

Increase in Local Tax Revenue in the Tourism Sector of Banyuwangi Regency: Identification of Driving and Inhibiting Factors

Jemi Cahya Adi Wijaya^{1*}, Masetya Mukti², Ayu Wanda Febrian³, Aditya Wiralatief Sanjaya⁴, Emy Hidayati⁵

{jemi.cahya@poliwangi.ac.id¹, muktimasetya@poliwangi.ac.id², ayuwanda@poliwangi.ac.id³}

Department of Tourism Business Management, Politeknik Negeri Banyuwangi, Banyuwangi, Indonesia^{1,2,3}

Abstract. Tourism has a great impact on social and economic sectors in Banyuwangi since tourism sector in Banyuwangi have natural wealth and diverse cultural heritage. In the last decade, the economic growth in Banyuwangi has increased, especially in the tourism sector. This study aimed to identify driving and inhibiting factors in optimizing local taxes in the tourism sector. A quantitative descriptive research was used in this study. The results of this study indicated that the driving factors of tax optimization comprised good hospitality, local tax management system managed by Bapenda, local regulations, number of tourist arrivals. Meanwhile, the inhibiting factors of tax optimization involved the basic consideration in collecting data of taxpayer, which was yet optimized, unintegrated data related to number of tourist arrivals, hotels, restaurants, entertainment as taxpayer subjects, low awareness of taxpayers, and the sluggish global economy.

Keywords: Banyuwangi, levies, taxes, tourism

1 Introduction

In the era of regional autonomy, each region has the right, authority, and obligation to regulate and manage its own governance in accordance with the applicable laws and regulations. It means that regional autonomy could make the region achieve fiscal independence. Referring to the Minister of Home Affairs on the commemoration of the 26th Regional Autonomy Day, regions with low Local Own-Source Revenue (PAD) requires breakthroughs and innovations to explore various potentials that could provide additional value.

The tourism sector needs to be developed because it can be a source of income for a region. Many regions are currently developing the tourism sector to be a source of regional income. One of the regions is Banyuwangi. Making a number of many domestic and foreign visitors to come can be a significant way to increase the regional income. In the last seven years, the economic growth of Banyuwangi has experienced a positive trend through the development of the tourism sector.

Based on the data from the Central Statistics Agency (see Table 1), in the last 7 years, the number of foreign and domestic tourist arrivals in Banyuwangi had fluctuated. In 2015 – 2019, the number of tourist arrivals increased, while in 2020 - 2021 there was a decrease in tourist arrivals due to the Covid-19 pandemic, including in Banyuwangi.

Table 1. Tourist Arrivals in Banyuwangi

Year	Domestic Tourist	Foreign Tourist
2015	540.669	59,597
2016	551.513	64.102
2017	606.664	71.271
2018	656.850	80,469
2019	703.131	77.198
2020	440.145	11,707
2021	430.906	1,772

The level of tourist arrivals and the number of restaurants and hotels in Banyuwangi was almost linear. In Table 2, in 2015 – 2019, there was an increase in the number of star and non-star hotels, and restaurants in Banyuwangi. However, in 2020 – 2021, there was a decrease due to the covid-19 pandemic.

Table 2. Number of Star, Non-Star Hotels and Restaurants in Bayuwangi

Year	Star Hotels	Non-Star Hotels	Restaurant and Diner
2015	2	71	106
2016	4	71	251
2017	6	76	251
2018	9	78	386
2019	22	65	788
2020	23	65	465
2021	23	67	533

The fluctuating conditions of the number of tourist arrivals, star and non-star hotels, and restaurants in the last 7 years influenced the regional income, obtained from local taxes in the tourism sector. This situation happened because local tax revenue in the tourism sector came from hotel, restaurant and entertainment taxes. In other words, if there was an increase or decrease in tourist arrivals over a certain period of time, it would directly impact the income of star and non-star hotels, and restaurants. However, any tax obtained from the tourism sector is not fully contributed to PAD of Banyuwangi. Based on the recapitulation of the realization of Banyuwangi regional income in 2012-2016, the tax obtained from the tourism sector (entertainment, hotels, and restaurants) is allocated only 3% to PAD of Banyuwangi [1]. This value is quite small, viewed from the regional development of Banyuwangi, in terms of tourism sector. It indicates that there is a gap between the potential tax revenue in the tourism sector and the realization. That is why the tourism sector becomes one of the important branches of the economy [2].

