

## CHAPTER II

### LITERATURE REVIEW

#### A. Definition of Tax

Tax is a compulsory contribution to state revenue, levied by the government on taxpayer's income and business profits or value added to the cost of some goods, services, and transactions. Based on the Law No 28 of 2007 on the General Provisions and Administration of Taxation Article 1 point 1, tax is defined as compulsory contribution to the state paid by individuals or legal entities that are enforceable under the Act, without getting direct benefits and used by State for maximum benefit and prosperity of the people.

Definitions of tax raised by experts include the following:<sup>1</sup>

1. According to Rochmat Soemitro, taxes are the dues upon the people to the state treasury under the law (which can be enforced) without getting reciprocal service which can be shown directly and used to pay for general expenses. This definition later on has been corrected as: Tax is the transition of wealth from the people to the state treasury to finance routine expenditure and its surplus is used for public saving which is become the main sources for financing public investment;

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<sup>1</sup>Andrian Sutedi, 2001, *Hukum Pajak*, Jakarta, Sinar Grafika, P.2.

2. According to Edwin R.A Seligmen in *Essays in Taxation*, tax is compulsory contribution from the person, to the government to defray the expenses incurred in the common interest of all, without reference to special benefit conferred;
3. An other definition given by Ray M. Sommerfeld, M. Herschel Anderson, & Horace R Brock, according to them tax is a transfer of resources from the private sector into the government sector, which does not a result of violations of the law, but shall be carried out. Based on the advance provisions, without obtaining a direct and proportional, the government can execute its tasks in running the governance;
4. Philip E. Taylor, in *The Economic of Public Finance*, defines tax as a compulsory contribution from the person, to the government to defray the expenses incurred in the common interest of all, with little reference to special benefit conferred;
5. Tax is defined by Hugh Dalton, as a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return, and not imposed as penalty for any legal offence;
6. Meanwhile according to Adam Smith, Tax is a compulsory payment levied by the government on individuals or companies to meet the expenditure which is required for public welfare.

From those definitions, it can be concluded that there are five main element of the tax as follow:<sup>2</sup>

1. Society dues to the state;
2. Under the Act (which can be enforced) in the sense that although the State has the right to levy taxes, but its implementation must obtain the consent of the people through legislation;
3. Without any reciprocal (achievement) of the State which can be directly determined in the sense that the counter-performance provided by the State to its people cannot be linked directly with the amount of tax paid;
4. To finance the general government's expenses.

Tax serves as a source of state finance (*budgetair*) but the tax actually also has a broader function (*regulerend*) in the sense that the tax could be used as a tool to manage or implement the state policy in the economic and social field. With the later function, tax is used as a tool to achieve certain goals which are located outside the financial field, such as to invite the capital investment from domestic or overseas. The local government may provide some various easiness of tax facilities to the investors. By the easiness or tax facilities, accordingly, it will give an allure for the investors to invest their capital in this area.<sup>3</sup>

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<sup>2</sup>Adrian Sutedi, *Ibid.*, P. 3.

<sup>3</sup> Ida Zuraida, 2012, *Teknik Penyusunan Peraturan Daerah dan Retribusi Daerah*, Jakarta, Sinar Grafika, P. 22.

## **B. Types of Tax**

The Clasification of Tax based on the collection institution in Indonesia may be devided into two namely: Central Tax and Local Tax.

### **1) Central Tax**

Central Tax is a tax which managed by the Central Government, in this matter largely managed by the Directorate General of Taxes of The Ministry of Finance. Central Tax is a tax which determined by central government based on the laws, and the collection aouthority is performed by central government and the outcome will be used for developing those area and financing all the central government expenses. Central tax is collected by the central government i.e by Department of Finance of Republic of Indonesia and the outcome will be used for the state necessary needs.<sup>4</sup>

All forms of administration which are related to the central tax will be conducted in Tax Service Office (KPP) or the Counseling and Consultation Servive Tax Office (KP2KP) in the central office of Directorate General of Taxes.

