1. Primary Data Source

The primary data source is an object or original document raw material from individuals, focus group, or a group of respondents who are particularly designated as first-hand information (Silalahi, 2009). Primary data source used in this research will be obtained from the interview and observation directly to the Tax Service Agency of Malang City. The interview result is question and answer session directly from the tax officer of the Local Tax Service Agency of Malang City, they are:

- a. Mr. Nanang Sweist, S. AB – The Head of Registration Sub-division
- b. Mrs. Ni Luh Eka Pujiastuti, SE, MM – The Head of Data Collection Sub-division
- c. Mr. Solikin, S. SOS – The Head of Investigatoin Sub-division
- d. Mr. Samsul – Staff of Potency Development Division

2. Secondary Data Sources

According to Silalahi (2009), secondary data sources are data collected from second-hand or from other available sources (second-hand information). Secondary data can be obtained from graphic documents (tables, notes, meeting reports, etc.), photographs, and others that can enrich the primary data. The secondary data sources in this study will be obtained from documents related to boardinghouse tax and local revenue of Malang City.

E. Data Collection Techniques

Data collection technique is a systematic procedure to obtain the necessary data. Data collection technique is the most important part in the research, because the purpose of the research itself is to collect data for further processing into research results. Burhan Bungin (2010:107) argues that the most common techniques used in qualitative research are in-depth interviews, observations, and documentary materials. In this research, data collection techniques are described in more detail as follows:

1. Interview

Interview is data collection technique that done by direct question and answer to specified informant openly. During the research the researcher also developed questions from the interview guides in accordance with the story described by the informant and according to the problem of optimizing the boardinghouse tax. Interviews are conducted with several actors who are able to provide information of boardinghouse tax by in Malang City

2. Observation

Observation is done by conducting direct observation to the phenomenon and then record it systematically. Usually researchers observe directly at the research site to collect the necessary data. In this research, the researcher observed directly in Tax Service Agency of Malang City.

3. Documentation

Documentation is a data collection technique that is done by searching, recording, and studying data from archives, photographs, and official documents that have relevance to this research.

F. Research Instrument

Research instrument is a set of tools that used to collect the data, process the data, display the data, analyze the data, and describe the data or the information. The instruments that will be used in this research are:

1. Researcher

Researcher as a human instrument has a function to set the focus of research, selecting informants as resources, collecting data, assessing the quality of data, analyzing data, interpreting data and creating conclusions on the findings. Researcher makes observation, choose informants, main actors in data collection according to the focus of research, so the author becomes the main instrument in qualitative research.

2. Interview Guidelines

Interview guideline is the importance ones in a research. The functions of interview guideline are to make limitation of research and to direct the researcher when collect the data. The interview guideline contains a list

of questions, secondary needs and is made before the researcher conducts research for the data collection.

3. Supporting Facilities

Supporting tools are a notebook to record what is considered important during the research, recorder to enable the researcher to recall the condition of the field and the content of the interview, and the camera to capture the activities during the research.

G. Data Analysis Technique

Data analysis from the result of data collection is an important stage in the completion of a scientific research activity. The data collection without analyze the data will becomes meaningless. Research will be meaningful when the collected data can be analyzed by specific analytical techniques. Therefore, data analysis will provide meaning and value in a report of research.

Data analysis used in this research is interactive data model analysis proposed by Miles, Huberman, and Saldana. The reason to choose this model of data analysis is due to the data analysis by Miles, Huberman, and Saldana can provide systematic step of qualitative research to process the collected data through interactive model continuously until complete, so the data is saturated. It is in line with the opinion of Miles and Huberman (2014:33) that states qualitative data analysis activities is performed interactively and continuously in every step until the research done and the data is saturated.

Activities in analysis data of Miles, Huberman, and Saldana concept (2014:33) consist of three concurrent flow activities as follows:

1. Data Condensation

Data condensation is defined as the electoral process, simplification, and transformation of raw data obtained from the field of study. Data condensation takes place continuously throughout the study. Data condensation can be started from selecting the informant, especially key informant to give data and information. The next process is analyzing the data and information from the previous informant to get another informant and get deeper and more complete data and information until it is enough.

2. Data Display

Data display contains a collection of information in the form of reports obtained from the research site. Looking at display helps us understand what is happen and know what an action to take, either analyze or take action based on that understanding.

3. Conclusion/Verification

The last step is the withdrawal of the conclusion. From data display, the researcher is looking for the meaning of the data that has been analyzed and presented. After the researcher knows about the meaning of every research problem, so the researcher can draw the conclusion based on the explanation of casual flow, configuration, and proposition. The conclusion is the result of the data analysis that has been associated with the theory and regulation.

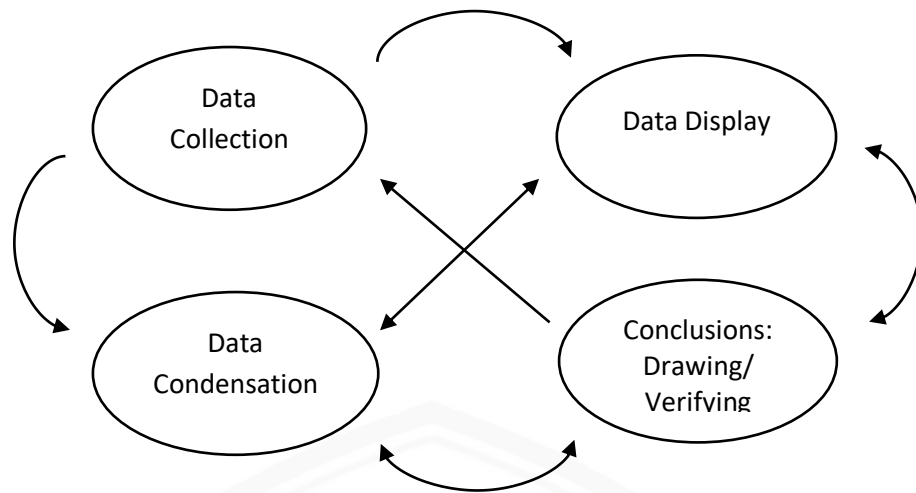
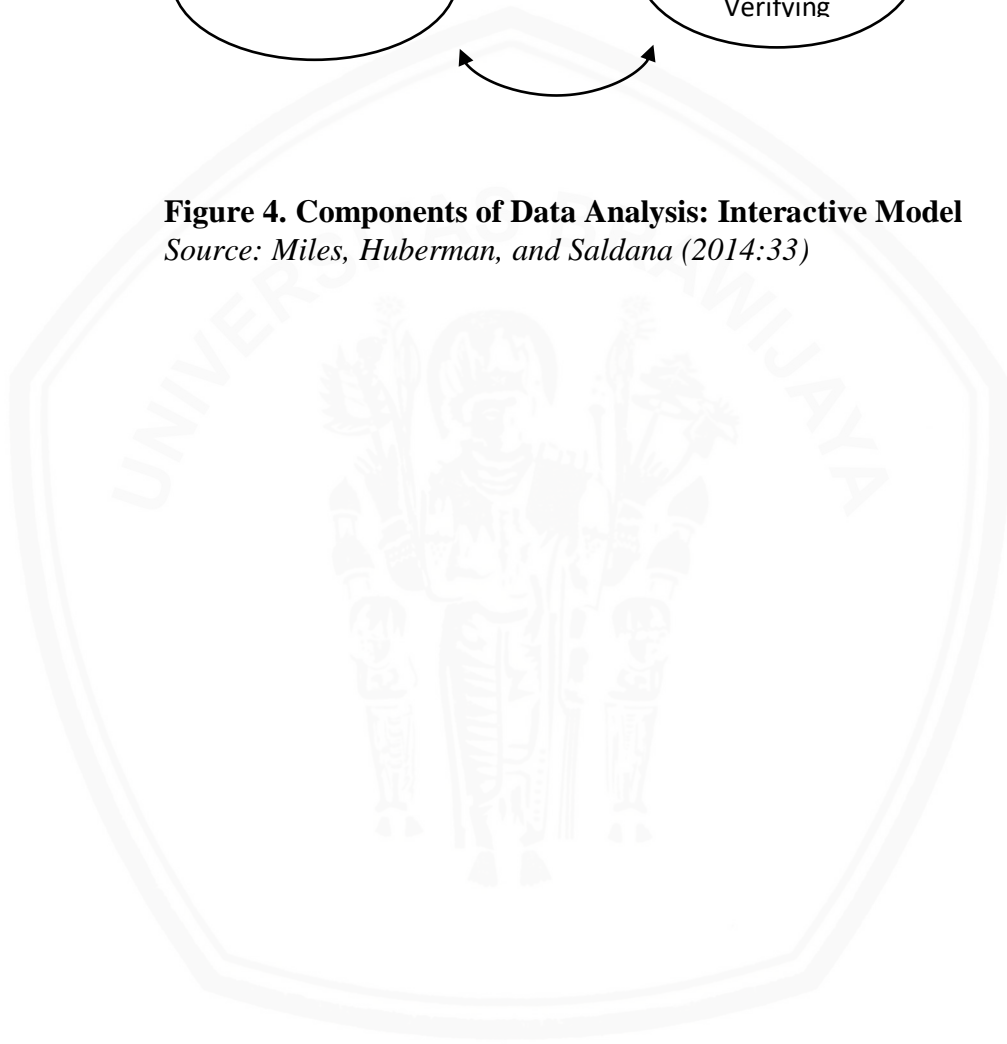


Figure 4. Components of Data Analysis: Interactive Model

Source: Miles, Huberman, and Saldana (2014:33)



CHAPTER IV

RESULT AND DISCUSSION

A. General Explanation of Malang City

1. General Description

Malang City is a city in East Java Province, Indonesia. Malang is the second largest city in East Java after Surabaya. Malang city has an area of 110.06 km² and inhabitants 900.422 people in 2017. Spread over five sub districts, namely Klojen sub district, Blimbing sub district, Lowokwaru sub district, Sukun sub district, and Kedungkandang sub district.

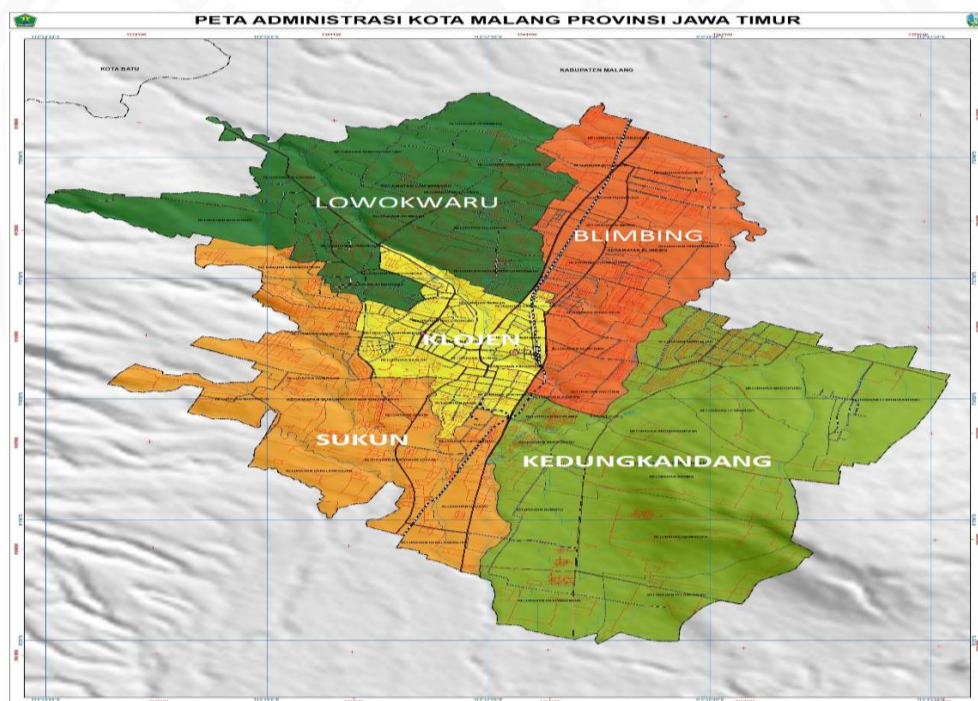


Figure 5. Administrative Map of Malang City
Source: petatematikindo.files.wordpress.com

The figure 5 shows that Kedungkandang sub district is the largest with 39,89 km² and Klojen sub district is the smallest area with 8,83 km² (BPS Malang, 2016).

Every village is led by *Camat* (Chief of Village). Administratively, every village in Malang is divided into sub village (*kelurahan*). Malang has 57 village which chaired by *Lurah* (Chief of sub Village). Meanwhile Malang City is led by Mayor and Vice Mayor, they are Mohamad Anton and Sutiaji who will end their period in 2018.

Table 4. The Landmass of Malang City based on Sub-district

No.	Kecamatan	Jumlah Kelurahan dalam Kecamatan	Luas Wilayah (km ²)	Presentase terhadap Luas Kota (%)
1.	Kedungkandang	12	39,89	36,24
2.	Sukun	11	20,97	19,05
3.	Klojen	11	8,83	8,02
4.	Blimbing	11	17,77	16,15
5.	Lowokwaru	12	22,60	20,53
Total		57	110,06	100

Source: Annual Performance Report of Malang City 2016

The composition of indigenous people of Malang derived from various ethnic, majority are Javanese and Maduranese while a small number of the population are Arab and Chinese descent (malang.go.id). There is various number of ethnic in Malang due to many immigrants who moved and settled in Malang, either temporarily or forever. Most immigrants are merchants, workers and students.

Many immigrants come to Malang due to the principle of Malang, namely *Tri Bina Cita*. This principle is declared in Plenary Session of *Gotong Royong* Malang Municipality in 1962 (malang.go.id). *Tri Bina Cita* consist of:

- a. Malang as a city of education, is a goals of Malang City to be the number one destination city for people who want continue their study. This point is implemented by creating the vision and mission of education, establish partners with institutions of higher education both in

the field of assessment, development of science and technology and in the quality development of Malang in general. So make the city of Malang is filled by various schools, universities, non-formal education institutions or courses, as well as a number of boarding schools.

- b. Malang as a city of industry, is a label that has owned by Malang City since long ago. Malang City has always been known for its clove cigarette industry. Until now the Government of Malang City continues to encourage investment in the industry so many people who decide to move and find jobs in the Malang City.
- c. Malang as a city of tourism, is a label that has been known for long time ago. Malang City is sited on the height of 440 – 667 meters above the sea level, means that Malang City is located on the highland so it has cool weather. It makes so many tourist visit Malang City to spent their holiday.

2. Demographic Condition

As multicultural city, Malang City has a lot number of population. The population of Malang City on December 31, 2016 was 895,387 people, consisting of 1,108 foreigners and local residents of 894,278 people spread over 5 villages, compared to the previous year with a population increase of 13,593 people. The most populated subSub-Sub-district is Kedungkandang village with 208,979 people divided into 63,580 Head of Family (KK), while Klojen Village is the Sub-Sub-district with the least population of 110,136 people divided into 35,739 households, as the following table:

Table 5. Number of Malang City Population in December, 31th 2016

No.	Kecamatan	Jumlah Penduduk (Jiwa)	Presentase terhadap Jumlah Penduduk Kota (%)	Jumlah KK
1.	Kedungkandang	208.979	23	63.580
2.	Sukun	206.612	23	64.154
3.	Klojen	110.136	12	35.739
4.	Blimbing	196.847	22	61.278
5.	Lowokwaru	172.813	19	53.676
Total		895.387	100	278.427

Source: Annual Performance Report of Malang City 2016

Based on the age aspect, most of the population in Malang City is categorized as productive age population, that is in the age range 15-64 years 634,555 people or 71% of the total population, while the number of people belonging to the category of unproductive age population of 260,832 inhabitants or 29% of the total population. Besides that, in terms of population density, the Sub-Sub-district of Klojen is the most densely populated area, while Kedungkandang Sub-Sub-district becomes the lowest density of the population as shown in the table below:

Table 6. Population Density Level of Malang City Based on Sub-Sub-districts in December, 31th 2016

No.	Kecamatan	Jumlah Penduduk (Jiwa)	Luas Wilayah (km ²)	Kepadatan Penduduk (Jiwa/km ²)
1.	Kedungkandang	208.979	39,89	5.239
2.	Sukun	206.612	20,97	9.853
3.	Klojen	110.136	8,83	12.473
4.	Blimbing	196.847	17,77	11.077
5.	Lowokwaru	172.813	22,60	7.647
Total		895.387	100	8.135

Source: Annual Performance Report of Malang City 2016

3. Geographical Condition

Malang City is located in the middle of Malang Regency. Malang City is astronomically located 112.06° - 112.07° East Longitude and 7.06° - 8.02° south latitude, with boundaries as follows:

- a. Northern: Singosari village and Karangploso village, Malang Regency
- b. East: Pakis village and Tumpang village, Malang Regency
- c. South: Tajinan village and Pakisaji village, Malang Regency
- d. West: Wagir village and Dau village, Malang Regency

Malang City is surrounded by some of the great mountains, includes Mount Arjuno in the North, Mount Semeru in the East, Mount Kawi and Mount Panderman in the West, and Mount Kelud in the South. because in surround the mountain, the average temperature of Malang City range from $22,7^{\circ}\text{C}$ - $25,1^{\circ}\text{C}$. While the maximum temperatures reaches 32.7°C and a minimum temperature of 18.4°C .