Based on the tax performance index of the tourism sector, it showed positive growth, but no potential contribution, indicating that it was classified in the developing category. Then for the trend projection, the results of the tourism sector tax projection during 2009-2022 experienced

an upward trend [3]. Meanwhile, in 2020 and 2021, a COVID-19 pandemic occurred and resulted a decrease in tourism sector taxes in Banyuwangi. It also indicated that there was a gap between the projection analysis carried out and social realities that were difficult to predict. Therefore, it is important to identify the driving and inhibiting factors to solve the problem of the minimum contribution of the tourism sector to Banyuwangi regional income, especially after the COVID-19 pandemic with social risks. Hence, it was expected that the result of this research could help increase the regional income obtained from the tourism sector in Banyuwangi, especially after the COVID-19 pandemic.

2 Theoretical

2.1 Regional Tax Legislation

According to Banyuwangi Regency Regulation No. 2 of 2011, regional taxes are mandatory contributions to regions owed by individuals or entities that are coercive under the law, with no direct compensation and are used for regional purposes for the greatest prosperity of the society. In addition, Banyuwangi Regency Regulation No. 2 of 2011 explained the scope of regional taxes including: hotel tax, restaurant tax, entertainment tax, advertising tax, street lighting tax, non-metallic mineral and rock tax, parking tax, groundwater tax and swallow's nest tax.

Meanwhile, those included as local taxes from the tourism sector are the entertainment tax, hotel tax and restaurant tax. Entertainment tax refers to a tax on the provision of entertainment such as spectacles, performances, games and/or crowds enjoyed for a fee. Hotel tax is a tax on services provided by hotels. In accordance with the regulation, the hotel tax rate is set at 10% of the income for the services provided by the hotel. Restaurant tax is a tax on services provided by restaurants, In accordance with the regulation, the restaurant tax rate is set at 10% of the income for services provided by restaurants.

2.2 Tourism Sector Tax Contribution to Regional Income

Contributions are defined as anything given jointly with other parties to cover specific or joint costs, or losses [5]. The contribution could be interpreted as the contribution given by the local own-source revenue to the amount of regional expenditure. In this research, what was meant by the tourism sector tax contribution to regional income was the contribution given by the local revenue in tourism sector to the development of tourism area. Factors that influence the income of the tourism sector cover number of tourists arrivals, hotel occupancy, restaurants, souvenir shops.

2.3 Increase in Local Taxes Revenue for Tourism Sector

The growth of the tourism sector could develop tourism infrastructure and facilitate accessibility to tourist attractions, resulting in increased tourist visits. Implementation of the development requires costs that are obtained from taxes. In short, the tax obtained from the tourism sector plays a crucial role in increasing regional income.

The government collected taxes on the tourism sector, such as hotels, restaurants, entertainment places visited by tourists. They spend their money on transportation or buying products such as souvenirs in the tourist area. The increasing number of tourist arrivals affects the increasing

amount of income in hotel and restaurant industries, because during the tourist activities, they will stay at hotels to rest and buy food or drinks at restaurants. They have a direct impact on business as well as the economy that could be measured by the income of labour wages in the tourism sector and the taxes paid by tourism companies to the country [7] .