The Central Tax managed by the Directorate General of Taxes includes the following:<sup>5</sup>

#### **a. Income Tax (PPh)**

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<sup>4</sup>Marihot P.Siahaan, 2006,*Pajak Daerah & Retribusi Daerah*, Jakarta, PT Raja Grafindo Persada,P. 10.

<sup>5</sup>Directorate General of Taxes, "The Central Tax Managed", <http://www.pajak.go.id/content/belajar-pajak?lang=id> accessed on September 30, 2015 at 13:40 PM.

Income Tax is a tax imposed on the legal entities and the in accordance with the income earned or received within a period of one year to pay the taxes.<sup>6</sup> It means that all forms of additional economic capacity, both acquired in Indonesia or from abroad are regarded as additional functions in terms of wealth, in a form of consumption, or in any other name. Therefore, the revenues or incomes derived from it, can be some gifts, honoraria, profits in business, salary, and from other sources.

b. Value Added Tax (VAT)

Value Added Tax is a tax which imposed upon the consumption of taxable good and local taxable service (within Indonesian territory), an individual, companies, as well as the governments which consume the taxable good or taxable service will be imposed upon the Value Added Tax. Basically, every goods and sevicees are taxeble good or taxeble serviceexcept otherwise which is determined by the Laws.

c. Sales Tax on Luxury Goods (VAT BM)

In Certain goods that can be classified as luxury goods are not just charged by the Value Added Tax, but also by Sales Tax on Luxury Goods (VAT BM). In addition, Value Added Tax charged BM. Taxable goods are included in the luxury class among other items not included

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<sup>6</sup>Article 1 of Law No 7 of 1983 on Income Tax.

in the basic needs and goods used for consumption for a given population. In general, the goods in question are used for production purposes for the people who earn a high income level. Goods are also used for consumption as the level of social status in society.

d. Stamp Duties

Stamp Duty is a tax which imposed upon the documents. For examples, notarial deed, securities, promissory note, commercial paper, promissory note, bill in payment and securities in which the load or nominal amount of money at the top of the range that has been determined, but adapted to the existing provision.

e. Land and Buildings Tax (PBB)

Based on the Law No 12 of 1985 as amended by Law No 12 of 1994 on Land and Buildings Tax. Land and Buildings Tax is a State tax imposed on the land and or buildings. According to these laws, Land and Buildings Tax is a central tax, however, most of the revenue realization of Land and Buildings Tax is handed over to the Local Government both at provincial and district/city. The latest progress was that the management of this tax has been transfered to local government based on the Joint Ministerial Regulation of Minister of Finance and Minister of Home Affairs Regulation No 213/PMK.07/2010 and No 58 of 2010 on Preparation of Phases Transfer of Land and Buildings Tax Rural and Urban as the Local Tax.

*since January 1st of 2010, the Rural and Urban Land and Buildings Tax has being a local tax as long as the local regulation pertaining to Land and Buildings Tax which is related to the Rural and Urban has been published, if within period from January 1st of 2010, up to December 31 of 2013 the Local Regulation have not been published, then the Rural and Urban Land and Buildings Tax, is still remain collected by the Central Government. Since January 1st of 2014 Rural and Urban Land and Buildings Tax is a Local Tax. For the plantation of Land and Buildings Tax, forestry, and mining is still remain as the Central Tax.<sup>7</sup>*

## 2) Local Tax

Local Tax is a tax which managed by the local government whether at Province and Region/City. Local Tax is a compulsory contribution which is conducted by the local government and imposed upon the individual persons or legal entities without getting reciprocal in directly; it can be forced by the applicable laws.<sup>8</sup>

The collection of local tax is conducted by the local government and local revenue will be used for financing the local expenses in conducting the government and development in this area.<sup>9</sup>

All the forms of local tax administration may be conduct in the Local Revenue Office or Local Tax Office or in other office which supervised under the local government.