4. Economic Growth

The calculation of Gross Regional Domestic Product (GRDP) has changed with the base year of 2010 put Malang City in the 11th position of GRDP in all regencies / cities in East Java, previously occupying in the 6th position with the base year 2000 series. While in the ex-*Karisidenan* Malang, the GRDP of Malang city occupies position in 3rd position after Pasuruan and Malang Regency. When compared with the population, the GRDP per capita Malang City occupies the second position below Pasuruan, which is Rp. 60,881,000.00.

The economic growth rate of Malang City is 5.82%. Malang city occupies the third position in the ex-*Karisidenan* Malang after Batu Town and Probolinggo

City. The economy of Malang City is supported by industrial activities, where contribution to the formation of Gross Domestic Product reaches 33.05%. Industrial activities are grouped by the number of workers. Small Industry Group and Household is an industrial company with a workforce of less than 10 people, medium industry group is a company with a workforce of 20-99 and a large industrial group is a company with cooperation with or more than 100.

In addition, the Trade sector is a very dominant sector in shaping the economy of Malang City, the contribution of the formation of Gross Regional Domestic Product (GRDP) reaches 28.90%. Shopping facilities or traditional markets in Malang are 28 markets with various market classes. With the number of stand as many as 2758 units, 15,788 los / emper and street vendors 2,251, while the number of traders 13,671 traders.

5. Vision and Mission of Malang City

The definition about vision can be seen in the Regulation Number 25 Year 2004 about National Development Planning System, which in article 1 point 12 stating that vision is general arrangement about the desire condition at the end of planning period. While the definition of mission based on the Regulation Number 25 Year 2004 about National Development Planning System in article 1 point 13 is general arrangement about general formula of the efforts to be implemented to realize the vision. The vision of Malang City is **“CREATE MALANG AS A BERMARTABAT CITY”**.

The term of *MARTABAT* is the term referred to the human dignity which means honor. Thus, through the vision of “Create Malang as *BERMARTABAT* City” is expected that the realization of an honor condition for Malang City and

the entire society. In order to achieve the goals as BERMARTABAT City, it is important to realize Malang City to be safe, clean, and green, which the people of Malang City can be independent, prosper, wealth, educated, cultured, and having high religious value based on tolerance attitude to the diversity in among society. Besides that, the government of Malang City is expected to free from corruption, collusion, nepotism.

Based on the Malang Government that accessed in malang.go.id, the term of *BERMARTABAT* is also the acronym form several development priorities to show the condition which would be realized along the period of 2013-2018, namely:

- a. *Bersih* (Clean), become a clean city s the hope of all citizens of Malang. The environment free of garbage piles and waste is a condition that expected in the development of Malang during the period 2013-2018. In addition, the term of clean should also be a hallmark of government administration. Clean governance must be created so that the interests of society can be served as well as possible.
- b. *Makmur* (Prosper), prosperous society is an ideal entrusted to the government to be realized through a series of authorities that the government has. The prosperous condition in Malang City is achieved if all the people of Malang can fulfill their life needs properly according to their social strata. The prosperous society built on the foundation of independence is a condition that will be realized in the development period of Malang City 2013 - 2018.
- c. *Adil* (Fair), the creation of fair condition in various living sectors is the hope of the entire people in Malang City. Fair means granting rights to

anyone who has done their duty. In addition, fair also means equality position of entire people in front of the law and governance. Fair is also intended as a distribution of regional development results. In order to realize the fairness in the midst of society, the Government of Malang will also carry out its duties and functions by promoting the principles of fairness.

- d. Religious – Tolerance, the religious and tolerance society is the condition should be achieved along the period of 2013-2018. In the concept of religious and tolerance society, all of the people are apply each religion education into the form of thinking, acting, and doing. Every differences among the society neighborhood should be respected so become the supporting factors on the regional development. Therefore, through this concept understanding expected there will be no conflict among society about SARA issues.
- e. *Terkemuka* (Leading), Malang is the leading city compared to other cities in Indonesia is a condition that will be realized. Notable in this sense is defined as the achievements gained through hard work so that it is acknowledged by the world. The city of Malang for the next five years is expected to have many achievements, both at the regional, national, and international levels. Leading can also mean pioneering. Thus, the entire community of Malang City is expected to appear to be a pioneer of development in the scope of each region.
- f. *Aman* (Safe), the situation of a safe city is a condition that is absolutely necessary for society. The safe situation means that the people of

Malang City are free from any disturbances, whether physical or non-physical, which threatens the tranquility of life and community activities. So the community situation will be conducive to participate in supporting the development process. To ensure a safe situation for this community, the Government of Malang City will realize the public order. For that, the condition of a safe and stable government will also be realized for the sake of successful development in Malang.

- g. *Berbudaya* (Cultured), the cultured city of Malang is a condition where the values of the *adiluhung* are displayed in the nature, attitude, actions of the community in daily activities in all places. Society upholds politeness, courtesy, social values, and customs in everyday life. Cultural behavior is also demonstrated through the preservation of past cultural traditions of inheritance by revitalizing its meanings to be applied in the present and the future.
- h. *Asri* (Green), a green city of Malang is the desire of the community. The green, beauty, freshness, and cleanliness of the city's environment are God's gift to the Malang. However, the green of Malang is slowly faded due to the development of the city that does not pay attention to environmental aspects. Thus, Malang in the next five years must return to be green, beautiful, clean, and fresh city. Therefore, all the development of Malang City, both physical and non-physical, are required to make aspects of environmental sustainability as the main consideration. This should be realized with the real participation of the whole community, without the exception

- i. *Terdidik* (Educated), is a condition in which all the people get a decent education in accordance with the laws and regulations. The mandate of Law number 12 of 2012 requires a 12-year basic education level for all Indonesian citizens. In addition, it is hoped that the community will get the education and skills that are suitable with their choice of life and profession.

In order to realize the vision stated above, so the mission of Malang Government in 2013-2018 are as follows:

- a. Improving the quality, accessibility, and equity of education and health services
- b. Improve regional productivity and competitiveness
- c. Improve the welfare and protection of vulnerable people, gender mainstreaming, and social harmony
- d. Increased infrastructure development and support capability of the City which integrated and sustainable, orderly spatial arrangement and environmentally sound
- e. Realize the implementation of bureaucratic reform and quality of public services are professional, accountable and oriented to the satisfaction of society

(Malang Government, 2016)

6. Regional Emblem of Malang City



Figure 6. Regional Emblem of Malang City

Source: malang.go.id

Explanation about the emblem of Malang:

- a. The motto "MALANG KUÇEÇWARA" means God destroys the false, uphold the right
- b. Red and White Color is the symbol of Indonesia's national flag
- c. Yellow means nobleness and greatness
- d. Green is prosperity
- e. Light blue means loyalty to God, Country and Nation
- f. Pentagon shield shaped means the spirit of the heroic struggle, geographical conditions that surrounded by mountains, and the spirit to raise the prosperous society based on *PANCASILA*

7. The Structure of Local Government Agency

The composition of the Regional Government of Malang City in 2016 refers to Government Regulation No. 41 of 2007 on the Organization of the Regional Apparatus and Regulation of the Minister of Home Affairs Number 57 of 2007 on the Technical Guidelines for Structuring the Organization of Regional

Agency. The compositions of Malang City Government based on Government Regulation No. 41 of 2007 on Organization of the Region are as follows:

- a. The regional Secretariat;
- b. Secretariat of the Regional People's Legislative Assembly;
- c. Regional Office (*dinas*), there are 16 Office: Education Office, Health Office, Manpower and Transmigration Office, Transportation Office, Communications and Informatics Office, Culture and Tourism Office, Public Works Office, Housing and Building Supervision, Sanitation and Gardening Office, Market Office, Industry and Trade Office, Cooperatives and Small and Medium Enterprises Office, Agriculture Office, Local Revenue Office, Social Office, Youth and Sports Office, and Population and Civil Registry Office;
- d. Regional Technical Institute:
 - 1) Inspectorate
 - 2) Agency (there are 7 Agency): Regional Development Planning Agency, Civil Service Agency, Finance and Asset Regional Management Agency, National and Political Unity Agency, the National Family Planning and Society Empowerment, Integrated Licensing Service Agency, and the Environment Agency;
 - 3) Department (*kantor*): Department of Food Security and Department of Regional Public Library and Archives.
- e. Public Order Enforcers (*Satuan Polisi Pamong Praja*)
- f. Sub-district (*Kecamatan*)
- g. Village (*Kelurahan*)

- h. Secretariat of KORPRI's Board
- i. Regional public hospital
- j. Disaster Management Agency

Then with the enactment of Government Regulation No. 18 of 2016 on the Regional Unit has been followed up with the promulgation of Local Regulation of Malang City Number 7 Year 2016 about the Establishment and Composition of Regional Unit, so that the Composition of Regional Government of Malang City in 2017 has changed as follows:

- a. The regional Secretariat;
- b. Secretariat of the Regional People's Legislative Assembly;
- c. Inspectorate
- d. Local Agency (6 agency): Local Financial and Asset Management Board, Tax Service Agency Region, Regional Disaster Management Agency, National Unitary and Political Agency, Planning, Research and Development Agency, Local Employment Agency.
- e. Regional Office (*dinas*), there are 19 office: Education Office; Health Office; Housing and Settlement Office; Social Office; Manpower Office; Environment Office; Population and Civil Registry Office, Women Empowerment, Children Protection, Population and Family Planning Control Office; Transportation Office; Communications and Informatics Office; Cooperatives and Micro Enterprises Office, Investment and PTSP Office; Culture and Tourism, Youth and Sports Office; Public Library and Regional Archives Office, Trade Office,

Industry Office, and Agriculture and Resilience Food Office.

- f. Public Order Enforcers (*Satuan Polisi Pamong Praja*)
- g. Sub-district (*Kecamatan*)

B. General Explanation of Local Tax Service Agency (*Badan Pelayanan Pajak Daerah*) as the Research Site

1. General Explanation of Local Tax Service Agency

Local Tax Service Agency of Malang City (*Badan Pelayanan Pajak Daerah*) has changed its name for several times. Previously this institution was named Local Revenue Office of Malang City (*Dinas Pendapatan Daerah*). The change of institution name occurs at the beginning of 2017 due to the alteration of Organizational Structure and Working Procedures (*Struktur Organisasi dan Tata Kerja/SOTK*). In addition, the changes are also intended to make local government performance more efficient.

The alteration of Organizational Structure and Working Procedures Local Revenue Office which is now changed to Local Tax Service Agency was more streamlined and efficient in terms of organizational structure. Before the institution name was change, Local Revenue Office of Malang City has 1 secretary, 4 Head of Division, and 15 Head of Sub-division. Through the alteration of Organizational Structure and Working Procedures, Local Tax Service Agency of Malang City only has 1 Secretary, 3 Head of Division and 11 Heads of Sub-division

Local Tax Service Agency of Malang is located at JL. Mayjend Sungkono in Integrated Office Building B 1st floor, Sub. Arjowinangun Malang. This Agency

is carries out the task of preparing and implementing local policies in the field of local taxes collection. In carrying out the task of collecting local taxes, Local Tax Service Agencies of Malang City is supported by the vision, mission, and purpose.

The vision of Local Tax Service Agency of Malang City is **Realization of Increasing Local Income in order to Support Economic Growth of Malang City**. In order to realize the vision, the Local Tax Service Agency of Malang City set mission as follows:

- a. Increasing Local Revenue Sources
- b. Achieving a qualified Human Resource
- c. Fulfillment of facilities and work

Besides vision and mission, Local Tax Agency is also set some purpose. If Mission is an operational of the vision, so the purpose is operational from mission. Purpose is the final results that will be achieved or generated within the next 1 year. With the purpose, the focus of the organization can be further refined and provide direction for the targets to be achieved. The objectives of Local Tax Service Agency of Malang City that should be achieved are:

- a. Increasing Local Tax Revenue
- b. Improving the Quality of Public Service
- c. Realizing Efficient and Efficient Regional Financial Management with Transparent and Accountable Principles

2. Organizational Structure

Organizational Structure of Local Tax Service Agency is stipulated by Local Regulation of Malang City Number 7 Year 2016 about Establishment and

Composition of Regional Unit and Malang Mayor's Regulation Number 48 of 2016 about Position, Organizational Structure, Duties and Functions and Work Procedures of Local Tax Service Agency of Malang City. Another law foundation of Local Tax Service Agency is Mayor's Regulation Number 84 Year 2016 on the Establishment, Position, Organizational Structure, Duties and Working Procedures of Local Tax Technical Implementation Unit in Local Tax Service Agency. All these regulations are the basis for the establishment of the organizational structure and the task of each part.

After the alteration of Organizational Structure and Working Procedures, the Local Tax Agency organizational structure is more streamlined and efficient. Local Tax Service Agency is led by a Head of Agency who in carrying out its duties and functions and assisted by a Secretary and 3 (three) Heads of division, namely: Field Data Collection, Registration and Determination, Field Billing and Inspection and Potential Development Field. The organizational structures of Local Tax Agency of Malang City are as follows:

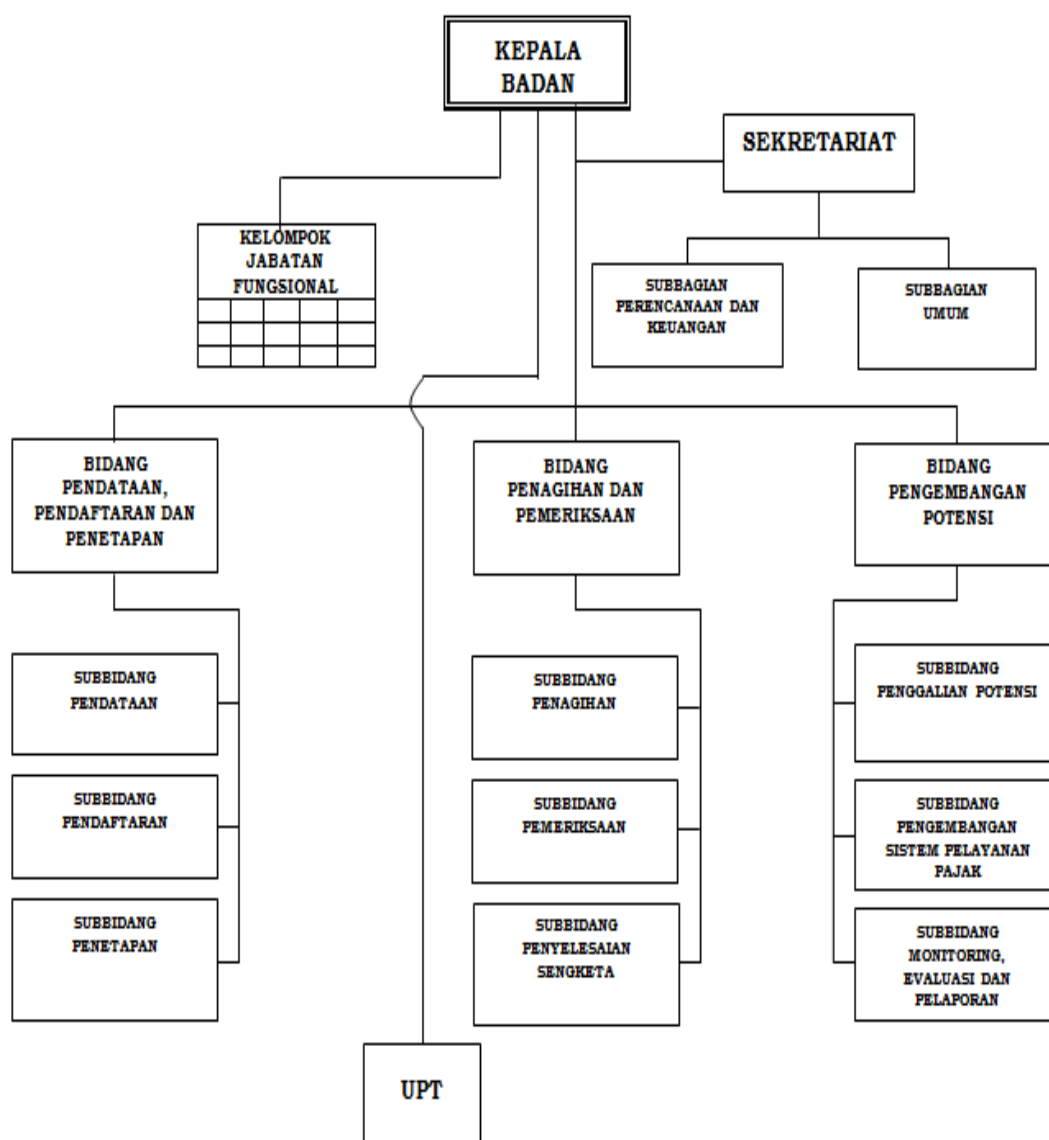


Figure 7. Organization Structure of Local Tax Service Agency of Malang
Source : Local Tax Agency of Malang City

The Duties Description of Organizational Structures are:

a. The Head of Agency

The Head of Agency has the duty to perform the main tasks and functions, coordinate and conduct internal control over the work unit under it and perform other tasks assigned by the Mayor in accordance with their duties and functions.

b. Secretariat

The Secretariat performs the main duties of general administrative management including programming, management, administration, finance, personnel, household affairs, equipment, public relations and literature and archives. The Secretariat shall be headed by the Secretary and the Sector shall be headed by the Chief of the Sector who in carrying out his principal duties and functions shall be under and accountable to the Head of Agency.