2.4 The Impact of Covid 19 on the Regional Economy

The impacts on the economic sector during the COVID-19 pandemic in Indonesia include: (1) mass layoffs. The results of the data obtained showed that 1.5 million workers were laid off or affected by layoffs; 90% of workers were laid off and 10% of workers were laid off, (2) the decrease in Indonesia's Manufacturing PMI reached 45.3% in March, 2020, (3) imports were decreased by 3.7% in the first quarter, (4) inflation had reached 2.96% year-on-year (yoy) affected the price of gold and food commodities in March, 2020, (5) flight cancellations resulted a decrease in revenue of the sector. The perceived loss reached Rp. 207 billion. As many as 12,703 flights were cancelled at 15 airports in January-March 2020, (6) the decreased placement (occupancy) at 6 thousand hotels reached 50%. This resulted a loss of tourism foreign exchange [8].

Meanwhile, the Covid-19 pandemic also affects several sectors. The first is the sector of provision of accomodation food and baverage. This sector experiences a decrease in output due to the decreasing number of local and foreign tourist arrivals. Many events were cancelled such as meetings, conferences at hotels held by the government and private agencies. Second, the manufacturing industry sector, especially food and beverage industry, experienced a decrease in output due to the decrease in foreign demand, as seen from data on exports of food and beverage commodities. The third is a decrease in rail and air transportation due to the small number of passengers as well as the cancellation of train and plane trips [9].

3 Method

This research employed a descriptive quantitative approach. Descriptive quantitative presents further data from observations, such as investigations and then measuring the magnitude or distribution of these traits among members of certain groups [10]. Meanwhile, in this study, the research subject was the Regional Revenue Agency of Banyuwangi. Purposive sampling technique was used in this study. This sampling technique refers to the selection of the subject who is in the best position to provide the information needed [10].

This research used a tool called Force Field Analysis (FFA). It is an appropriate tool used in planning change. This concept of thinking was in line with the previous research [11], stating that in an era of change, a business must be anticipated, adapted in order to meet the demands of environmental changes. This analytical tool was very relevant for this study since it identified the driving and inhibiting factors that affect the increase of local tax revenue from the tourism sector in Banyuwangi, especially after the covid-19 pandemic.

Stages in conducting the FFA analysis covers; (1) identifying problems based on strategic issues. Strategic issues might include the contribution of the tourism sector tax to the PAD of Banyuwangi regency, (2) analysing the problem by identifying various driving forces in the

tourism sector tax contribution to PAD of Banyuwangi, especially in the post pandemic, (3) providing a priority scale assessment of each driving and inhibiting factor [11].

The assessment of Urgency Value (NU), Support Value (ND), and Associated Value (NK) used a value scale, ranged from 1-5: (a) 5 means that the urgency value is very high; (b) 4 means the urgency value is high; (c) 3 means that the urgency value is quite high; (d) 2 means that the urgency value is low; (e) 1 means that the urgency value is very low. Determining the Urgency Value (NU) aspect of each driving and inhibiting factor was done using a comparison technique. The comparison technique was to compare one factor with another. The assessment of the driving and inhibiting factors was then done by Key Success Factors (FKK), and strategic key factors.