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<sup>7</sup>Directorate General of Taxes, "Preparation of Phases Transfer of Land and Buildings Tax Rural and Urban as the Local Tax", <http://www.pajak.go.id/content/belajar-pajak?lang=id> accessed on September 30, 2015 at 10:42 AM.

<sup>8</sup>Article 1 point 6 of Law No 34 of 2000 on Local Tax and Retribution.

<sup>9</sup>Marihot P.Siahaan, Op.Cit, P, 10.

The Tax are collected by the Local Government whether at Province or Region/City as follows:<sup>10</sup>

a. The Province Tax consist of:

1) Motor Vehicle Tax

Motor Vehicle Tax is a tax upon the ownership of motor vehicle. The motor vehicle is all a wheeled vehicle which is used in all kinds of roads, and are driven by technical equipment in the form of engine or other equipment that serves to transform a certain energy resources become dynamic which concerned with the motor vehicle, including heavy equipment and large equipment which is in operation using the wheels, engine and they are not attached in permanently included also the motor vehicle which is operated in the water.

2) Tax of Transfer Vehicle Ownership

Transfer Vehicle Ownership Tax is a tax upon the ownership transfer of the motor vehicles as the agreement result between two parties or unilateral deed or because of sale and purchase, swap, grant, inheritance, or revenue into business entity.

3) Motor Vehicle Fuel Tax

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<sup>10</sup>Article 2 point 1 and 2 of Law No 28 of 2009 on Local Tax and Retribution.



Motor Vehicle Fuel Tax is a tax upon the use of fuel for vehicles. The motor vehicle fuel is all kinds of a liquid fuel or gases that is used for motor vehicles.

4) Surface Water Tax

The surface Water Tax is water tax upon the takes and / or on the utilization of surface water. Surface water is all water that are found on the land surface excluding sea water, both located on sea and land.

5) Cigarette Tax

Cigarette Tax is the collection upon the cigarette excise which is collected by the government.

b. The Region /City Tax Consist of:

1) Hotel Tax

Hotel Tax is a tax upon the services which is provided by the hotel. The hotel providers lodging services, resting including other related services with paid the admission, motels, lean-tourism, homeless tourism, hostel, lodging house, also boarding house with the number of rooms are more than ten.

2) Restaurant Tax

Restaurant tax is a tax upon the service which is provided by the restaurant. The restaurant is the provider of the food facility and / or

drink with levied the payment, including bistro, cafeteria, canteen, small shop, bar, and the like including food service / catering.

3) Entertainment Tax

The entertainment tax is a tax upon the entertainment organizer.

The Entertainment is all kinds of spectacles, performances, games, and / or the hustles that are enjoyed and levied by the payment

4) Advertisement Tax

Advertisement Tax is a tax upon the advertising organizer. The advertisement is goods, tool, performance or the media in the form and shades manifold designed for the introducing commercial purposes, recommending, promoting, or to attracting the public attention upon some good, service, individual, or entity, which can be seen, be read, be hear, be feel, and or be enjoyed by the public.

5) Street Lighting Tax

Street lighting tax is a tax upon the use of electric power; either produced by its own or obtained from other sources.

6) Nonmetallic Mineral and Basement Tax

Nonmetallic Mineral and Basement Tax is a tax upon the taking of nonmetallic-minerals and rocks activities, either taken from natural resource or land surface. The nonmetallic-minerals and rocks are nonmetallic-minerals and rocks that mentioned in the legislations in the minerals and coal sector.

## 7) Parking Tax

Parking tax is a tax upon the organizer of a parking lot outside of the road; either it's provided by pertaining to the principal of business, including the provider of the place of day care motor vehicles. Parking is the condition of a movable vehicle which is not temporary.

## 8) Groundwater Tax

Ground water tax is a tax upon collection and / or the utilization of ground water. Groundwater is water that is found in land strata or rock below the ground level.

## 9) Swallow's Nests Tax

Swallow's Nests Tax is tax upon collection and / or operation swallow nest activities. Swallow is fauna which is included in the general of *collocalia*, namely *collocaliafuchliaphaga*, *collocaliamaxina*, *collocaliaesculanta*, and *collocalialinchi*.