The secretariat is consist of:

1) Subdivision of Planning and Finance

Subdivision of Planning and Finance has the task of collecting and compiling planning, monitoring, evaluation and reporting materials as well as preparation of financial administration materials and reporting of financial accountability

2) Subdivision of General Task

Subdivision of General Task has the task of preparing the materials for the implementation of general administrative affairs including: administration, organization and management, cooperation, public relations, household, equipment, documentation, library and archives as well as administrative management of the Regional Tax Service Officer

c. Division of Data Collection, Registration and Assignment

Division of Data Collection, Registration and Determination has the main duty to assist the Head of the Agency to implement the management of programs and activities in the field of data collection, registration,

assessment and determination and supervision of Local Taxes. This division consisting of:

1) Subdivision of Data Collection

Subdivision of Data Collection has the main task of collecting and compiling materials in the framework of data collection Regional Tax.

2) Subdivision of Registration

Subdivision of Registration has the main duty to collect and compile the material in the framework of registration of Local Tax

3) Subdivision of Determination

Subdivision of Determination has the main duty to collect and compile the material in the framework of determination of Local Taxes

d. Division of Billing and Checking,

Division of Billing and Checking has the main duty to assist the Head of the Agency to implement the management of programs and activities in the field of billing and inspection of Local Taxes. This division, consist of:

1) Subdivision of Billing

Subdivision Billing has the duty to collect and compile the materials in the framework of the collection of Regional Taxes

2) Subdivision of Checking

Subdivision Checking has the main task of collecting and compiling materials in the framework of examination of objects, subjects and local taxpayers.

3) Subdivision of Dispute Settlement

Subdivision Settlement of Disputes has the main duty to collect and compile the materials in the framework of the resolution of the objection and the dispute of the Local Tax

e. Division of Potential Development

Division of Potential Development has the main duty to assist the Head of the Agency to implement the management of programs and activities in the field of potential development of Local Taxes. This division is consist of

1) Subdivision of Potential Excavation

Subdivision of Potency Potential has the main duty to collect and compile the material in the framework of excavation of potential increase of Regional Tax revenue

2) Subdivision of Development of Tax Service System

Subdivision of Development of Tax Service System has the main duty to collect and compile the materials in the framework of development of Local Tax Service system.

3) Subdivision of Monitoring, Evaluating and Reporting

Monitoring, Evaluating and Reporting has the task of collecting and compiling materials in the context of monitoring, evaluation and reporting of Regional Taxes

3. Job and Function

Local Tax Service Agency of Malang City carries out the task of preparing and implementing local policies in the field of collection of Local Taxes. In order

to carry out the main task as intended, the Local Tax Service Agency has the function of:

- a. Strategic planning of the Region
- b. Preparation of the Local Tax intensification and extensification plan
- c. Development of Local Taxes potential
- d. Data collection, registration, and determination of Local Taxes;
- e. Collection of Local Taxes
- f. Completion of Local Taxes Objection
- g. Completion of rectification requests, cancellations, reduction of provisions, removal, reduction of sanctions, and overpayment of Regional Taxes
- h. Training and controlling of the Local Tax collection system
- i. Issuance of Taxpayer Registration Number
- j. Book keeping and reporting on collection and remittance of local taxes
- k. Management of Regional Property (Within its authority)
- l. Management of general administrative
- m. Empowerment and fostering functional positions
- n. Implementation of Technical Implementation Unit

C. Data Display

1. The Optimization of Boarding House Tax to Increase Local Own Revenue

Boarding house tax has a great potency to increase the Local Own Revenue due to Malang City is well known as education city. So that in order to increase Local Own Revenue of Malang City through Boarding House Tax, the Local Tax Service Agency of Malang City does optimization. In general there are 2 ways of tax optimization, namely intensification and extensification. This is in line with the interview result with Mr. Nanang Sweist S. Ab as the Head of Registration Sub-Division who stating that the effort of Tax Local Service Agency to increase the revenue from taxpayer is done through intensification and extensificatoin of local tax (Interview was did at Work Office of Local Tax Service Agency at March, 22nd 2018)

Intensification of tax is usually done by more terrific, aggressive, strong, and accurate effort of collecting tax toward the taxpayers who have registered or already have Taxpayer Identification Number. Mr. Nanang Sweist, S. Ab stating that intensification in Local Tax Service Agency of Malang City is done in many ways, but more focus on monitoring. Monitoring usually is done to the registered taxpayer who do not regularly report or pay taxes.

In the context of boarding house tax, the extensification is done by finding the owner of a boarding house that has more than ten rooms and has not been registered as a taxpayer. Local Tax Service Agency of Malang City effort to add the new taxpayers is done by socialization and data collection by direct survey to boarding house owner who has not been registered as a taxpayer. The detail explanation will be explained in below.

a. Intensification of Boarding House Tax

1) Expanding the Revenue Base

Tax collection can only be done to taxpayers who have registered or already have Taxpayer Identification Number (NPWP). Therefore the activity of tax collection always begins with the registration of the taxpayer first. From these activities the tax authorities can find out what the object of the tax and who the taxpayer. In addition, the government can also determine the revenue target of the tax sector.

The amount of boarding house taxpayers who has already registered is increase every year. In 2018, the amount of registered taxpayer in the category of boarding house tax is 855. Although the number of registered taxpayers is always increasing but the tax contribution from the boardinghouse tax does not always

meet the target. This is in line with the statement of Mr. Nanang Sweist S. Ab when interviewed, he said:

“Kalau untuk pajak hotelnya selalu mencapai target, tapi kategori rumah kos tidak. Ya meskipun setiap tahun selalu mengalami peningkatan jumlah WP bahkan sampai tahun ini ada 855 wajib pajak rumah kos, tapi gak semuanya membayar rutin. Ada beberapa rumah kos yang setelah didata dan diberi NPWPD terus tidak pernah laporan sama sekali, kan sifatnya self assessment. Kalau self assessment mereka tiap bulan melaporkan berapa omsetnya. Makanya tahun 2017 lalu target pajak untuk kategori rumah kos tidak tercapai.” (Interview dated March 22nd, 2018 at 10.20 in Work Office of Local Tax Service Agency)

“Hotel taxes always reach the target, but the boardinghouse category does not always reach the target. Although every year the number of taxpayers always increased even up to this year there are 855 taxpayers of boarding house, but not all of them pay routinely. There are several boarding houses after being recorded and given Local Taxpayers Identity Number but afterwards never report at all, according to the self assessment system. Based on self assessment then it should report monthly turnover amount every month. This is what causes in 2017 the tax target for the boardinghouse category is not reached.” (Interview dated March 22nd, 2018 at 10.20 in Work Office of Local Tax Service Agency)

Based on the interview quoted above can be seen that boarding house tax income from registered taxpayers not yet optimal. The self assessment system that used for all types of local taxes is one of the causes tax collection by Local Tax Service Agency cannot be optimal. Self assessment system is actually prone to abuse by taxpayers such as not reporting the actual turnover amount. Mr. Nanang Sweist S.Ab as the Head of Registration sub-division reveals the reason why self assessment system is prone to abuse, he is stating that:

“Sistem self assessment merupakan sistem baru yang diterapkan dalam pajak daerah, sebelumnya menggunakan sistem official assessment. Sistem ini masih rawan penyalahgunaan oleh wajib pajak mas. Terlihat dari karakter beberapa wajib pajak yang tidak jujur dalam melaporkan omsetnya perbulan. Misalnya kayak gini, kamar kos yang terisi ada 20 tapi yang dilaporkan cuman 9 atau tarif kamar kos sebenarnya Rp. 800.000/bulan tapi yang dilaporkan Rp. 500.000/bulan. Tapi ya, sistem ini lebih baik dari sistem official assessment, karena angka tunggakan menggunakan sistem ini

menurun.” (Interview dated March 22nd, 2018 at 10.20 in Work Office of Local Tax Service Agency)

“The self assessment system is a new system applied in local taxes, previously using the official assessment system. This system is still prone to abuse by taxpayers. This can be seen from the characters of some taxpayers who are not honest in reporting their monthly turnover. For example there are 20 boarding rooms filled but reportedly only 9 or the actual room rate of Rp. 800.000 / month but reported Rp. 500.000 / month. but this system is better than the official assessment system, because the number of arrears when this system applied is decreased.” (Interview dated March 22nd, 2018 at 10.20 in Work Office of Local Tax Service Agency)

The statement above explains why self assessment system is prone to abuse. But this system is much better than the official assessment (previous system). This is because the official assessment system set the amount of taxes that are too high so that taxpayers cannot afford and cause high rates of arrears.

Intensification needs to be done to always achieve the target of tax income in boarding house category. Expanding the revenue base as a tax intensification effort is done through taxpayer monitoring. Monitoring is conducted to ensure the taxpayer's report in accordance with the income obtained in order to minimize taxpayer fraud. This effort is perceived to be effective in expanding the base of tax revenue so that local taxes always meet the target. The following data is the target and realization of boarding house taxes in Malang:

Table 7. Boardinghouse Tax Realization Report of Malang City in 2015–2017

Period	Target	Realization	Percentage
2015	1.000.000.000	1.738.576.832	173.86%
2016	1.500.000.000	2.487.028.903	165.80%
2017	2.500.000.000	2.425.628.187	97.03%

Source: Local Tax Service Agency of Malang City

From the table above it can be seen that in 2015 and 2016 the target of Boarding House Tax is fulfilled. But in 2017 the target of boarding house tax cannot be met and the realization was decrease. Local tax revenues are influenced by reporting of the taxpayer income based on self assessment system, the decreasing amount of tax realization in 2017 due to the manipulation of data report by the taxpayers. So that if the reporting is honest then tax revenue will increase. Therefore monitoring of taxpayers should be more optimized. While the reason why the target in 2017 cannot be met because the target that determined in 2017 increase significantly from the target in 2016. The significant increase of targets is not followed by good and careful planning causing the target in 2017 not achieved.

In addition there is a change in the object of tax every month due to the addition and deduction of taxpayers. So the data needs to be improved every subsequent budget year. Changes that can be interpreted there are some tax object boarding house that stopped operating or new boarding house that started to operate. So the addition, expansion, or reduction of tax objects effect on the revenue base in every month.

2) Strengthen the Collection Process

Another way of tax intensification is done through strengthening the tax collection process. Strengthening tax collection process is done by changing the regulations and improving the quality of human resources. Regulatory changes are made in order to collect more taxpayers. While improving the quality of human resources (tax officer) is done to make the tax collection process can be more effective.

The law foundation of tax collection in Malang is Law No. 28 Year 2009 and Regional Regulation of Malang City Number 6 Year 2006. These regulations explain that boardinghouses with more than ten rooms will be subject to local taxes. The foundation of the regulation makes a bit of an obstacle in the effort to optimize tax boarding house. In order to strengthen the collection process, Local Tax Service Agency proposes revision on Law Number 28 Year 2009 on Local Tax and Retribution. This effort was explained by Mr. Samsul as the Staff of Sub-division of Monitoring, Evaluation, and Reporting:

“Peraturan daerah mengikuti peraturan pusat soal kamar kos diatas sepuluh kamar baru dikenakan pajak. Ini terkadang menjadi hambatan buat kami, karena ada pengusaha kos yang merasa tidak adil karena ada tetangganya yang punya usaha kos beromset lebih besar tapi tidak kena pajak. Kalau dilihat dari sisi pemerintah kami juga merasa peraturan tersebut kurang adil karena realitanya ada rumah kos yang dibawah sepuluh kamar tapi beromset lebih besar dari yang 10 kamar atau lebih. Tentu hal ini perlu diperbaiki, agar bisa meningkatkan pendapatan pajak rumah kos. Kami juga sudah pernah mengusulkan revisi peraturan pusat tentang rumah kos tapi belum ditindaklanjuti.” (Interview dated April 2nd, 2018 at 14.20 in Work Office of Local Tax Service Agency)

“Local regulations are made in conformity with central regulations including tax withdrawals for boardinghouses with ten rooms above. Sometimes this regulation becomes an obstacle for us, because there are boardinghouses businessmen who feel unfair because there are other boardinghouses businessman who has profit higher but not taxable (under ten rooms). This regulation is also unfair if looked from government side, because the realities there are many boardinghouses with the rooms under ten with higher income. Obviously this regulation needs to be revised in order to expand the tax base and increase local revenue. We had been proposed to revise the regulation to the central government but have not followed up yet.” (Interview dated April 2nd, 2018 at 14.20 in Work Office of Local Tax Service Agency)

The development of human resources in the Local Tax Service Agency of Malang City is done through three main programs, namely Training, Technical Guidance, and Physical Development and Tax Collection Skill. This is in line with the statement of Mr. Nanang Sweist who stating:

“Jadi untuk meningkatkan kualitas sumber daya manusia disini umumnya sama seperti dinas lainnya. Diklat biasanya diselenggarakan dalam jangka waktu yang lebih lama, biasanya menginap dan ada kegiatan outbond. Kalau BIMTEK (bimbingan teknik) waktunya lebih singkat dan temanya khusus seperti pemeriksaan pajak. Terakhir dari internal BP2D sendiri yaitu pembinaan fisik dan keterampilan untuk pemungut pajak.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Programs to improve the quality of human resources in here are generally the same as other agencies. The most common program is training, it is done in a longer period of time. While the technical guidance (BIMTEK) is held in shorter period than the training and usually BIMTEK has specific material such as tax audit. The last human resources development program is physical development and tax collection skills held by internal of Local Tax Service Agency.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

BIMTEK usually is done to give specific training to the tax officer so that they can do their job without any obstacle. Local Tax Service Agency invites the professional person from certain institution such as Finance Ministry, Indonesia Audit Board, and etc to give training toward its officer.



Figure 8. BIMTEK in Local Tax Service Agency

Source: Local Tax Service Agency

Physical and skill development programs are conducted to maintain and improve the physical, intellectual and mental quality of tax collectors. Every

Friday the tax officers are required to doing exercise in the morning. Usually in sports sessions, the Local Tax Service Agency invites instructors from the Indonesian National Army (TNI) or professional instructors. This activity is believed to increase the spirit and compactness of tax officials in carrying out their duties. This is proven by the increase in income of the Local Tax Service Agency of Malang is very large that is about 120 billion. In 2013 the revenue of the Local Tax Service Agency is only 120 billion, a year later it has more than 300 billion (Local Tax Service Agency, 2017).

Besides the program mentioned above, there is spiritual building. This is in line with the statement of Mr. Mr. Nanang Sweist that stating:

“Kota Malang dibawah kepemimpinan Abah Anton mempunyai tujuan untuk menjadi kota bermartabat. Kegiatan pembinaan spiritual dilakukan dengan pembacaan al-quran setiap selasa dan kamis di mushola kantor Badan Pelayanan Pajak Daerah Kota Malang. Selain itu ada program dzikir bersama setiap tiga bulan sekali. Biasanya masyarakat juga diundang untuk datang. Pembinaan spiritual dilakukan untuk membina emosi dan spiritual para pegawai pajak sehingga terbentuk karakter yang jujur dengan emosi stabil.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Malang City under the leadership of Abah Anton has a goal to become a dignified city. Spiritual guidance activity is done by reading al-quran every Tuesday and Thursday in mushola of Local Tax Service Agency of Malang City. In addition there is a joint dhikr program every three months. Usually people are also invited to come. Spiritual guidance is done to foster the emotional and spiritual taxpayers to form an honest character with stable emotions” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Honest officials will greatly affect the tax revenue of Malang. This is because the number of cheating tax officials decreased, such as corruption. Through this program the Local Tax Service Agencies become pilot as an institution with integrity in Malang.