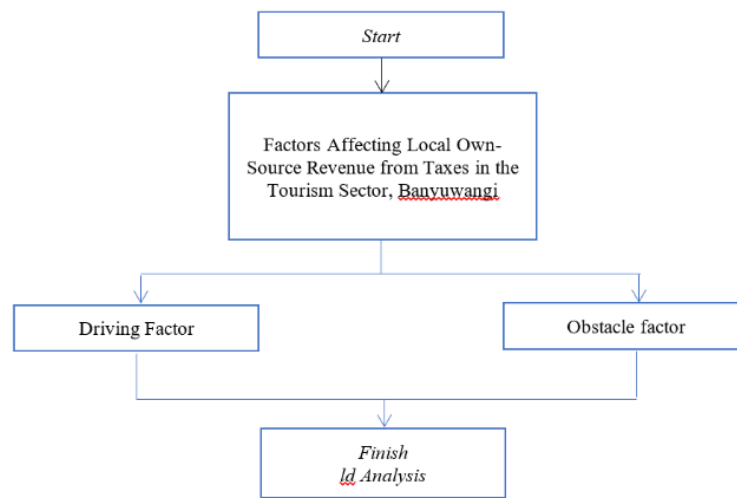


Fig. 1. Research Procedures

4 Results and Discussion

4.1 Identification of Driving Factors for Optimizing Regional Taxes Obtained from the Tourism Sector in Banyuwangi

The discussion of this research began by identifying the driving factors that lead to the optimization of local taxes from the tourism sector in Banyuwangi. The driving factor in this research was a combination of strengths and opportunities owned by the Regional Revenue Agency of Banyuwangi in carrying out the management function of the regional revenue sector. Based on Banyuwangi Regulation Number 3 of 2019 Article 2, paragraph 3, it explains that the function of the Regional Revenue Agency is to be a supporting element of government affairs in the financial/revenue sector which was the regional authority and the assistance tasks given to the district.

The driving factor, in terms of strengths owned by the Regional Revenue Agency in Banyuwangi was the application of e-tax as a control system (real-time modernization of the taxation system). The Regional Revenue Agency had qualified human resources, good service

implementation, and the regional tax management system was centralized through the Regional Revenue Agency. Based on the results of the analysis carried out, the TNB value of each driving factor from the strength dimension was obtained (strengths). Next, the two largest TNB were selected.

Table 5.1 showed that good service implementation was a driving factor with the first highest TNB value of 2.20. Service refers to an intangible act that could be offered by one party to another and did not result in ownership [12]. Service to taxpayers is one of the keys to success in increasing tax revenue. If the services provided to taxpayers are carried out in a good way, then taxpayers feel that their rights are respected. As a result, the fulfilment of tax obligations could be carried out in accordance with applicable regulations. The second highest TNB value of 0.56 was found in the regional tax management system that had been centralized through Bapenda. The centralized regional tax management system was a mandate from Banyuwangi Regulation Number 73 of 2021 article 2. It is stated that the roles of Bapenda are: to plan, manage, evaluate, and report the implementation of tasks in the revenue sector. Therefore, this mandate must be maintained by all elements and communities in Banyuwangi. It is hoped that the internal factors owned by Bapenda could encourage the realization of local taxes from the tourism sector and increase the regional revenue.

Meanwhile, another driving factor was opportunity. The first highest TNB value was 2.83, obtained from the support factor of regional regulations, controlling the regional tax in the tourism sector. This factor was very relevant to PP No. 10 of 2021, aimed to strengthen the role of regional governments in supporting national fiscal policies, ease of doing business and regional services. With regional development in Banyuwangi, one of which is the tourism sector, it was expected to be able to increase local revenue from tourism-related taxes. The second highest TNB value was 1.81, obtained from the trend factor of tourist visits which has always increased in the last 10 years. Tourist arrivals were one of the determining factors for increasing local taxes from the tourism sector. When tourist arrivals increased, it would increase the number of activities carried out by the tourists. As a result, the revenue in the tourism sector increased as well. It is in line with the previous research [13] which mentioned that the tourist arrivals had a significant positive effect on local revenue.

Table 3. Identification of Driving Factors

No	Driving Factor	TNB	FKK
Strengths			
D1	Implementation of E-Tax as a control system (real-time taxation system modernization)	0.16	4
D2	Bapenda has qualified human resources	0.21	3
D3	Good Service Implementation	2.20	1
D4	The regional tax management system has been centralized through Bapenda	0.56	2
Opportunities			
D5	Support for local regulations, controlling local tax in tourism sector	2.83	1
D6	Tourism is one of the priority sectors in Banyuwangi Regency	0.74	4
D7	The trend of tourist arrivals that has always increased in the last 10 years	1.81	2
D8	The trend of the increasing number of hotels, restaurants, entertainment, and objects of taxpayers in the last 10 years	1.32	3

4.2 Identification of Inhibiting Factors for Optimizing Regional Taxes Obtained from the Tourism Sector in Banyuwangi

The discussion in this sub-chapter explained the inhibiting factors for optimizing local taxes obtained from the tourism sector in Banyuwangi. It was done to find out what factors could slow down the rate of optimization of local taxes from the tourism sector in Banyuwangi so that any treatment could be given to these factors.