## 10) Rural and Urban Land and Buildings Tax

Rural and Urban Land and Buildings Tax is a tax upon the Land and/or Buildings which owned, controlled, and/or utilized by the private persons or entities excepted for the area which are used for plantation business activities, forestry, and mining. Land is the land surface included the land and ground water also the sea water which is still in

region/city area. Building is the construction technique that is planted or attached in permanently upon the land, ground water or sea water.

#### 11) Duty on Acquisition of Land and Buildings

Land and Buildings Title Acquisition Duty is a tax on the acquisition right over the land and/or buildings. The acquisition of rights upon the land and/or buildings is the legal action that is acquired the rights upon the land and/or buildings by private persons or entities. Rights over land and/or buildings are land rights, including the management right, also the buildings upon it, as mentioned by the land and buildings legislation sector.

#### **C. Definition of Hotel**

According to The American Hotel and Motel Association (AHMA) hotel is a building managed commercially by giving lodging facilities to the public with the following facilities: food and drink service, room service, luggage service, washing clothes and can use the facilities / furnishings and enjoy the decorations in it.

#### **D. Characteristics of Hotel**

Hotel has a few characteristics that differentiate between hotel with other industries. These characteristics are as follows:

1. The hotel industry is relatively capital-intensive industries and labor-intensive, which means in its management it requires large capital and workforce.
2. Influenced by the state and changes in economic, political, social, cultural, and security where the hotel is located.
3. Produces and markets its products in conjunction with the place where its services produced.
4. Operates 24 hours a day, without any days off in hotel services to customers and society in general.
5. Treat the customer as king but also treat the customer as a partner in the business because the hotel services are highly dependent on the number of customers who use the hotel facilities.

Hotel products have three special characteristics, namely:

1. Tangible products (tangible), products which are real, among others, rooms, food, drinks.
2. Intangible (intangible), swimming pool, etc. Products that are not real, such as hospitality, comfort, safety, etc
3. Perishable and non-Perishable nature perishable product means that the product can only be sold today, for example, fresh food ingredients that cannot be stored like vegetables. Products that are nonperishable example, liquor, soft drinks, guest supplies (guest supply and amenities).

The hotel business has a purpose to benefit optimally through fulfilling the needs and desires of guests (guest need and wants). Guest satisfaction was subjected ministry to establish a good image and guaranteeing the long-term presence in the hotel.

#### **E. Classification of Hotel**

Determination of the type of hotel is inseparable from the customer's needs and the distinctive characteristics or properties owned by the hotels. It can be classified based on the location where the hotel was built. Here are the hotel classifications;

##### 1) City Hotel

Hotels are located in urban areas, and usually reserved for people who intend to stay a while (in the short term). City Hotel is also known as a transit hotel because usually occupied by business people who take advantage of business facilities and services provided by the hotel.

##### 2) Residential Hotel

This Hotel is located in sub urban, far from the big city crowds, but easy to reach the places of business activities. The hotel is located in quiet areas, especially because it is for people who want to stay in the long term. This hotel is equipped with complete residential facilities for the whole family.

### 3) Resort Hotel

Hotel located in mountain areas (mountain hotel) or at the beach (beach hotel), at the edge of the lake or on the banks of the river flow. Hotel like this is especially designed for families who want to take rest on holidays or for those who want to relax.

### 4) Motel

This Hotel is located in the outskirts or along the highway linking the city with other major cities, or on the edge of the highway near the gate or large town limits. The hotel is intended as a temporary resting place for those who travel by public transport or by their own car. Therefore, the hotel provides garage facilities for cars.

## **F. Definition of Hotel Tax**

Hotel tax is a tax on hotel services. Taxation of the hotel does not absolutely exist in all districts/ cities in Indonesia. This relates to the authority given to the district/ city to wear or not to wear a type of tax district/ city. Therefore, to be levied at a district/ city, the government should first publish local regulations on the hotel tax.<sup>11</sup>

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<sup>11</sup> Directorate General of Taxes, "The Central Tax Managed", <http://www.pajak.go.id/content/belajar-pajak?lang=id>, accessed on 12 November 2015, at 17.40 PM.