3) Improve Oversight and Enforce Law

Intensification carried out by the Local Tax Service Agency of Malang City is also done through some efforts to enforce taxpayers who violate regulations. This way is done through improves supervision and provides appropriate sanctions in order to create a deterrent effect. Sanctions for taxpayers who are late to report their income will be fined 20% of taxes. Meanwhile, the sanction for taxpayers who are late paying taxes is fine 2% of the tax imposed.

There are several programs that aim to make the taxpayers more discipline to pay tax. The programs are explained by Mr. Solikhin as the Head of Supervision Sub-division:

“upaya yang kami lakukan untuk meningkatkan fungsi pengawasan dan penindakan terhadap wajib pajak adalah melalui pembentukan sidak dadakan (operasi). Operasi sadar pajak biasanya kami lakukan berkolaborasi dengan beberapa instansi, seperti satpol pp, kepolisian, Badan Pelayanan Perizinan Terpadu (BP2T), dan lain sebagainya. Selain itu ada Operasi Gergaji, tapi ini khusus untuk penindakan kategori pajak reklame. Operasi ini kami lakukan untuk menindak wajib pajak yang melanggar aturan. Biasanya sih yang melanggar akan kami segel tempat usahanya. Seringkali mereka langsung bayar hari itu juga ke kantor. Operasi ini efektif karena sekali mengadakan operasi kami bisa memungut dana ratusan juta rupiah.” (Interview dated April 2nd, 2018 at 15.25 in Work Office of Local Tax Service Agency)

“Our efforts to improve monitoring and enforcement functions to taxpayers are through formation of task force for increasing local taxes which consist of 20 tax officer from different division in Local Tax Service Agency. Impromptu. In addition Local Tax Service Agency also held inspection (operation). Tax-aware operations are usually done in collaboration with several agencies, such as Police Officers, Public Order Enforcers, Integrated Licensing Service Agency (BP2T), and so forth. In addition there is *Operation Gergaji*, but this is specific for the repressing action of the advertisement tax category. This operation we do to crack down on taxpayers who violate the rules. Usually taxpayers who violate the rules will be sanctioned by sealing their business office. Those exposed to sanctions usually pay a fine at that time to the office of the Regional Tax Service Agency. This operation is effective because once the operation we can collect hundreds of millions of rupiah” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Besides the impromptu inspection program (operation), Local Tax Service Agency of Malang City also makes corporation with Mass Media as a control system who can give deterrent effect. In the books of *40 Jurus BP2D Badan Pelayanan Pajak Daerah Kota Malang* is explained that mass media role to expose the boarding house owner who violate the regulation. By exposing the owner of boardinghouse who doesn't pay the tax or do other violation of tax law in mass media, the public will know them so it is expected that they will feel ashamed. In addition mass media role has significant impact both in short-term and long-term. In short-term impact, the taxpayers who violate the regulation directly pay the fine because of afraid if their name will appear mass media. In the long-term impact, it will spread message to other boarding house owner in order to obey tax regulation.

Another form of sanction is sticking sticker as the mark that the owner violate the regulation (late paying taxes or others). Mr. Solikhin as the Head of Supervision Sub-division stating that:

“Pemilik kos-kosan yang menunggak pajak akan kami beri peringatan sesuai prosedur agar segera membayar. Kalau setelah diperingatkan tidak ada respon maka akan dipasang stiker atau bahkan disegel. Tunggakan pajak yang tinggi dipengaruhi oleh kesadaran wajib pajak yang rendah. Kalau dalam kategori pajak rumah kos, wajib pajaknya lebih banyak yang patuh dibandingkan dengan wajib pajak di kategori pajak lainnya. Tapi ya tetap dari bagian pemeriksaan ada sidak mendadak yang tujuannya random sebagai sampling apakah laporan dan realitanya sesuai atau tidak. Kalau ditemukan masalah atau pelanggaran sebisa mungkin kita cari solusi yang tidak memberatkan wajib pajak.” (Interview dated April 2nd, 2018 at 15.25 in Work Office of Local Tax Service Agency)

“The owner of boarding house who delinquent taxes will be warned in accordance to the regulation to immediately pay. If there is no response after being warned, it will be fitted stickers or even sealed. High tax levies are influenced by low taxpayer awareness. If in the tax category boarding house, taxpayers are more obedient than the taxpayer in other tax categories. But the supervision sub-division still held a sudden check randomly as a

sampling to check whether the report and the reality are appropriate or not. If we find a problem or violation as much as possible we find a solution that is not burdensome taxpayers.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Sticking stickers are done to mark the boarding house that does not pay taxes, otherwise sticking stickers will also give shame effect to the boarding house owner. This action is claimed by Local Tax Service Agency as the effective way to reduce the number of taxpayer who delinquent tax, because no longer after the sticker was attached the owner will pay their tax.

Besides the Tax-aware Operation, Local Tax Service Agency also do *Operasi Gabungan (OSGAB)*. *OSGAB* is held through corporation with some institution such as National Anti-narcotics Agency (BNN), Police Officer, Integrated Licensing Service Agency (BP2T), and so forth. This operation almost same as the tax-aware operation, but in the implementation of *OSGAB* the focus not only on tax audit but also other things such as drugs, licensing, and so forth. In this operation Local Tax Service Agency will give appreciation toward the taxpayer who obeys the tax regulation. If found violations in the tax context then will be given a deceive action starts from mild sanctions such as reprimands and sticking stickers until to a stern warning in the form of business sealing by the team from Local Tax Service Agency. (Local Tax Service Agency, 2017)

4) Improve Administrative Efficiency and Reduce Collection Cost

Administrative process in an agency can determine the quality of public service. Local Tax Service Agency of Malang tried to make a better public service by making the simple and efficient administrative process. One of the efforts that have been made is to create an e-tax system. Malang is the first city in Indonesia which implemented e-tax. This system makes the administrative process easier so

the amount of tax revenue increases significant. But the e-tax system only service three category of tax, they are hotel tax, restaurant tax, and parking tax. (Local Tax Service Agency, 2017)

Local Tax Service Agency of Malang is also makes Technical Executing Unit in every district. Technical Executing Unit is made to makes the taxpayer easier access it when they need to fix tax file. Besides that it is also aim to maximize the performance of Local Tax Service Agency to register the tax object that doesn't have Tax Identification Number. This is in line with the statement of Mr. Nanang Sweist:

“UPT Kecamatan baru dibuka per 1 Januari 2017 mas. Lokasi kantornya berada satu area dengan kantor kecamatan. Jadi disetiap kecamatan ada petugas dari Badan Pelayanan Pajak Daerah yang bertugas untuk melayani wajib pajak. Setiap UPT juga sudah ditunjang dengan fasilitas yang memadai. Dengan adanya UPT di setiap kecamatan masyarakat yang mau mengurus pajak daerah tidak perlu dilakukan disini (kantor pusat) melainkan cukup datang ke UPT terdekat. UPT juga bisa lebih dekat dengan masyarakat supaya bisa lebih menjangring WP yang belum terdaftar.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Technical Executing Unit in every district was opened in January 1st, 2017. The location of its office is placed in the same area of the district office. So in every district there is some officer from Local Tax Service Agency who had a job to give service to taxpayer. By the existence of Technical Executing Unit in every district, the people who want to get local tax service doesn't need to comes to the central office but they can do it in the nearest Technical Execution Unit. Technical Execution Unit makes Local Tax Service Agency closer to people so we can collecting more data of taxpayer who doesn't register themselves.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Besides Technical Execution Unit in every District, Local Tax Service Agency also makes payment point in many places such as in District Office, *Kelurahan* office, and Land Affair Office. This program is aim to makes people

easier to pay their tax so the local revenue can increase significantly. Payment Points is so effective to increase the tax revenue which explained by Mrs. Ni Luh:

“Penerapan Payment Point mendapat sambutan yang baik dari masyarakat. Ketika kami melakukan evaluasi, system ini mendongkrak secara signifikan pendapatan daerah. Sistem ini sangat membantu masyarakat dalam pembayaran pajak. Kedepannya kami bersama Bank Jatim akan memperbanyak lokasi Payment Point dibeberapa ruang public sehingga dapat semakin lebih dekat dengan masyarakat.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“The implementation of Payment Point received a good response from the public. When we do an evaluation, this system significantly boosts regional revenue. This system is very helpful for people to pay taxes. In the future we will hand in hand with Jatim Bank to multiply the location of Payment Point in some public space so that it can be closer to the community.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

Local Tax Service Agency has a strong commitment to fix its performance by making many innovations to increase local revenue. Payment Point as its innovation proven can boost Local Tax Service Agency performance so they can reach the tax target until 105.2% in 2015 since the Payment Point system had been implemented. (Local Tax Service Agency, 2017)

Local Tax Service Agency of Malang City shows its seriousness in easing the administrative process and tax payment. In addition to making payment points and Technical Executing Unit in each district to reduce the cost of the taxpayer, Local Tax Service Agency of Malang launched the Multifunction Tax Car Program. The function of this car is explained by Mrs. Ni Luh:

“Kami punya progam namanya Mobil Pajak Multifungsi. Mobil Pajak Multifungsi akan keliling untuk melayani masyarakat diseluruh penjuru Kota Malang. Kami ingin melakukan kerja efektif dan efisien melalui sistem jemput bola sekaligus memberikan layanan ekstra bagi masyarakat utamanya wajib pajak sehingga mereka bisa membayar pajak dengan lebih mudah. Mobil Pajak Multifungsi tidak hanya melayani pembayaran pajak, tapi juga mengedukasi masyarakat tentang pajak daerah melalui video

singkat dan penjelasan rinci dari petugas.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“We have a program called the Multifunctional Tax Car. Multifunctional Tax Car will be around to serve people all over Malang. We want to work effectively and efficiently through proactive system while providing extra service for the public especially for the taxpayers so they can pay taxes more easily. Multifunctional Tax Cars not only serve tax payments, but also educate the public about local taxes through short videos and detailed explanations from officers.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

Local Tax Service Agency seeks to make administrative servicing simple and effective through its program. In addition, the Local Tax Service Agency also seeks to make the tax payment process easier. One of the efforts that have been made is to make the tax payment system through account transfer (via bank). This system also called as Tax Banking is also explained by Mrs. Ni luh as the Head of Data Collection Sub-divission:

“Bayar pajak sekarang via transfer mas, jadi petugas pajak dilarang untuk menerima uang tunai dari wajib pajak. Selain untuk mempermudah wajib pajak, pembayaran via transfer ini juga untuk menghindari korupsi. Pembayarannya ke Bank Jatim sebagai pihak yang mengelola kas daerah. Pembayaran via transfer untuk semua pajak daerah ini dilakukan pada rekening yang beda-beda tergantung jenis pajaknya, tujuannya aga mempermudah pengelolaannya.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“Tax payments are made via transfer so that the tax officer does not receive cash from the taxpayer. In addition to facilitate the taxpayer, payment via transfer is also to avoid corruption. Payment for local tax is done by taxpayers transfer to Jatim Bank as the party that manages the local treasury. Payment via transfer for all local taxes is done on accounts that vary depending on the type of tax, the goal is to facilitate the management.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

7 types of local taxes payable through Jatim Bank accounts include: Hotel Tax, Restaurant Tax, Entertainment Tax, Advertising Tax, Street Lighting Tax, Parking

Tax, and Ground Water Tax. Through transfer system for tax payments makes people doesn't need to come to central office for it.

Table 8. Local Tax Payment Account Number via JATIM Bank

Types of Tax	Account Number
Hotel Tax	00410 8133.3
Restaurant Tax	00410 8198.8
Entertainment Ta	00410 8106.6
Advertising Tax	00410 8115.5
Street Lighting Tax	00410 8124.4
Parking Tax	00410 8189.9
Ground Water Tax	00410 8142.2

Source: Local Tax Service Agency of Malang City

Not only the payment system going to be simple but also the administrative report is simple. The administrative report includes report of the profit per month and report of the payment. Mr. Nanang Sweist explained the simple way of administrative report:

“Sekarang system pelaporan sudah menjadi lebih mudah. Kami melayani pelaporan via sms, chat WA, ataupun email. Jadi masyarakat yang mau melaporkan omsetnya untuk selanjutnya diterbitkan SPTPD. Setelah membayar pun juga bisa melaporkan dengan kirim bukti transfer ke email. Sehingga masyarakat tidak perlu jauh-jauh datang kesini (kantor BP2D).” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Now the reporting system has become easier. We serve reporting via short message (sms), chat through *WhatsApp* application (WA), or email. So the people who want to report the turnover for the next SPTPD published. After paying the tax also can report by sending proof of transfer to our email. So they do not have to come all the way here (Local Tax Service Agency office).” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

All forms of convenience are claimed to increase local revenue from the tax sector. Through that innovation of service Local Tax Service Agency try to decrease the obstacles to increase the tax compliance.

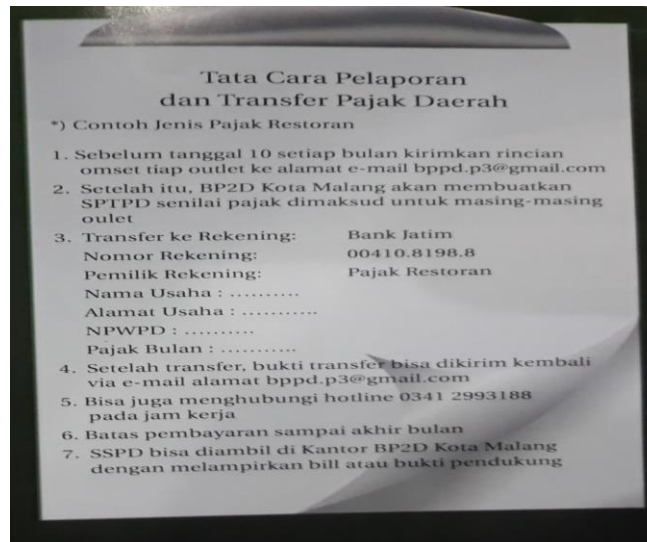


Figure 9. Procedure of Transfer Payment Report of Local Tax

Source: Local Tax Service Agency

Besides the program mentioned above, Local Tax Service Agency also have incidental program to boost the local tax revenue, this program is called *Operasi Simpatik*. This program is done by making collaboration with other agency when the Mayor of Malang do *Blusukan* to gain aspiration from the community. When *Operasi Simpatik* is done, Local Tax Service Agency will invite Jatim Bank to open Payment Point in certain area so the society can access it easier. Besides open the Payment Point, Local Tax Service Agency also giving tax service to people. In this program, the Mayor of Malang also giving basic needs to the poor society. (Local Tax Service Agency, 2017)

5) Improve the Capacity of Revenue through Better Planning

The capacity of local revenue can be improved through good planning. Good planning can be done by enhancing cooperation and coordination with other agencies. Regional Tax Service Board has some cooperation with other institution to intensify tax.

Cooperation between Regional Tax Service Agencies with other agencies is conducted in several programs with different objectives. One of them is

cooperation with Jatim Bank done to facilitate the process of tax payment and local financial management. This is also explained by Mr. Nanang Sweist:

“Kalau kerjasama dengan Bank Jatim akan terus ditingkatkan, karena tax banking itu sangat efektif untuk menarik pajak dari WP makanya kedepan kami punya rencana untuk membuka payment point lebih banyak di tempat publik. Selain itu tax banking yang dilakukan dengan Bank Jatim juga ditujukan untuk menerapkan rencana Walikota Malang untuk mewujudkan instansi pemerintahan yang menerapkan prinsip transparan, fairness, dan akuntabel.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“The cooperation with Jatim Bank will continue to be improved, because tax banking is very effective to collect tax from WP so in the future we have plans to open more payment point in public place. In addition, tax banking conducted with Bank Jatim is also intended to implement the plan of Mayor of Malang to realize the government institutions that apply the principles of transparent, fairness, and accountable” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Based on the interview above, it can be known that the planning of Local Tax Service Agency and Jatim Bank is to make the payment system easier. Local Tax Service Agency hand in hand with Jatim Bank makes a good plan to make more payment point in many public places.