The results of the inhibiting factors identification showed that there were two greatest values from the weaknesses dimension (see Table 4). The first, the basic considerations for collecting data on taxpayer objects were not yet optimal got the value of 1.57. The second, another greatest value of 1.26 was obtained from the unintegrated data in relation to the number of tourist arrivals, hotels, restaurants, and entertainment as taxpayer subjects. The inhibiting factor in the weaknesses dimension required to be managed properly because these two things became the basis for Bapenda in making projections and evaluating the local tax process from the tourism sector. It fits perfectly with the previous research [6] which argued that local revenue from local taxes in the tourism sector was affected by the number of tourist arrivals, hotels, restaurants, and souvenir shops. It is necessary to record and integrate these factors neatly so that they could produce a local tax formula that was relevant to the tourism sector in Banyuwangi.

Furthermore, Threat was another dimension in the inhibiting factors. The threats with the first and second highest scores were obtained due to the low awareness of taxpayers with a TNB value of 2.46 and a sluggish global economy factor with a TNB value of 1.74. Taxpayer awareness was still a serious obstacle for the tax system in Indonesia. Taxpayer awareness was influenced by many factors; knowledge of taxes, service quality, and tax audits [14]. Meanwhile, the sluggish global economy was indeed a challenge for all countries in the world. The World Bank, in its report with entitled "Is a Global Recession Imminent?" predicts the possibility of a global economic recession in 2023. Moreover, several indicators start to confirm this prediction such as aggressively increasing benchmark interest rates by the central banks of various countries in an effort to reduce the rate of inflation [15]. Those two factors can slow down the rate of local revenue in Banyuwangi in achieving the optimization of local taxes in the tourism sector if they do not receive much attention. There needs to be preparedness, especially on the local government in responding to this.

Table 4. Table of Inhibiting Factors

No	Obstacle factor	TNB	FK K
Weaknesses			
H1	Limited socialization process to taxpayer objects	-0.16	4
H2	Inconsistency in the basis of consideration for determining the projection and realization of tax	-0.26	3
H3	Not yet integrated data related to the number of tourist visits, the number of hotels, the number of restaurants, and entertainment as the subject of taxpayers	-1.26	2
H4	The basic considerations for collecting data on taxpayer objects are not yet optimal	-1.57	1

Threats			
H5	A sluggish global economy	-1.74	2
H6	Taxpayer awareness is still low	-2.46	1
H7	Limited tourism events that can invite tourists from outside the region to visit and stay in Banyuwangi	-0.76	3
H8	Regulations and policies after the covid pandemic have not completely returned to normal	-0.52	4

5 Conclusions

In conclusion, the driving factors with the highest FKK values were the implementation of good services, the centralized regional tax management system through Bapenda, support for local regulations governing tourism sector local taxes, the trend of tourist arrivals which has always increased in the last 10 years. Meanwhile, the inhibiting factors with the highest FKK values came from the basis for consideration of collecting data on taxpayers that was not optimal yet, unintegrated data related to the number of tourist arrivals, hotels, restaurants, entertainment as taxpayer subjects, the low awareness of taxpayers, and the sluggish global economy.

Recommendation

There needs to be further research related to data integration on the number of tourist arrivals, hotels, restaurants, and entertainment as taxpayer subjects to produce a local tax formula for the tourism sector. It can be used as a basis for projecting local revenue from the tourism sector regional tax in the following year in Banyuwangi. Additionally, in-depth research in relation to taxpayer awareness and tourists' behaviour is necessary to conduct, especially in Banyuwangi so that it will encourage the development of the tourism industry in Banyuwangi.

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