In the hotel tax collections there are some of the terminologies needed to know. Those terminologies are:

1. Hotel is a building specifically designed for people to stay/ break, get services, or other facilities with free of charge, including other buildings integrated, managed and owned by the same party, except by shops and offices.
2. House Inn or Home stay is form of accommodation and classification of any and facilities used to stay and rented out to the public.
3. Hotelier is a private person or entity in any form within the company or the job of doing business in the field of lodging services.
4. Payment is the amount received or should have received in return for the delivery of goods or services as payment to the hotel owners.
5. Bon sales (bill) is proof of payment, as well as evidence of tax collection, which is made by the taxpayer at the time of payment for services or place of use of the rooms as well as other supporting facilities to the subject of taxes.

Tax collections in Indonesia today are based on a legal basis. Here are the legal basses of the hotel tax:

1. Law No. 28 of 2009 which is an amendment to Law No. 34 of 2000 on Local Taxes and Levies.
2. Government Regulation No. 65 of 2001 on local taxes.



3. Decision regent / mayor governing the tax as a hotel rules implementing local regulations on the hotel tax in the district / city in question.

In doing tax levy on the Hotel Tax, there are taxpayer, the taxpayer and the tax object. According to the Yogyakarta Regional Regulation No. 1 of 2011 which became the subject of hotel tax are individuals or entities that make payments on the hotel services. Simply the subjects of taxation are consumers' enjoyment and payment for services provided by the hotelier. Meanwhile the taxpayer is hotelier, which the individual or entity in any form within the company or the job of doing business in the field of lodging services.

#### **G. Object of Hotel Tax**

Object hotel tax is a service provided by the hotel with payment, including sports and entertainment facilities such as;

- 1) Services Dormitory residence organized by The Government or Local government.

- 2) Services of Apartments.
- 3) Services Shelter in Educations or Religious Center.
- 4) Services shelter in Hospitals.

## **H. Subject of Hotel Tax**

Subjects of Hotel Tax are individuals or entities that make payment to individuals or entities that seek hotel. In this case, the subject of the tax is that consumers enjoy and pay for services provided by the hotel.<sup>12</sup>

## **I. Tax Rate**

Hotel tax rates set at 10% (ten percent). The principal number of Hotel Tax payable is calculated by multiplying the tax rate and the tax base hotel.

## **J. Imposition Rates and Collection Hotel Tax**

Payment is the amount of money that must be paid by the taxpayer to the taxpayer for the sale price the amount of money paid or replacement. It should be charged the taxpayer as the exchange on the use of services of lodging and support facilities including also all additional to whatever name is also done with regards to the business hotels, Hotel Tax rate is set at a maximum of 10%. It is intended to provide flexibility to the district/ city governments separately set tax rates that are considered in accordance with the conditions of each

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<sup>12</sup>“Anonym, Definition of Hotel Tax”, <https://dinasperpajakan.cianjurkab.go.id/pajak/lengkap/1/pajak-hotel.html>, accessed on 11 November 2015, at 17.50 PM.

district/ city. Thus, each district/ city is given the authority to set tax rates that may be different with other district/ city, provided that no more than 10%.

The amount of hotel tax payable is calculated by multiplying basic tax rate and the tax base. In general the hotel can do tax calculation by the following formula:

$$\begin{aligned} \text{Tax Payable} &= \text{Tax Rate} \times \text{Basic tax} \\ &= \text{Tax Rate} \times \text{amount of payments made to the hotel} \\ &= \end{aligned}$$

#### **K. Tax Period, Fiscal year, Current Tax Payable, and Regional Tax Collection**

In the hotel tax, the tax period is a period of time equal to the duration of one month or other period specified by the decision of the regent/ mayor. In terms of the tax period, half month is counted as one full month. Tax year is the period of the duration of one year.