Local Tax Service Agency of Malang City has cooperation with Malang Police officer (POLRES) and Attorney of Malang. This cooperation is part of the Regional Tax Service Agency's plan to make compulsory taxpayers become more disciplined. The form of cooperation is explained by Mr. Solikhin as follows:

“Kerjasama dengan Polres dan Kejaksaan itu bagian dari rencana kami untuk penindakan. Setelah adanya kerjasama dengan Polres, maka Polres Kota Malang akan menurunkan anggotanya ketika kami melakukan Operasi Sadar Pajak. Kalau kerjasama dengan Kejaksaan dilakukan dalam proses pemeriksaan dan penagihan wajibpajak yang tidak patuh. Dalam hal ini, Kejaksaan akan menerima Surat Kuasa Khusus (SKK) dari Badan Pelayanan Pajak Daerah sehingga dapat mewakili negara untuk melakukan penagihan paksa. Tapi sejauh ini untuk kategori pajak kos belum pernah ada kasus yang sampai dilimpahkan ke kejaksaan.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Cooperation with the Police and the Attorney is part of our plan for prosecution. After the cooperation with the Malang Police officer was made, then Malang Police officer will send its members when we do the *Operasi Sadar Pajak*. The cooperation with the Attorney is done in the process of inspection and press a claim to taxpayers who are not obedient to the law. In this case, the Attorney of Malang City will receive a Special Power of Attorney from the Local Tax Service Agency so that it can represent the state to perform forced collection. But so far for the Boardinghouse Tax category has never been a case that until delegated to the Attorney of Malang City.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

The cooperation of Local Tax Service Agency with several other agencies performed in accordance with the duties and functions of the institution with the plans that have been made by the Regional Tax Service Agency. Such cooperation with Jatim Bank is done for the management of local finance and tax payment system. The process of prosecution and operation is done through cooperation with Malang Police officer and Malang Attorney. Cooperation is also done to alleviate the work of the Regional Tax Service Agency in carrying out its duties.

As an institution that manages finances, transparency is an important thing to do. Transparency is done to increase public trust to Local Tax Service Agency. Public trust is important to be improved because it will affect the level of awareness of taxpayers. Therefore the Local Tax Service Agency has cooperation with Mass Media. This is in line with the statement of Mrs. Ni Luh:

“Kerjasama dengan media massa untuk membangun keterbukaan informasi publik. Memang tujuan utama kami adalah membangun kepercayaan masyarakat, tapi ternyata kerjasam dengan media terus berkembang bahkan program baru yang kami luncurkan pun langsung bisa dimuat diberbagai media, seperti Sunset Policy, e-Tax, dan lain-lain. Melalui pemberitaan oleh media tentang program baru kami membuat masyarakat lebih sadar tentang pentingnya pajak. Cara ini juga efektif untuk sosialisasi program baru sehingga program tersebut dapat berjalan sesuai ekspektasi.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“Cooperation with mass media aims to build public information disclosure. Our main goal is to build public trust, but in fact the cooperation with the media continues to grow even new programs that we launched can be

directly published in various media, such as Sunset Policy, e-Tax, and others. Through media coverage of the new program we make people more aware of the importance of taxes. This method is also effective for the socialization of new programs so that the program can run as our expectation.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

In addition, cooperation with the media is also done to publish the names of taxpayers who violate regulations to give effect to shame. This is done when running *Operasi Sadar Pajak* program.

In addition to the above cooperation, the Regional Tax Service Agency also has cooperation to improve the performance and service. The Local Tax Service Agency also works with the Auditor Team of the East Java Finance and Development Supervisory Board (BPKP). Together with the Financial and Development Supervisory Agency, the Local Tax Service Board plans to improve the quality of public services through good financial accountability. The form of cooperation with the Financial and Development Supervisory Board comprises three activities, namely the tax audit module, tax audit accompaniment to the taxpayer and the audit of the State Civil Apparatus as well as technical guidance on tax audit. (Local Tax Service Agency, 2017)

b. Extensification of Boardinghouse Tax

Local Tax Service Agency of Malang City does extensification with the purpose to to increase the number of taxpayers to increase revenue Malang. In addition, extensification has the purpose to improve tax administration and improve taxpayer compliance. In order to increase the number of taxpayers in boarding house category, the implementation of extensification must be in

accordance with the rules that the boarding house taxpayers are the owners of boarding houses with ten rooms or more.

Boardinghouse tax began to apply in Malang City at the end of 2013. The number of boardinghouse taxpayers always increase every year. This is explained by Mrs. Ni Luh as the Head of Data Collection Department:

“Pajak kos-kosan di Kota Malang mulai berlaku pada akhir tahun 2013. Berlakunya pajak kos-kosan ini sejak walikotanya itu Abah Anton, sebelumnya tidak diberlakukan. Meskipun masih baru tapi pajak kos-kosan ini terus kami optimalkan melalui sosialisasi yang masif makanya jumlah selalu meningkat tiap tahunnya.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“Boardinghouse tax was started to applied at the end of 2013. The implementation of boardinghouse tax started to be applied in the era of *Abah Anton* (the Major of Malang City). Although the boardinghouse tax is a new tax to be implemented in Malang but we make it as my focus to be optimized through massive socialization so the number of its taxpayers always increase every year.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

Mrs. Ni Luh statement above is supported by the data below from Local Tax Service Agency which show that the number of boardinghouse taxpayers increasing every year.

Table 9. The Number of Boardinghouse Taxpayers

No.	Year	Number of Boardinghouse Taxpayers
1.	2013	58
2.	2014	620
3.	2015	697
4.	2016	758
5.	2017	845

Source: Local Tax Service Agency

The increasing of boardinghouse taxpayers every year due to the massive effort of Local Tax Service Agency does extensification. Local Tax Service Agency does extensification through socialization, collecting data from *RT/RW*, and field data collection by officers from the Local Tax Service Agency. The

efforts made by the Local Tax Service Agency to carry out extensification continue to be improved based on the evaluation conducted so that its implementation can be optimal.

Boardinghouse tax socialization is done as a form of government effort to increase local revenue. Socialization includes the introduction of regulations on boardinghouse taxes, taxpayer registration fees, and how to pay taxes. This socialization aims to inform the public that boardinghouse entrepreneur who has more than ten rooms charged tax so that it is expected to raise awareness from the community about boardinghouse taxes.

Socialization needs to be done massively because in reality most of the people and taxpayers do not know about the existence of regulations that regulate taxes boarding house. Many people also do not know that boarding house tax has the potential to provide a huge number of incomes for the Local Revenue of Malang City. There are several programs implemented to socialize the tax on boarding houses in Malang. One of them is people hiring in every sub-district and seminar to inform and explain about tax regulation of boarding house and its implementation. Here is a statement from Mrs. Ni Luh on socialization activities as part of extensification:

“Dalam memberikan sosialisasi peraturan daerah, Badan Pelayanan Pajak Daerah telah mengadakannya dalam bentuk hiring masyarakat di setiap kecamatan dan mengadakan seminar yang mengundang pengusaha rumah kos agar mereka mengetahui peraturan daerah yang mengatur tentang pajak rumah kos dan implementasinya. Pelaksanaan sosialisasinya pun telah sesuai dengan peraturan yang berlaku.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

“In providing socialization of local regulations, the Local Tax Service Agency has held it in the form of people hiring in every sub-district and held seminars that invite the boardinghouse entrepreneurs so that they know the local regulations that regulate the tax on boardinghouses and its

implementation. Implementation of its socialization has been in accordance with applicable regulations.” (Interview dated April 2nd, 2018 at 13.10 in Work Office of Local Tax Service Agency)

Besides to aiming for the community and taxpayers to know the local regulations on boardinghouse taxes, socialization is also held to build public awareness about the importance of paying taxes. Because in the socialization is not only explained about the local regulations but also explained about the role and function of tax. This socialization received a positive response from the community evidenced by the awareness of taxpayers who increased in line with the socialization. It makes Local Tax Service Agency is able to optimize the tax revenue of boarding houses so that regional revenue also increases.

Local Tax Service Agency conducted a massive socialization through several other excellent programs such as tax goes to school, tax goes to campus, tax goes to *kampung*, and tax goes to mall. These programs aim to socialize local taxes in public places. Tax go to school and tax goes to campus aims to provide education about taxes with the expectation of embedded tax-conscious attitudes and can spread positive impacts to the parents of students as taxpayers. Meanwhile the tax goes to *kampung* program and tax goes to mall aims to target taxpayers directly by opening a payment booth and tax consulting. These programs are conducted in creative way with various activity to attract people to join in the tax event. Here is a statement from Mr. Nanang Sweist on socialization activities as part of extensification:

“Program edukasi yang telah kami laksanakan yaitu ada Tax Goes to Mall, TaxGoes to Campus, Tax Goes to Kampung, dan Tax Goes to School. Program Tax Goes to Mall dilaksanakan dengan Sing Competition agar menarik minat masyarakat untuk datang dan berpartisipasi. Sing Competition yang diadakan yaitu lomba cipta jingle pajak yang pesertanya adalah wajib pajak. Jadi saat mendaftar peserta diwajibkan bayar pajak

dulu on the spot. Program Tax Goes to Campus sudah pernah kita laksanakan di Universitas Brawijaya dan mendapat sambutan positif dari Pak Rektor. Sedangkan untuk Tax Goes to School sudah pernah diadakan di SMAN 4, SMAN 3, dan SMAN 1. Tujuan kami mengadakan sosialisasi dan edukasi di kampus dan sekolah adalah memberikan pengetahuan tentang pajak sehingga generasi muda sudah sadar pajak.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Educational programs that we have implemented are Tax Goes to Mall, TaxGoes to Campus, Tax Goes to *Kampung*, and Tax Goes to School. Tax Goes to Mall program is implemented with Sing Competition to attract people to come and participate. Sing Competition held the competition is creating a tax jingle participants are taxpayers. So when registering participants are required to pay taxes first on the spot. Tax Goes to Campus program we have done in Universitas Brawijaya and got positive response from Mr. Rector. While for Tax Goes to School has been held in SMAN 4, SMAN 3, and SMAN 1. Our goal held socialization and education on campus and school is to provide knowledge about taxes so that the young generation is aware.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Local Tax Service Agency also socializes the program through social media and print media, In addition Regional Tax Service Agency also create a website with interesting content. Channels available on the website are very complete namely channels of products and services that contain public complaints, public information applications, legal products, local service standards, and tax rates. Other channels are announcement channels and procurement, profile, vision and mission and realization of local taxes. Enterprises of the Local Tax Service Agency to socialize taxes through social media received a positive response. This is evidenced by the number of responses to new policies that are socialized through social media so that the creation of effective interaction without face to face. (Local Tax Service Agency, 2017)

Another way of extensification by Local Tax Service Agency is collecting data from *RT/RW*. *RT/RW* as the lowest level of government administration is given a job by Local Tax Service Agency to collect data of boardinghouse in its

area. Every newly opened boarding house business must be licensed to RT / RW so that the Regional Tax Service Agency can know with certainty the increase and deduction of the taxpayer. Mr. Nanang Sweist explained this as follows:

“Pajak rumah kos kan masih tergolong baru, jadi untuk mensosialisasikan dan mendata wajib pajaknya perlu dukungan dari semua elemen masyarakat. Salah satu elemen masyarakat yang punya peran sentral adalah RT atau RW. Karena mereka yang lebih tahu kondisinya, sehingga kami mengajak RT dan RW untuk membantu mendata rumah kos yang ada di daerah masing-masing. Setelah didata oleh RT atau RW maka kami akan menindaklanjuti dengan melakukan pendataan lapangan sesuai data yang kami terima.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Boardinghouse tax is relatively new, so we need the support from all element of society to socialize and register the taxpayers. One element of society that has a central role is RT or RW. Because those who know better the condition of the environment, so we invite RT and RW to help us to collect the data of boardinghouse in their areas. After collected by RT or RW then we will follow up by doing field data collection according to the data we receive.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

The corporation with RT/RW is done to increase the number of taxpayer through direct data collection of boardinghouse with ten rooms or more. This way is effective to register the new taxpayers, because many boarding houses have no signage so it is hard to know by tax officials who do not understand the area.

In addition to working with RT / RW, the Local Tax Service Agency also has a team to conduct data collection directly to a region. This team performs regular data collection with the target of new tax object each week. The newly recorded tax object will be invited to register as a taxpayer. Mr. Nanang Sweist explained about the data collection from his team as follows:

“Kami memiliki petugas yang melakukan pendataan keliling untuk mencari dan menemukan objek pajak yang belum terdaftar sebagai wajib pajak. Setiap minggunya selalu ada wajib pajak baru yang terdaftar dari petugas kami. Kami melakukannya sesuai prosedur, kalau tim menemukan misalnya pengusaha kos yang belum terdaftar sebagai wajib pajak maka akan kami

beri undangan untuk melakukan pendaftaran, bila tidak merespon akan kami kirimkan undangan ke dua. Ketika undangan ke dua tidak direspon maka akan ditetapkan secara jabatan.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“We have officers who perform mobile data collection to search for and find tax objects that have not been registered as taxpayers. Every week there are always new registered taxpayers from our officers. We do it according to the procedure, for example our team found the owner of boardinghouse who have not registered as a taxpayer then we will give an invitation to register. If they not respond our first invitation we will send a second invitation. When our second invitation is not responded, so we will set the tax by a functional position.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

This way that described above is quite effective to increase the number of taxpayers every week. This is evidenced by the constant increase in the number of taxpayers every week although there is no target of a certain amount to be reached per week.

Extensification carried out by the Local Tax Service Agency described above is implemented in a planned manner and in accordance with applicable regulations. Regional Tax Service Agency has a strong commitment to optimize local revenue through taxes including one tax boarding house. The number of registered taxpayers has an effect on the regional income of the tax. Therefore many innovations for extensification are done to increase the number of registered taxpayers.

2. The Barriers of Boarding House Tax Collection

a. Lack of Awareness of Taxpayers

Factors that hamper the optimization of the boardinghouse tax are the lack of awareness of the taxpayer in paying the tax on time. Besides that boardinghouse taxpayers are lack of awareness to pay taxes in accordance with

the amount to be paid. Because in some cases taxpayers manipulate the data so that the tax rate paid is smaller than the amount of taxes that should be paid.

Many factors affect the taxpayer's awareness in paying taxes on a regular basis. In the context of tax boarding house, many taxpayers who do not pay tax on time due to not directly manage his boardinghouse business. Many boarding houses in Malang are managed by others (employees) from the owner of boarding house (taxpayer). Most employees who run a boarding house do not understand the tax obligations and the payment process so they are often late in paying. This condition was explained by Mr. Solikhin as the barriers of boardinghouse tax optimization:

“Kalau kendala dalam pemungutan pajak ya utamanya adalah kesadaran dari wajib pajak itu sendiri. Di Malang itu banyak rumah kos yang tidak dikelola pemiliknya langsung tapi dipasrahkan ke orang lain ya pegawainya gitu. Karena rata-rata pemilik rumah kos di Malang itu bukan orang malang, makanya dipasrahkan ke orang lain. Biasanya orang yang dipasrahkan ini tidak tahu menahu tentang kewajiban pajak. Biasanya ya kami jelaskan, kami beri surat pemanggilan untuk disampaikan ke pemilik kos. Kalau pun udah terdaftar menjadi wajib pajak, pengelola kos itu sering bingung gimana cara bayarnya, ya kami kasih pengarahan lagi. Kalau pemilik kosnya kooperatif pasti setiap bulan akan mengingatkan pengelola kosnya untuk membayar pajak.” (Interview dated April 2nd, 2018 at 15.25 in Work Office of Local Tax Service Agency)

“The main obstacle in tax collection is the awareness of the taxpayers themselves. In the city of Malang there are many boarding houses that are not managed by the owner but managed by others ie employees. Because there are many owners of boarding houses in Malang did not live in Malang, so managed by others. Usually employees who manage boarding house do not understand about tax obligation. Usually we give an explanation and we give a letter of invitation to register to become a taxpayer. If he is already registered as a taxpayer, other obstacles are the employees who manage the boarding house is often confused how to pay. To overcome this we usually give an explanation. If the owner co-operative then each month will remind the employee who manages his boarding house to pay taxes..” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

The lack of tax awareness from the taxpayer led to another obstacle of data manipulation to get a smaller tax bill than it should. The low awareness of taxpayers is influenced by ignorance about the importance of tax function. In addition, some of them also do not know about tax in the category boardinghouse.

b. Tax Evasion

Tax evasion or fraud committed by a boardinghouse taxpayer is manipulating profit details data to get a tax bill that is smaller than the amount of taxes that should be paid. Taxpayers often report a net profit when the reported one is gross profit so they get a smaller tax bill. These obstacles have been described by Mr. Nanang Sweist as follows:

“Jumlah wajib pajak rumah kos memang meningkat setiap tahunnya. Sebenarnya pendapatan pajak dari kategori pajak rumah kos memang sudah cukup baik, tetapi seharusnya masih bisa lebih baik lagi. Karena ketika kita melakukan sidak ada beberapa data keuntungan yang berbeda dari yang dilaporkan. Misal ada rumah kos dengan harga sewa kamar Rp. 800.000 per bulan tapi yang ditulis dalam laporan cuma Rp. 500.000 sehingga profit yang dilaporkan pun berbeda. Hal ini jelas berpengaruh sekali terhadap income Kota Malang. Biasanya mereka beralasan kalau yang dilaporkan adalah laba bersih setelah dikurangi oleh biaya air PDAM, biaya listrik, biaya keamanan, dan lain-lain.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“The number of boardinghouse taxpayers is increasing every year. Actually the tax revenue from the boardinghouse tax category is already quite good, but should still be better. Because when we do a field check there are some different profit data than reported. For example, there is a boarding house with a room rental price of Rp. 800,000 per month but written in the report is only Rp. 500,000 so the reported profit is also smaller. This is obviously very influential on the income of Malang. Usually they argue that what is reported is net profit after being deducted by PDAM water costs, electricity costs, security costs, etc.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

Taxpayers want to get maximum profit from their business therefore there is a lot of tax fraud. By reporting a low profit it will get a small tax bill so those boardinghouses get the maximum profit. Besides manipulating the data, there are

some boardinghouse owners who avoid becoming taxpayers by not lay a nameplate so that his business can not be detected. This condition is also an obstacle for tax officers to do extensification optimally.

Taxpayers who commit fraud is very influential on boardinghouse tax revenues. In 2017 boardinghouses tax can not reach the targets which have been set. If the fraud is reduced it will increase the tax object and increase tax revenue of boardinghouses.

c. The Unfair of Boardinghouse Tax Regulation

The legal basis for the execution of boardinghouse tax category is Law Number 28 Year 2009 regarding Local Tax and Levy. The law is explained that the tax is levied only for boardinghouses with more than 10 rooms. In addition, Law Number 28 Year 2009 also explains that local governments are not allowed to collect local taxes other than those stipulated in law. This means that the governments of Malang can not levied tax to the boardinghouse that has less than ten rooms to be rent.

Based on the conditions that have been described above, the government of Malang issued the Regional Regulation No. 16 of 2010 on hotel taxes in boardinghouse category. In line with Law Number 28 of 2009, the Boardinghouse Tax is levied on boarding houses that have more than ten rooms with a tax amount of 5% from the profit. This regulation has become one of the obstacles in optimizing the boarding house tax.

The regulation becomes an obstacle in the business optimization of boarding house taxes because it creates injustice in its implementation. Tax collection based on the number of rooms is considered doesn't reflect the

principle of fairness in tax. Because in reality many boardinghouses that have less than ten rooms but have a larger profit than the boardinghouses that have more than ten rooms. This explanation is stating by Mr. Solikhin:

“Kendala lain adalah peraturan tentang pajak rumah kos. Penarikan pajak yang dasarnya jumlah kamar itu tidak adil. Karena berdasarkan temuan di lapangan banyak rumah kos yang jumlah kamarnya dibawah sepuluh tapi omsetnya lebih besar dari yang rumah kos yang terdaftar menjadi wajib pajak. Apalagi yang rumah kos kamarnya lebih dari sepuluh itu kan belum tentu penuh juga. Kadang konfliknya itu muncul ketika pemilik rumah kos yang menjadi wajib pajak bertetangga dengan pemilik rumah kos dengan kamar dibawah sepuluh dengan omset yang lebih besar. Sering mereka tidak mau mendaftar menjadi wajib pajak atau membayar pajak rumah kos sebagai bentuk protes. Kami juga sudah pernah mengajukan ke pemerintah pusat untuk revisi UU Nomor 28 tahun 2009 bagian pajak rumah kos agar lebih mencerminkan prinsip keadilan dalam pajak.” Interview dated April 2nd, 2018 at 15.25 in Work Office of Local Tax Service Agency)

“Another obstacle is the tax regulation of boardinghouses. Tax collection based on the number of rooms is not fair. Because based on facts, many boarding houses that the number of rooms under ten but the profit is greater than the boarding house registered taxpayer. Moreover, the boardinghouses which have more than ten rooms that's not that's not necessarily all the rooms filled. Sometimes the conflict arises when the owner of the boarding house who becomes a taxpayer in the same area with the owner of a boarding house with rooms under ten who have a larger profit. They often do not want to register as a taxpayer or pay boardinghouse taxes as a form of protest. In order to solve this problem we have also propose to the central government for the revision of Law No. 28 of 2009 about boardinghouse tax to better reflect the principle of fairness in taxes.” (Interview dated April 2nd, 2018 at 15.25 in Work Office of Local Tax Service Agency)

The regulation makes boardinghouse taxpayers awareness goes down. This happen because the regulation makes conflict among boardinghouse owner in the same area. Even there is a chairman of certain *Rukun Tetangga (RT)* who asked to Local Tax Service Agency to list all of boardinghouse owner in his area as a taxpayer without considering the number of rooms so the conflict between the owner of boardinghouse in his area can be avoided.

Another obstacle that arises is the regulation becomes an obstacle for the Local Tax Service Agency to expand its tax base. Because the Local Tax Service

Agency can not impose a tax on boardinghouses that have rooms under ten. Whereas in Malang City there are many boardinghouses that have rooms under ten with exclusive facilities that have a profit. Mr. Nanang Sweist explains this condition as follows:

“Dalam melakukan ekstensifikasi kami mendata objek-objek pajak yang potensial. Kami melihat sebenarnya banyak rumah kos yang beromset besar tapi tidak bisa dikenakan pajak karena memiliki jumlah kamar kurang dari sepuluh. Sebenarnya sungguh disayangkan tidak bisa dikenakan pajak padahal sangat berpotensi untuk meningkatkan pendapatan Kota Malang. Menurut saya akan lebih baik dan lebih adil jika jumlah omset yang dijadikan dasar dikenakannya pajak terhadap objek pajak rumah kos bukan jumlah kamar. Seharusnya bisa disamakan seperti konsep pajak restoran yaitu dasarnya adalah omset. Jadi akan lebih adil untuk wajib pajaknya dan akan lebih mudah bagi kami untuk melakukan ekstensifikasi.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

“Extensification is done by listing potential tax objects. We argue that in fact many boarding houses have large turnover but can not be taxed because they have less than ten rooms. Actually it is unfortunate can not be taxed when it is potentially to increase revenue of Malang. I think it would be better and fairer if the amount of profit is used as the basis of tax imposed on boardinghouse tax object not the number of rooms. It should be likened to the concept of restaurant tax that is the basis of tax imposed is the profit. So it would be fairer to the taxpayer and it would be easier for us to do extensification.” (Interview dated March 26th, 2018 at 16.36 in Work Office of Local Tax Service Agency)

When the Law Number 28 of 2009 on the boarding house tax has been revised, it will give a positive impact on local tax revenues. The revision of the law will also make the principle of fairness of tax will be more upheld. In addition tax officers are also more flexible in doing extensification that will increase the revenue from the tax sector.

D. Data Analysis

1. The Optimization of Boarding House Tax to Increase Local Own Revenue

The implementation of regional autonomy makes the local government get the authority to manage its region. In the regional autonomy concept, Local governments are expected to be more capable to seek financial resources especially to meet the needs of government finance and regional development through local own-source revenue. When a city or a municipality has high Local Own-Source Revenue, the service and regional development will be better so that it will have a positive impact on the welfare of the community.

Therefore, local governments need to optimize the potential of the region to increase its Local Own-source Revenue. Boardinghouse tax is one of the potential financial resources that need to be optimized by the local government of Malang City to increase the Local Own-source Revenue. Optimization is done through tax intensification and extensification. The intensification and extensification that has been done by local government of Malang City through Regional Tax Service Agency will be analyzed as follows:

a. Intensification of Boardinghouse Tax

1) Expanding the Revenue Base

One of the ways to increase revenue from taxes is through the expansion of the revenue base. Expansion of tax base in the short term that can be done is to intensify the existing object or source of existing revenue through the calculation of the potential with the preparation of potential database information system. In order to expand the base of tax revenues, the Local Tax Service Agency shall

update the data of taxpayers and the data of potency, and assess the tax collection system.

Taxpayer data update is done to know the number of taxpayers that have been registered. This is done because the number of taxpayers can increase or decrease. Registration and data collection activities conducted by the Regional Tax Service Agency increased the number of taxpayers. Based on the results of interviews, registration activities and data collection taxpayer by the tax officer performed every week to increase the number of taxpayers. However, the reduction in the number of taxpayers can also occur due to the number of entrepreneurs of boardinghouse created competition causing some entrepreneurs of boardinghouse is not able to survive.

Data of potential is updated to find out the potential tax that can be optimized so that it can predict the tax ability to support local revenue. Estimation of potentials through the preparation of a database formed and arranged from variables that reflect each type of revenue (tax, levy and other receipts) so that it can describe the potential condition of a type of revenue. So the update of taxpayer data and potency data is important to be done to determine the source of income from tax so the prediction of regional income in a year can be made. When this is done well it will simplify the planning process.

Updating activities of taxpayer data and potential data conducted by the Local Tax Service Agency has been in accordance with the applicable taxation concept of profiling. Prasetyo (2016: 66) explained that profiling is a series of data and fiscal information of each taxpayer contains the identity, business activities, and tax history of the taxpayer on an ongoing basis. Profiling is

performed to present information that can be used by the tax authorities to analyze, measure risk levels, and oversee taxpayer compliance. Through this activity tax authorities can make a better recognition and identification of the taxpayer so they are expected to be more intensive in conducting supervision, extracting potential and giving better service.

Another activity that done by Local Tax Service Agency to expand the tax base is assesses the tax collection system. Based on the interviews result, tax collection system conducted by the Local Tax Service Agency of Malang is using self assessment system. The tax officer also explaining that every tax payers should register themselves to get Tax Identification Number. After obtaining tax identification number, the taxpayers must submit their profit report before the 10th of each month to get SPTPD. After that taxpayers pay taxes to Jatim Bank then submit the proof of payment to the Local Tax Service Agency to get SSPD. The assessment of tax collection system that implemented by Local Tax Service Agency is use to fix the system. One innovation of self assessment system in Local Tax Service Agency which already implemented is reporting of payment proof can be sent to email or whatsapp so the taxpayer doesn't need to come to the office to report it.

The implementation of self assessment system in Local Tax Service Agency of Malang City has been good and has been accordance with the concept that explains by Mardiasmo. According to Mardiasmo (2016: 9) self assessment system is a tax collection system that authorizes the taxpayer to determine the amount of tax payable by themselves. Although the implementation of self assessment still find some obstacles but this system is better than official

assessment system that ever been implemented before. Because in this system, the taxpayer pay the tax based on their income so they will not objection. The success of self assessment system is depending on the honesty and activeness of taxpayers.

2) Strengthen the Collection Process

Another way of tax intensification is done through strengthening the tax collection process. Strengthening tax collection process is done by changing the regulations and improving the quality of human resources. Regulatory changes are made in order to increase the number of taxpayer.

The legal basis for the execution of boardinghouse tax category is Law Number 28 Year 2009 regarding Regional Tax and Levy and Local Regulation of Malang City No. 16 of 2010 on hotel taxes in boardinghouse category. Law Number 28 Year 2009 is explained that the tax is levied only for boardinghouses with more than 10 rooms. In addition, Law Number 28 Year 2009 also explains that local governments are not allowed to collect local taxes other than those stipulated in law. In line with Law Number 28 of 2009, Regional Regulation No. 16 of 2010 also stating that the Boardinghouse Tax is levied on boarding houses that have more than ten rooms with a tax amount of 5% from the profit. This means that the governments of Malang cannot levied tax to the boardinghouse that has less than ten rooms to be rent.

This regulation has become one of the obstacles in optimizing the boarding house tax. In this case the local government of Malang can not give a clear solution. This condition happens because the local regulations on taxes must conform to central regulations (Law Number 28 Year 2009). When the central

regulation becomes an obstacle to the tax collection process should the central regulations be proposed to be revised so that local regulations can conform it.

Another way to strengthen tax collection process is increase the quality of human resource. Human resources (tax officer) have an important role in an organization to achieve a common goal. Rahayu (2017:94) stating that tax administration will be good when there is support from the qualified, skilled, dedicated, and intellectual tax officers. Increasing the quality of the tax officer in Local Tax Service Agency is done through education and employee training. Local Tax Service Agency already implements several program to increase the quality of its human resource that already explain in data display.

The program of Local Tax Service Agency in order to increase the quality of its human resource through Technical Guidance (BIMTEK), Physical and Skill Development, Tax Collection Training. This program already implement regularly as a mandatory training for all tax officers. The training program of Local Tax Service Agency is good and effective to increase the quality of its human resource. The training is very important to encourage the quality of service and affect the performance of employees because through training, employees have more skills. Besides that the training affects the performance of employees to more familiar with their job and more skillful to solve the tax problem.

As explained by Mahmudi (2015: 14), performance measurement is a means of employee learning about how to act, behavior change, attitude, skills or knowledge to achieve the best results. Based on the interview results can be concluded that the program of Local Tax Service Agency to increase the quality of its tax officer is already good. Because the program not only sharpens

intellectuals but also all aspects such as tax collection skills, employee ethics, even the emotional aspects of the fiscal are also improved. The implementation of the tax officer quality development program is already in line with the procedures and concepts from the experts.

3) Improve Oversight and Enforce Law

In the implementation of tax law, the function of oversight and education are the consequence of giving trust to the taxpayers. So the function of oversight should be running with the function of education as the effort of law enforcement. One of the forms of law enforcement is sanctions.

Tax law enforcement in self assessment system is important. As it is known that in this taxation system voluntary compliance of the taxpayer is important. Due to the demands of the active role of the taxpayer in the fulfillment of its tax obligations, the taxpayer's compliance is very important. So that taxpayer compliance needs to be increased through law enforcement.

Law enforcement is a part intensification process. Intensification carried out by the Local Tax Service Agency of Malang City is also done through improves oversight and provides appropriate sanctions in order to create a deterrent effect. There are several oversight programs that aim to make the taxpayers more discipline to pay tax, namely *Operasi Sadar Pajak*, *Operasi Gabungan*, and *Operasi Gergaji* (Only for Advertisement Tax).

Operasi Sadar Pajak and *Operasi Gabungan* are effective to increase income from boardinghouse tax or other tax. *Operasi Sadar Pajak* and *Operasi Gabungan* are part of tax audits. In these activities, the tax officer checks the tax

report of taxpayers with the data found in the field. Tax audit is an effort to improve taxpayer compliance and to prevent tax evasion.

Rahayu (2017:217) stated that the pillars of tax law enforcement are tax audits, tax investigations, and tax collection. The three pillars of tax law enforcement have been implemented by the Local Tax Service Agency of Malang. Based on the interview, it can be known that *Operasi Sadar Pajak* and *Operasi Gabungan* are done by auditing the bookkeeping, investigating tax violations, and sanctioning taxpayers who violate the law. *Operasi Sadar Pajak* and *Operasi Gabungan* as the effort to enforce tax laws have been effective and in accordance with applicable concepts.

In order to perform the function of supervision and guidance of the taxpayer as a form of law enforcement is giving sanctions to taxpayers who violate the law as a follow-up of the tax audit. Sanctions are given to provide a deterrent effect that will increase the taxpayer compliance. Sanctions granted to taxpayers that violate the law are in conformity with Laws.

Local Tax Service Agency of Malang City also makes corporation with Mass Media as a control system who can give deterrent effect. Mass media role is to expose the owner of boardinghouse who violates the regulation. The corporation between Local Tax Service Agency and Mass Media to enforce the law is a good innovation because it gives significant impact in income of Malang. Mass media role has significant impact both in short-term and long-term. In short-term impact, the taxpayers who violate the regulation directly pay the fine because of afraid if their name will appear mass media. In the long-term impact, it will spread message to other boarding house owner in order to obey tax regulation.

Although the effort of Local Tax Service Agency to enforce tax law is already good but they always try to make improvement. *Operasi Sadar Pajak* and *Operasi Gabungan*, sanctions and other program in order to enforce tax law are effective proven by increasing the tax revenue of Malang every year. The roles of Mass Media in law enforcement also really support the effort of Local Tax Service Agency to increase the Local Own-source Revenue.

4) Improve Administrative Efficiency and Reduce Collection Cost

The administrative process for the collection of taxes affects income from the tax sector. The administrative process in the context of taxation is called tax administration. Lumbantoruan in Rahayu (2017: 91) describes the activities of tax administration including tax registration, tax assessment, tax payment, tax report, tax collection, and tax appeal. In order to increase revenue from the tax sector, the process of tax registration, tax assessment, tax payment, tax report, tax collection, and tax appeal must be effective and efficient.