Withholding tax is a hotel tax that must be paid by the taxpayer at a time, in a tax period, or in the tax year in accordance with the provisions of the area of hotel tax set by local government district/ municipality. Tax payable in a period when the tax is determined by the state, which is in the event of payment services or lodging at a hotel or inn or home stay.

Hotel tax shall be collected at the district/ city where the hotel is located. It is associated with the authority of district/ city governments that are limited for any hotel that is conveniently located and registered within the scope of its jurisdiction.

Every hotelier who becomes taxpayer to charge a hotel tax payments from consumers who use the services of the hotel should use a bill of sale or sales note or memorandum order (bill), unless stipulated otherwise by the regent/ mayor. The sales bon usage is the use of a cash register as proof of payment. In bon sales, it must at least include a note about the kinds of rooms occupied, length of stay and the facilities, the hotel used. Bon sales must include the name and address of the business, printed with a serial number and use given in accordance with the serial number. Bon sales must be submitted to the taxpayer as proof of taxation when the taxpayer filed the amount to be paid. In addition to the benefit of supervision on the circulation of business, taxpayer is also intended as a material to promote awareness about the hotel tax to the public as the subject of taxes. Copies of the memorandum of orders that are already in use should be kept by the taxpayer in a given period of time corresponding local regulations or decisions of regents / mayors, for example, within a year, as evidence in making tax returns area.

Taxpayers are required to use bill of sale, but does not use the sales bon subject to administrative sanctions such as fines of 2% per month of the tax base.

Bon sales can only be used after legalization by regent/ mayor or a designated official. The taxpayer is obliged to legalize bon sales to the Department of Revenue district/ city, unless specified otherwise by the Head of Department of Revenue. Taxpayers are obliged to legalize the bill of sale, but

were not validated using administrative sanction, usually a fine of 2% per month of the tax base.

#### **L. Determination of Hotel Tax**

Hotel tax collection may not be combined. It means the whole process of tax collection hotel cannot be handed over to a third party in the process of tax collection, among others: the printing of tax forms, sending letters to the taxpayer, or the collection of data objects and subject to tax. Activities which cannot be undertaken in cooperation with a third party is the activity of the calculation of tax payable, tax payment supervision and tax collection.

Every hotelier (the taxpayer) must calculate, calculate, and report on his/her own hotel taxes owed by using SPTPD (Regional Income Tax). This provisions on how hotel tax collection system is basically a system of self-assessment; the taxpayer is given full trust to compute, calculate, and report on his/her own pay taxes.

Revenue Service district/city has designation as the executor. In some areas, the assessment does not left entirely to the taxpayer, but are set by the head of the region. Tax on taxpayers who are set by the regent / mayor specified amount of tax payable by issuing Local Tax Assessment Letter (SKPD) Taxpayers still enter notification letter of local taxes(SPTPD), but without tax calculation. Notification letter of local taxes (SPTPD) is generally attached with data collection conducted by officers of Revenue district / city.

Based on notification letter of local taxes(SPTPD) submitted by the taxpayer, then data collection is done by the Department of Revenue officials, regents / mayors or officials appointed by the regent / mayor establishes hotel taxes owed to curb tax assessment letter (SKPD). Tax assessment letter (SKPD) must be repaid by the taxpayer no later than thirty days from receipt of SKPD by the taxpayer or any other time period specified by the regent or mayor. If after the appointed schedule is over, the taxpayer is subject to administrative sanctions in the form of an interest rate of 2% per month and charged with issuing the Regional Tax Collection (STPD).

Within five years after the tax becomes due, regent / mayor can issue a tax assessment letter Regions underpayment (SKPDKB), Regional Tax Assessment Letter Nil (SKPDN). Tax assessments issued by examination of notification letter of local taxes (SPTPD) submitted by the taxpayer. The issuance of this tax assessment is given to provide legal certainty whether the calculation and payment of tax reported by the taxpayer in notification letter of local taxes(SPTPD) has complied with the laws and regulations of local taxes or not.