Based on the interview, Local Tax Service Agency of Malang has several ways to make the administration process effective such as make Technical Execution Unit in every district, make payment point in public places, and Multifunction Tax Car Program. This program is made to make taxpayers easier to do tax administration. In addition, Local Tax Service Agency also service people who want to report their payment and income through email, *sms*, and chat by whatsapp. Ease provided by the Local Tax Service Agency to public aims to improve taxpayer compliance.

The taxpayer compliance is influence by the quality of tax administration. When the tax administration is effective it would increase the compliance of

taxpayer. The improving of taxpayer compliance will be increase the revenue of tax. The program of Local Tax Service Agency to improve tax administration in order to give best service to the taxpayer is already effective. This statement is proven by the increasing of tax revenue every year.

The opinion of Silvani in Rahayu (2017:94) stating that tax administration can be claimed to be effective when able to overcome problems such as unregistered taxpayers, taxpayers do not submit SPT, tax evasion, and delinquent taxpayers. Tax administration system run by the Regional Tax Service Agency can be claimed be effective when it can solve these problems. The existence of Technical Execution Unit in every sub-district makes tax officers closer to the community, so that the Local Tax Service Agency can be more optimal in providing services and education to the community. Good service and education to the public can raise awareness to pay taxes so they can voluntarily register themselves as taxpayers. Technical Execution Unit in every sub-district has been optimal in, proven by the number of taxpayer boarding house which is always increasing every year.

Another problem that needs to be solved is taxpayers do not submit SPT. Based on the interview, taxpayer do not submit their SPT because the office of Local Tax Service Agency is so far away from their home. So Local Tax Service Agency makes the reporting of SPT easier trough email, sms, and chat whatsapp which is effective to solve this problem.

Tax banking programs are implemented to prevent tax evasion. Tax banking system is makes the tax officer easier to detect tax evasion. Because tax banking records all tax payment activities conducted every month so that taxpayers can not

report taxes that are smaller than they should be. Tax banking programs have been effective to prevent tax evasion. In addition, delinquent taxpayers are also reduced by the payment point in public because taxpayers are given ease in paying.

Based on the results of interviews and the concept of tax administration by Silvani, tax administration run by the Local Tax Service Agency of Malang has been effective to solve the existing problems. It can be concluded that, Technical Execution Unit and payment point effective to increase compliance of taxpayer to paying tax. Because Technical Execution Unit and payment point make taxpayer no difficulty to pay tax and can consult directly with tax officer. So the Local Tax Service Agency needs to multiply payment point and multifunction tax car to serve the community.

5) Improve the Capacity of Revenue through Better Plannning

Good planning can be made by make a corporation with other agency to strengthen the program or to make the implementation of policy more effective. Corporation of Local Tax Service Agency with another agency is made to improve the capacity of local revenue. Corporation with other agencies is made based on the role of each institution in order to tax intensification.

In order to make a better planning in law enforcement and oversight, Local Tax Service Agency makes corporation with Police officer of Malang, Attorney of Malang, and Municipal Police of Malang. Based on the interview result, the corporation with Police Officer and Municipal Police is done to strengthen the oversight of tax implementation. Police Office and Municipal Police help the tax officer when they do inspection. While the corporation with Attorney of Malang

is done to enforces the law. The Attorney of Malang will assist to forced tax collection to the taxpayers who do not pay taxes.

The Local Tax Service Agency also has the cooperation with the Auditor Team of the East Java Finance and Development Supervisory Board (BPKP). This corporation is made to makes a better planning in public service. Together with the Financial and Development Supervisory Agency, the Local Tax Service Board plans to improve the quality of public services through good financial accountability. The form of cooperation with the Financial and Development Supervisory Board comprises three activities, namely the tax audit module, tax audit accompaniment to the taxpayer and the audit of the State Civil Apparatus as well as technical guidance on tax audit.

Sutedi (2008:101) stating that a good planning trough corporation with another agency will be run well if the coordination is good and sustainable. Local Tax Service Agency always makes the Memorandum of Understanding (MoU) in every coporation made, so that coordination can work well and sustainable. In addition Local Tax Service Agency always held meeting or briefing before the inspection.

Cooperation undertaken by the Local Tax Service Agency has been running well. This is evidenced by the minimal number of tax violations. Although the planning has been good, but there are still many boardinghouse entrepreneurs who have not registered as a taxpayer. Therefore, the Local Tax Service Agency needs to increase cooperation with other institutions to conduct data collection and to educate people.

b. Extensification

Prasetyo (2016:83) stating that extensification is an extension of tax collection by adding new taxpayers by finding unregistered taxpayers, creating new taxes, and expanding the scope of taxes. In the context of boardinghouse tax in Malang, extensification is done through finding unregistered taxpayer. Based on the interview result, the number of taxpayer in Malang is always increases every year. Increasing the number of taxpayers every year is caused by the efforts of the Local Tax Service Agency that collect data and registration every week. But the effort is still not optimal because many boardinghouse business that can not be recorded because it has no signboard so it is difficult to detect.

In addition, Law No. 28 of 2009 which uses the number of rooms as the standard of tax withdrawal is also a constraint in extending the work. This regulation causes a boardinghouse business with a large profit but the number of rooms under ten can not be taxed. Therefore, the local government of Malang City needs to expand the scope of boardinghouse tax by proposing a revision of Law Number 28 of 2009. When the Law number 28 of 2009 has been revised then the Local Tax Service Agency can maximize data collection and registration taxpayer boarding house.

Another way that taken by Local Tax Service Agency in extensification is do socialization about boardinghouse tax. This is in line with the opinion of Soemitro who stating in Prasetyo (2016:84) that extensification can be done through increasing improves the dissemination of information through all means. Increasing information can be interpreted to implement the socialization of local

regulations and implementation of boarding house taxes so that the public and taxpayers can understand so that taxpayer awareness will increase.

Socialization is part of the effort to introduce to the public about taxes on boarding houses or other new taxes. The goal is to provide understanding to the public about a new tax policy or regulation. Socialization is also done to help the community to carry out its tax obligations properly so as to optimize the tax revenue from boardinghouse tax and increase the number of taxpayers.

Based on the results of interviews can be concluded that the socialization undertaken by the Regional Tax Service Agency through as tax goes to school, tax goes to campus, tax goes to *kampung*, and tax goes to mall. These programs aim to socialize local taxes in public places. Tax go to school and tax goes to campus aims to provide education about taxes with the expectation of embedded tax-conscious attitudes and can spread positive impacts to the parents of students as taxpayers. Meanwhile the tax goes to *kampung* program and tax goes to mall aims to target taxpayers directly by opening a payment booth and tax consulting. These programs are conducted in creative way with various activities to attract people to join in the tax event. In addition through these programs, socialization is also done through information on the official website of the Regional Tax Service and print media.

Socialization held by the Local Tax Service Agency can help people to know the tax rate of boarding houses and payment methods so that they are not confused anymore. In addition, socialization is done to increase the tax awareness of public so that tax income from boardinghouse can increase too. But the efforts have been made by Local Tax Service Agency is still less than the maximum.

Even if the number of boardinghouse taxpayers is always increase but the tax target of boardinghouses never reached in 2017. This is proves that data collection, registration, and socialization conducted as a form of extensification of boardinghouse taxes has not run optimally.

Local Tax Service Agency needs to conduct evaluation and improvements in extensification. Extensification should be no longer focuses only on increasing the number of taxpayers, but also creatively and massively held education program so that registered taxpayers can comply with tax regulations. In the context of education, the Local Tax Service Agency needs to cooperate with community groups such as woman group in every district, youth group (*Karang Taruna*), and group of boardinghouse entrepreneurs so that the impact given is greater. Cooperation with community groups is done in order to assist in disseminating information and education that has been given by the Local Tax Service Agency.

2. The Barriers of Boarding House Tax Collection

Optimization made by the Local Tax Service Agency of Malang City to increase tax revenues of boardinghouse is done through intensification and extensification tax. Intensification and extensification has been done by the Local Tax Service Agency has been running well but not yet optimal because there are several obstacles found in the implementation. Here are some obstacles that hinder the optimization process of boardinghouse tax collection.

a. Lack of Awareness of Taxpayers

The optimization of boardinghouses tax collection conducted by the Local Tax Service Agency of Malang found several obstacles, one of which is the lack awareness of taxpayers that caused the established tax target do not achieved.

Some taxpayers do not understand the importance of paying taxes so paying taxes is not considered a liability. As a result many boardinghouse taxpayers are handing over their tax obligations to others, paying taxes not on time, paying taxes not according to the amount that should be paid, even taxpayers do not pay taxes.

Obstacles in tax collection in Malang can be classified into active resistance and passive resistance. Mardiasmo (2016:10) stated that passive resistance occurs when society does not make systematic efforts to hamper taxation, passive resistance is the result of community habits. Passive resistance on boardinghouses tax in Malang usually happens because the boardinghouse taxpayer handing over their tax obligations to other person (employee) who has no knowledge about taxation. Mardiasmo (2016:11) stating that active resistance includes all systematic efforts and planned deeds performed by taxpayer in order to avoid taxes. The form of active resistance is tax avoidance and tax evasion. Active resistance that occurred in the city of Malang is the forgery of income data and payment reports.

In order to minimize the constraints in tax collection, the Local Tax Service Agency should conduct persuasive action or approach to taxpayers who commit to tax resistance. Persuasive action is done by sending notices and doing discussions to make an agreement between taxpayers and tax officer so the taxpayers are willing to pay taxes. Through persuasive action, it will be found a solution that does not harm both parties so that it can meet the principle of justice in taxation.

b. Tax Evasion

Another obstacle in optimizing the boarding house tax is manipulating profit data to get a tax bill that is smaller than the amount of taxes that should be paid. This obstacle is a form of active resistance of taxpayers. Mardiasmo (2016:11) explains that the form of active resistance is tax avoidance and tax evasion. Tax avoidance and tax evasion are actually different. Rahayu (2017:202) stating that tax avoidance is the legitimate minimizing of taxes, using methods included in the tax regulation. The example of tax avoidance is taking legitimate tax deductions to minimize business expenses and thus lower business tax bill.

Rahayu (2017:202) also explain about tax evasion, on the other hand, is the illegal practice of not paying taxes, by not reporting income, reporting expenses not legally allowed, or by not paying taxes owed. Tax evasion is the common obstacles that hamper the optimization effort of boardinghouse tax in Malang. Based on the interview result, kind of tax evasion that happen in Malang such as Providing false information to the Local Tax Service Agency about business income or expenses and substantially understating the amount of taxes (by stating a tax amount on the return which is less than the amount owed on the reported income).

Tax evasion committed by the taxpayer is a violation of the applicable law that is the local regulations on hotel taxes in the category of boardinghouse taxes. Taxpayers who violate the law can be subject to criminal sanctions. This is in line with the statement of Suandy (2003:8) who explained that tax evasion is included in violation of applicable laws or regulations so that it can be imposed with administrative or criminal sanctions

Tax evasion by taxpayers affects to the realization of tax revenue. Tax evasion that occurred causing the realization of tax revenue in the category of boardinghouse tax did not reach the target in 2017. Therefore the tax officer needs to improve its performance so the tax evasion can be minimized and tax revenue from the boardinghouse business can be optimized.

c. The Unfair Boardinghouses Tax Regulation

Law No. 28 Year 2009 is explained that the tax is levied only for boardinghouses with more than 10 rooms. The government of Malang issued the Regional Regulation No. 16 of 2010 on hotel taxes in boardinghouse category. In line with Law Number 28 of 2009, the Boardinghouse Tax is levied on boarding houses that have more than ten rooms with a tax amount of 5% from the profit.

Law Number 28 Year 2009 also explains that local governments are not allowed to collect local taxes other than those stipulated in law. This means that the governments of Malang can not levied tax to the boardinghouse that has less than ten rooms to be rent. This regulation has become one of the obstacles in optimizing the boarding house tax.

The regulation becomes an obstacle in the optimization of boardinghouse taxes because it creates unfairness in its implementation. Tax collection based on the number of rooms is considered doesn't reflect the principle of fairness in tax. Because in reality many boardinghouses that have less than ten rooms but have a larger profit than the boardinghouses that have more than ten rooms.

Rahayu (2017:75) explains about the principle of fairness in the tax system is the equal treatment of persons or institutions that are in the same economic and income level situations that will be taxed in the same amount. Based on these

explanations, justice in the tax system can be achieved when the level of income and the economy becomes the benchmark of taxation. This is certainly not in line with the status quo which is the terms of imposition of a boarding house tax based on the number of rooms.

The principle of justice on tax is influent the level of taxpayer compliance in carrying out their tax obligations. Rahayu (2017: 75) stating that the principle fairness of tax in a country claimed to be good when it can motivates taxpayer to be willing to pay taxes. This means the implementation of the principle of tax justice should be able to make taxpayers more obedient.

On the other side of the Law No. 28 Year 2009 which stating the number of rooms become the benchmark to the boardinghouse entrepreneur to taxed create a gap among the boardinghouse entrepreneurs itself. The gap arises due to many boardinghouses with the number of rooms less than ten but the profit is greater than the boardinghouse with the number of rooms more than ten doesn't imposed tax. This triggered a decrease in tax compliance from boardinghouse taxpayer.

Local Tax Service Agency of Malang City must continue to propose a revision of Law Number 28 of 2009 to uphold the principle of tax justice. The principle of tax justice applied properly will prevent the taxpayer's desire to do tax evasion. So it will have a good impact on the increase of Local Own-source Revenue from taxes.

CHAPTER V

CONCLUSIONS AND SUGGESTIONS

A. Conclusions

According to the result of research and discussion in the previous chapter about research data presentation and research data analysis, the conclusions of this research are:

1. Local Tax Service Agency of Malang City does optimization boardinghouse tax as Local own-source revenue. Optimization conducted by the local tax service agency of Malang through intensification and extensification. Intensification is done through expanding the revenue base, strengthen the collection process, improve oversight and enforce the law, improve administrative efficiency and reduce collection cost, and improve the capacity of revenue through better planning. While extensification is done through data collection and registration of new taxpayers, socialize and educate the public about boardinghouse tax. The extensification programs of Local Tax Service Agency are socialization, collecting data from *RT/RW*, and field data collection by officers from the Local Tax Service Agency. In the implementation of intensification conducted by the Local Tax Service Agency of Malang City is still not optimal. Because the number of boardinghouses taxpayers is always increasing does not followed by the increasing of boardinghouses tax revenue consistently. Proven by the target of boardinghouse tax is not achieved in 2017.

In the year 2017 realization of boarding house taxes only reached 97.03%. So the Local Tax Service Agency of Malang City needs to optimize the intensification of tax collection. Overall optimization of boardinghouses tax by the Local Tax Service Agency of Malang has been running well although the intensification still needs to be improved.

2. There are some obstacles found in the implementation of boarding houses tax optimization that hinder the Regional Tax Service Agency. These obstacles are lack of awareness of taxpayers, tax evasion, and unfair regulation of boardinghouses tax. These obstacles can be classified into active resistance and passive resistance. Passive resistance on boardinghouses tax in Malang usually happens because the boardinghouse taxpayer handing over their tax obligations to other person (employee) who has no knowledge about taxation. In order to minimize the constraints in tax collection, the Local Tax Service Agency conduct persuasive action trough sending notices and doing discussions to make an agreement between taxpayers and tax officer so the taxpayers are willing to pay taxes. While active resistance on boardinghouses tax in Malang is tax evasion by providing false information to the Local Tax Service Agency about business income or expenses and substantially understating the amount of taxes (by stating a tax amount on the return which is less than the amount owed on the reported income). In order to handle this problem Local Tax Service Agency makes better planning trough cooperation with other agency, improve oversight, and law enforcement. Besides taxpayer resistance, another obstacle is Law No. 28 Year 2009 which is explained that the tax levied only

for boardinghouses with more than 10 rooms. The regulation becomes an obstacle in the optimization of boardinghouse taxes because it creates unfairness in its implementation. In order to solve this problem Local Tax Service Agency must continue to propose a revision of Law Number 28 of 2009 to uphold the principle of tax justice.

B. Suggestions

Based on the conclusions that have been described, the author gives suggestions for improving the optimization of the boardinghouses tax of Malang in the future, as follows:

1. Optimizing profiling activities to obtain taxpayer fiscal information that contains the identity, business activities, and tax history of taxpayers on an ongoing basis. Profiling can be used to analyze and measure the level of taxpayer's risk and compliance, monitoring business progress in order to calculate fiscal potential and taxpayer tax gap, and supervise the tax payment of the taxpayers.
2. Simplifying the system and administrative procedures of collecting local taxes so the taxpayer will not find any difficulties to pay their tax. Create a fast, responsive and friendly service so that taxpayers are satisfied through reward and punishment system for tax officials as well as providing incentives for them if achieving the targets
3. The provision of sanctions is intended to provide a deterrent effect and as a preventive action. Local Tax Service Agency should improve and intensify the efforts to enforce sanctions for taxpayers or tax officer who violate regulations, both administrative sanctions and legal sanctions. This action

can be done through strengthening the cooperation with Police and Attorney of Malang.

4. Tax education conducted by the Local Tax Service Agency should be optimized by conducting socialization in all schools and universities in Malang. The Local Tax Service Agency should also provide tax education to elementary and junior high school students through creative ways such as short story making competitions so that tax awareness can grow from an early age. In addition tax education should be given to the taxpayers by conduct it regularly in every district to raise their awareness.
5. The taxpayer compliance is influence by the quality of tax administration. In order to improve the quality of tax administration, Local Tax Service Agency should develop the e-tax program for all types of local tax includes the boarding house tax category. So the boardinghouse taxpayers become easier to calculate their tax and to pay their tax. In addition e-tax will create a better transparency system so the Local Tax Service Agency can be more accountable. E-tax system is also to prevent tax evasion so the revenue from tax can be more optimize.
6. Propose the revision of Law No. 28 Year 2009 regarding Local Tax and Levy which is stating that the tax is levied only for boardinghouses with more than 10 rooms. Propose the amount of profit as the tax base rather than the number of rooms such as current regulations. When the Law Number 28 of 2009 on the boarding house tax has been revised, it will give a positive impact on local tax revenues. The revision of the law will also make the principle of fairness of tax will be more upheld.

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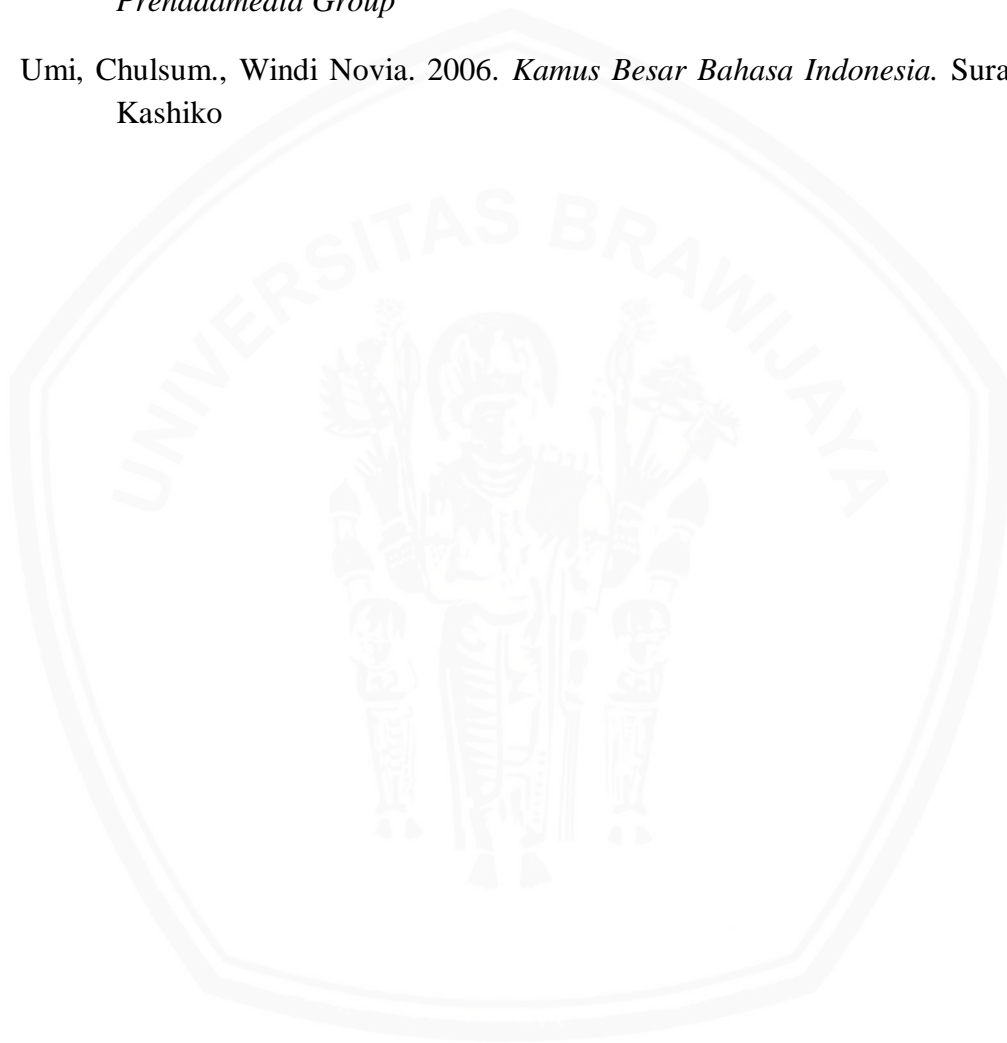
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APPENDIX I

**RESEARCH RECOMMENDATION LETTER FROM FACULTY OF
ADMINISTRATIVE SCIENCE, UNIVERSITY OF BRAWIJAYA**

	KEMENTERIAN RISET TEKNOLOGI DAN PENDIDIKAN TINGGI UNIVERSITAS BRAWIJAYA FAKULTAS ILMU ADMINISTRASI Jl. MT. Haryono 163, Malang 65145, Indonesia Telp. : +62-341-553737, 568914, 558226 Fax : +62-341-558227 http://fia.ub.ac.id E-mail: fia@ub.ac.id
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Nomor : 1265 /UN.10.F03.11.11/PN/2018
Lampiran : -
Hal : Permohonan Penelitian


Kepada : Yth. Kepala
Badan Kesatuan Bangsa dan Politik Kota Malang
Jalan A. Yani No. 98
Malang

Dekan Fakultas Ilmu Administrasi Universitas Brawijaya Malang memohon dengan hormat bantuan Bapak/Ibu untuk memberikan kesempatan melakukan penelitian untuk menempuh mata kuliah skripsi dan menerbitkan surat rekomendasi penelitian bagi mahasiswa:

Nama : Ryan Dwi Firmansyah
Alamat : Kendalsari 1 Nomor 11C
NIM : 145030107111048
Program Studi : Ilmu Administrasi Publik
Tema : The Optimization of Boarding House Tax as Local Own-source
Revenue (Study at Tax Service Agency of Malang)
Lamanya : 3 (Tiga) Bulan
Peserta : 1 (Satu) orang


Demikian atas bantuan dan kesediaan Bapak/Ibu, kami ucapkan terima kasih.

Malang, 29 Januari 2018
Mengetahui,
an. Dekan
Ketua Program Studi Ilmu Administrasi Publik


Dr. Letyndian Mindarti, M. Si
NIP. 19690521200212 2 002

APPENDIX II

RESEARCH RECOMMENDATION LETTER FROM *BADAN KESATUAN**BANGSA DAN POLITIK* of Malang City



PEMERINTAH KOTA MALANG
BADAN KESATUAN BANGSA DAN POLITIK
 Jl. A. Yani No. 98 Telp. (0341) 491180 Fax. 474254
M A L A N G

Kode Pos 65125

REKOMENDASI PELAKSANAAN PENELITIAN
NOMOR : 072/13.02.P/35.73.406/2018

Berdasarkan pemenuhan ketentuan persyaratan sebagaimana ditetapkan dalam Peraturan Walikota Malang Nomor 24 Tahun 2011 Tentang Pelayanan Pemberian Rekomendasi Pelaksanaan Penelitian dan Praktek Kerja Lapangan di Lingkungan Pemerintah Kota Malang Oleh Badan Kesatuan Bangsa dan Politik Kota Malang serta menunjuk surat Kaprodi Ilmu Adm. Publik FIA Univ. Brawijaya Malang 1265/UN.10.F03.11.11/PN/2018 tgl. 29 Januari 2018 perihal : Permohonan Penelitian, kepada pihak sebagaimana disebut di bawah ini :

a. Nama : RYAN DWI FIRMANSYAH. (peserta : - orang terlampir).
 b. Nomor Identitas : 145030107111048.
 c. Judul Penelitian : The Optimization of Boarding House Tax as Local Own-Source Revenue (Studi at Tax Service Agency of Malang)

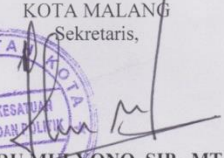
dinyatakan memenuhi persyaratan untuk melaksanakan penelitian skripsi yang berlokasi di:
 - Badan Pelayanan Pajak Daerah Kota Malang.


Sepanjang yang bersangkutan memenuhi ketentuan sebagai berikut :

a. Tidak melakukan penelitian yang tidak sesuai atau tidak ada kaitannya dengan judul, maksud dan tujuan penelitian;
 b. Menjaga perilaku dan mentaati tata tertib yang berlaku pada Lokasi tersebut di atas;
 c. Mentaati ketentuan peraturan perundang-undangan.

Demikian rekomendasi ini dibuat untuk dipergunakan sebagaimana mestinya, dan masa berlaku rekomendasi ini adalah sejak tanggal *ditetapkan s/d April 2018*.

Malang, 2 Pebruari 2018
 An. KEPALA BAKESBANGPOL
 KOTA MALANG
 Sekretaris,

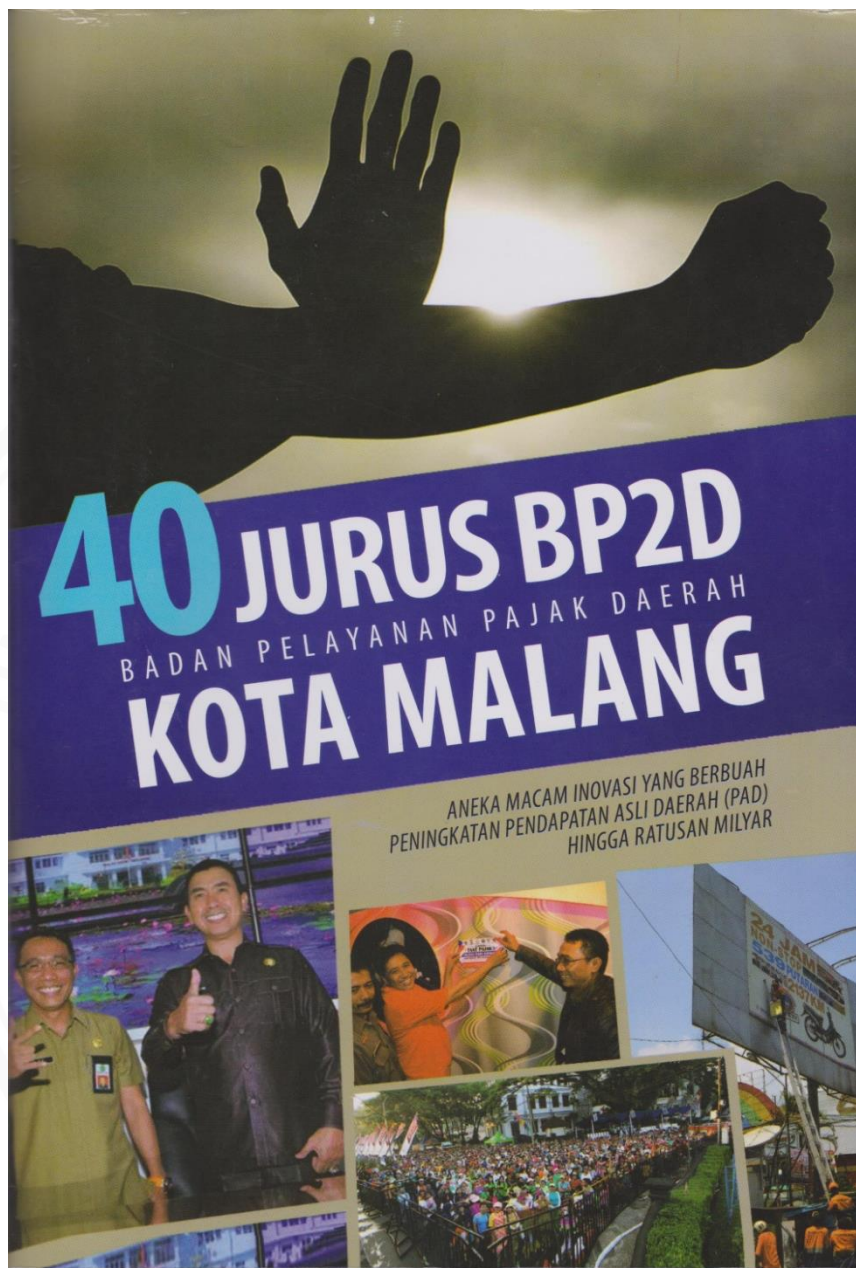

HERU MULYONO, SIP., MT.
 Pembina
 NIP. 19720420 199201 1 001



Tembusan :
 Yth. Sdr. - Kaprodi Univ. Brawijaya Malang;
 - Yang bersangkutan.

APPENDIX III

BOOK MADE BY LOCAL TAX SERVICE AGENCY OF MALANG CITY



APPENDIX IV

RESEARCH DOCUMENTATION



The Office of Local Tax Service Agency



Interview with Mr. Nanang Sweist, Head of Registration Sub-division, Local Tax Service Agency of Malang City



Interview with Mr. Samsul, Staff of Monitoring, Evaluation, and Reporting Sub-division, Local Tax Service Agency of Malang City



Interview with Mr. Solikhin, Head of Supervision Sub-division, Local Tax Service Agency of Malang City

APPENDIX V

CURRICULUM VITAE OF THE AUTHOR

Ryan Dwi Firmansyah

Mojokerto | +62812-3668-8689 Email : ryandwifirmansyah96@gmail.com

Personal Profile

Bachelor of Public Administration of Brawijaya University, who have GPA 3.74 out of 4.0. Ryan has great experience in leadership and social movement activity. He has interest in teaching and empowering society. He got excellent achievement both in academic and non-academic activities. He love to involve in numerous organization, events, and competition.

Educational Background

2002 – 2008 : Public Elementary School Kranggan 1 Mojokerto

2008 – 2011 : Public Junior High School 4 Mojokerto

2011 - 2014 : Public Senior High School 1 Sooko Mojokerto

2014 – Present: Faculty of Administrative Science, University of Brawijaya.

Language Proficiency

Indonesia : Native

English : Intermediate

Deutsch : Basic

Working Experience

2016 : Project Assistant in Laboratory of Public Policy

2017 : English Teacher (Private)

2018 : Schneider Electric Campus Ambassador

Awards and Achievements

- 2014 – Runner Up Debate Competition Administration English Club Faculty of Administrative Science
- 2014 – 2nd Place of Program Kreativitas Mahasiswa – Gagasan Tertulis Faculty of Administrative Science
- 2015 – Octofinalist of AUI English Debate Competition held by University of Christian Petra
- 2015 – 1st Place of FESTKA National Debate Competition held by University of Malang
- 2015 – 2nd Place of Management Edutainment, National Marketing Debate held by Economic and Business, Brawijaya University.
- 2015 – Octofinalist of East Java Varsities English Debate Held by State University of Malang
- 2015 – 1st Place in the Category of Creative and Innovative Idea in South East Asia Governance Forum (**International**)
- 2015 – Winner KTH Master's Challenge held by KTH Royal Institute of Technology of Sweden (**International**)
- 2015 – Champion of Politika Brawijaya, National Debate Competition Held by Brawijaya University
- 2015 – PPA Scholarship, given by DIKTI
- 2017 – 1st Runner Up of Pekan Raya Perpajakan Nasional, an National Tax Debate Competition, Held by Direktorat Jenderal Pajak
- 2017 – Top 15 Ling Art “Essay Competition” held by State University of Semarang
- 2017 – PPA Scholarship, given by DIKTI
- 2017 – Champion of National Debate Competition (DSPC 2.0) Held by Diponegoro University
- 2018 – Champion of South East Asia Governance Forum (**International**)

Organizational Experiences

1. Himpunan Mahasiswa Jurusan Administrasi Publik (HUMANISTIK)

Public Administration Department Student Association

Public Administration Department Students Association (HUMANISTIK) is a legal student organization under the Public Administration Departement that represents every student of Public Administration Department of Administrative Science Faculty, Brawijaya University.

2015 – Staff of Scientific Development Division

2016 – Head of Scientific Development Division

2017 – President

2. Student of Executive Board of Administrative Science Faculty

Student of Executive Board of Administrative Science Faculty is the highest executive organization in a faculty. Student Executive Board have an important role to provide optimum benefit to students, society, faculty, university, and nation.

2016 – Ministry of Social and Political