Issuance of tax assessment letters is addressed to certain taxpayer that caused untruth in charging notification letter of local taxes (SPTPD) or because of the discovery of fiscal data are not reported by the tax payer. In addition to the assessment, publishing notice of tax underpayment assessment (SKPDKB)

can also be issued to taxpayers whose tax determination made by the regent / mayor.

#### **M. Payment and Hotel Tax Collection**

##### **1. Payment of Hotel Tax**

Hotel taxes are paid within specified period of local regulations, like no later than the 15th of the following month of the tax period after the expiration of the tax owed. Determination of the due date of payment and remittance of hotel tax is set by the regent / mayor. If the taxpayer is published notice of tax underpayment assessment (SKPDKB), notice of local tax collection (STPD), Decree Correction, Decree Objection and Appeal Decision which causes the amount of tax to be paid increases, taxes must be paid no later than one month from the date of issuance.

Taxes owed payment made to the local treasury, bank, or other place designated by the regent / mayor at the time determined in the local work unit (SKPD), notice of tax underpayment assessment (SKPDKB) and notice of local tax collection (STPD). If the tax payment is done in other places designated, the proceeds of the tax shall be paid to the local treasury at least 1 x 24 hours or within the time specified by the regent / mayor. If the payment due date on a holiday, the payment is made on the next business day.

Tax payment is done by using the Tax Payment Area (SPPD). Tax

payments must be made at the same time or in full. To taxpayers who pay taxes are given proof of tax payments and recorded in the receipt book. This should be done by the officer where the tax payment for the administration and supervision of tax revenue. Thus, the tax payment will be easily monitored by officers Regional Revenue Office. Form, content, size receipt book, and proof of payment of taxes are stipulated by the decision of the regent / mayor.

In certain circumstances, the regent / mayor or a designated officer may grant approval to the taxpayer to repay the outstanding nature of hotel tax payment within a certain time after fulfilling the requirements determined. Granting approval to the payment of taxes granted at the request of the taxpayer. Installment payment of tax due to be carried out regularly and successively with bears interest at two percent a month of the amount of tax not paid or underpaid. In addition to approving the payment of taxes in installments, regent / mayor or a designated officer may grant approval to the taxpayer to defer tax payments granted at the request of the taxpayer, with bear interest at 2% per month of the amount of tax not paid or underpaid. Requirements to be able to pay in installments or defer payment of taxes as well as the manner of payment of installments are set by the decision of the regent / mayor.

## 2. Hotel Tax Collection



If the hotel tax owed is not paid after the due date of payment, regent / mayor or a designated official will conduct a tax collection action. Tax collection is done against the tax payable in SKPD, SKPDKB, STPD, Decree Correction, Decree Objection and Appeal Decision which causes the amount of taxes that should be paid. Tax collection is done by first providing a letter of reprimand or a warning letter or other similar letter as early tax collection action. A letter of reprimand or warning letter issued seven days after the due date of payment of tax and issued by officials appointed by the regent / mayor. Within seven days from a letter of reprimand or a warning letter or other similar letters received, the taxpayer must pay the tax due.

Furthermore, when the amount of tax payable accrued is not paid within the period specified in the letter of reprimand or a warning letter or other similar letters will be billed with the Letter Disappearance. Tax collection action by letter Forced may proceed with the foreclosure action, auction, prevention and hostage if the taxpayer still would not pay off the tax debt as it should be. Lastly, if the seizure and auction of goods seized belong to the taxpayer, the district / city is given the right to tax bills or items belonging to the taxpayer or tax guarantor. The rights provisions include tax principal, administrative sanctions in the form of an increase, interest, penalties, and costs of tax collection. Preceding the provisions is concerning the right to provide reassurance to the local tax debt settlement

area if at the same time a taxpayer has a tax debt and debt / civil liability to other creditors, while the taxpayer is unable to pay all its debts to be declared bankrupt .

In addition, certain conditions performance regents / mayors can collect taxes without waiting for the hotel tax payment deadline is set by the regent / mayor ended. This is known as tax collection and at the same instant. Tax collection is done by letter forced and tax collection and at the same instant in the collection of hotel tax is done in accordance with the General Provisions Local Tax.

## **N. Definition of Local Revenue**

### **1. Definition of Revenue**

Revenue is an important thing from the financial statements and has a \ diverse use for various purposes. The use of information is the most important income for the purpose of decision-making, and usually as a measure of the success of a organization or institution in managing its resources.<sup>13</sup>

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<sup>13</sup> Sony Kurniawan., S.H, “Definiiton of Local Revenue”,<http://sonnylazio.blogspot.co.id/2012/06/pengertian-dam-sumber-sumber-pendapatan.html> accessed on 12 November 2015, at 13.30 PM.

## 2. Definition of Local Revenue

Local revenue is the revenue earned from local revenue sources and managed by the local government and local revenue could also be interpreted as the income derived by the local government and obtained from the revenue potential in the area. In other words, local revenue is the income received by the local government for any source, and the potential that exists in the area.<sup>14</sup>

Definition of Local Revenue by experts include the following:

- a. According to Warsito Local Revenue "Revenue (PAD) is a source of income and is collected solely by the local government. Source PAD consists of: local taxes, local retribution, profits from locally-owned enterprises (enterprises), and other local revenues legitimate ".
- b. According to Herlina Rahman source revenue Represents regional income sourced from the local tax, the result of distribution of the wealth management area that is separated and other local revenue valid in tapping funds in the implementation of decentralization as the embodiment of the principle of decentralization.

## 3. Types of Local Revenue

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<sup>14</sup> Nanang Budias, "Sources of Local Revenue", <http://nanangbudias.blogspot.co.id/2013/02/sumber-sumber-pendapatan-asli-daerah.html>, accessed on 11 November 2015, at 18.08 PM.

According to Law No. 34 of 2004 on The Balance State Finances Between The Central Government and Local Government, Local Revenue is divided into 3 namely:<sup>15</sup>

1) Local revenue

a. Results of the local tax are decisions.

According to rules established by the region for the finance, the household is regarded as a public entity. Local tax is levied by the local governments whose results are used for public spending and its services.

b. The levies have been validated as payment of usage or for obtaining services or for obtaining employment services, businesses or local government property concerned. Levies has the properties that its implementation is economical, there is a direct payment even have to meet the requirements of the formal and material, but there are alternatives for those who do not pay; the charges that are budget not prominent in certain cases levies are refund and issued by local governments to meet the demand of the community members.

c. Results of the company-owned local and regional wealth management results were separated. The results of companies

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<sup>15</sup> Muhaidir Ashar,S.H, "Types of Local Revenue",  
[https://www.academia.edu/8279200/pendapatan\\_asli\\_daerah\\_PAD\\_menurut\\_halim](https://www.academia.edu/8279200/pendapatan_asli_daerah_PAD_menurut_halim),  
accessed on 11 November 2012, at 18.35 PM.

belonging to the area are the local revenue of the net profits of regional companies. The revenues are in the form of funding local development and a section for regional budget paid into the local treasury, good company separated areas, in accordance with the motive establishment and management. The nature of the local company is a unit of production that is added to revenues, provides services, organizes public, and develops the regional economy.

- d. Other revenues are areas of legitimate revenues that are not included in the types of local taxes, retribution area, revenue offices. Other legitimate business area has properties that opener for local governments to carry out activities that produce either material in the activity aims to support, paving, or establish a regional policy sector in specific fields.
- 2) The balance of funds obtained through the local revenues from property tax revenues both from rural, urban, mining and natural resources as well as fees for acquisition of land and buildings. Equalization fund consists of revenue-sharing, general allocation funds, and special allocation funds.
  - 3) Other areas of legitimate income are the local revenues from other sources like third-party contributions to the region carried out in accordance with the laws and regulations in force.

