

The Potential of Hotel Tax on the Realization of Hotel Tax Revenue in Medan City

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Abstract— *The purpose of this study is to determine the potential amount of Hotel Tax actually owned by Medan City and how far the Medan City Government's attention in exploring the existing hotel tax potential and the City Government's attention in increasing hotel taxes for the common welfare. To calculate the potential and effectiveness of hotel tax, several related variables are used, namely the number of rooms, the average room rate, the number of days in a year and the amount of hotel tax rate determined. The results showed that the potential of Hotel Tax is very large, far above the realization value of Hotel Tax revenue. This comparative measurement is reflected in the effectiveness of the Hotel Tax, whose value always decreases from year to year during 2020 - 2022. The results also show that the potential of the existing hotel tax has not been optimally explored and there are several things that need to be corrected regarding the hotel tax in Medan City such as the management system and management of the existing hotels.*

Keywords: Hotel Tax, Hotel Tax Potential, Hotel Tax Revenue, Hotel Tax Effectiveness

INTRODUCTION

Regional Original Revenue (PAD) is revenue obtained by the region based on local regulations in accordance with legislation. PAD consists of local taxes, local levies, agency income, BUMN, and others. The greater the PAD, the higher the regional independence, indicating that the region is able to implement fiscal decentralization with reduced dependence on the central government.

One of the potential sources of PAD is hotel tax, which is expected to support regional financing in development. Medan City, as a metropolitan city with high intensity of economic activities, receives local revenue from tax object tax payments. The city is the gateway to western Indonesia with Belawan port and Kuala Namu Airport, which increases tourist attraction.

The increasing construction of buildings such as apartments, hotels, and shopping centers in Medan is expected to be a supporting factor for regional income, increasing regional growth and development. The high potential of the hotel sector in Medan also has an impact on the increase in hotel business, which is utilized by the Medan City Government to collect taxes.

The Head of the Medan City Regional Revenue Agency (Bapenda), Benny Sinomba Siregar, stated that the increase in hotel tax revenue is strongly influenced by the number of

tourist visits. Therefore, it is necessary to empower tourist destinations and collaborate with the private sector to increase PAD, especially hotel tax.

However, hotel tax revenues still do not meet the realization target, due to lack of taxpayer compliance. Bapenda conducts evaluations and visits to hotels to remind taxpayers to pay taxes. In addition, there are other obstacles such as the lack of sanctions and integrity. Nevertheless, Bapenda continues to innovate and work hard to increase PAD.

To increase tax revenue, Bapenda recommends facilitating tourism products and experiences, improving the quality of infrastructure and facilities, as well as cooperation and coordination between related parties. Community support and compliance are also needed to achieve the desired tax revenue target.

Based on the background description above, the problem formulations in this study are:

1. How much hotel tax potential does Medan City have?
2. How effective is the hotel tax in Medan City?
3. How to manage hotels in Medan City to increase hotel tax revenue?

LITERATURE REVIEW

Regional Original Revenue (PAD)

Regional Original Revenue (PAD) is revenue obtained by the region that is levied based on local regulations in accordance with applicable laws and regulations, referring to article 1 number 18 of law number 33 of 2004. PAD is a manifestation of the principle of decentralization and is a source of regional income. Through PAD, local governments are given the authority to fund the implementation of regional autonomy in accordance with their regional potential.

The role of PAD as one of the sources of regional income requires local governments to maximize it. Article 5 paragraph (1) of Law Number 33 of 2004 provides various sources of PAD, ranging from local taxes and levies, management of separated assets, and other legitimate local revenue.

Source of Local Revenue

Local Tax

Local taxes are mandatory contributions to the regions owed by individuals or entities that are compelling according to law, without getting direct rewards, and are used for



regional interests to the greatest prosperity of the people (Law No.28 of 2009).

According to Law No. 28/2009 on Local Taxes and Levies, local taxes are divided into two types, namely:

Provincial Tax

- a. Motor Vehicle Tax: A tax on the ownership and/or control of motorized vehicles.
- b. Motor Vehicle Title Transfer Fee: Tax on the transfer of ownership of a motor vehicle as a result of a party agreement or unilateral action or circumstances arising from sale and purchase, exchange, grant, inheritance, or incorporation into a business entity.
- c. Motor Vehicle Fuel Tax: Tax on all types of liquid or gaseous fuels used in motor vehicles.
- d. Surface Water Tax: Tax on the collection and/or utilization of surface water.
- e. Cigarette Tax: A tax levied on cigarette excise taxes collected by the government.

District/City Tax

- a. Hotel Tax
- b. Restaurant Tax
- c. Entertainment Tax
- d. Billboard Tax
- e. Street Lighting Tax
- f. Non-metallic Mineral Tax
- g. Parking Tax
- h. Groundwater Tax
- i. Swallow Nest Tax
- j. Rural and Urban Land and Building Tax
- k. Fees on Acquisition of Land and Building Rights

Results of Regional-Owned Companies and Results of Management of Separated Wealth

The results of the management of separated assets are the results obtained from the management of assets that are separate from the management of the regional revenue and expenditure budget. Law number 33 of 2004 classifies the types of results of management of separated regional assets, detailed according to the object of income which includes the profit share on equity participation in regionally owned enterprises (BUMD), profit share on capital investment in State-Owned Enterprises (BUMN), and profit sharing on equity participation in privately owned enterprises or community groups.

Other Legitimate Local Revenue

According to regulation number 34 of 2004, other legitimate local revenues are accommodated in local revenue planning that are excluded from the type of local retribution and result from the remoteness of the region delegated by the executive. Proceeding from non-isolated resource offerings, including the use or payment of premiums, claims on remuneration, advantages of differences in the scale of exchange of the rupiah against unrecognized monetary standards, as well as different commissions, limits, or structures due to agreements or potential acquisition of labor and products by the region.

Hotel Tax in Medan City

Definition of Hotel Tax Hotel Tax is a tax levied on services provided by hotels. It includes lodging facilities and other related services for which a fee is charged. Hotels include various types of lodging such as motels, inns, and boarding houses with more than 10 rooms.

Legal Basis Based on Medan City Regional Regulation Number 4 Year 2011, hotel tax covers administrative fees charged by lodging including supporting facilities such as accommodation and entertainment.

Object, Subject, and Taxpayer of Hotel

1. Hotel Tax Object

- a. Services provided by the hotel for guests' comfort and convenience, including sports and entertainment facilities.
- b. Support services such as telephone, internet, photocopying, laundry and ironing services.
- c. Exemptions from the tax object include administrative services at special events, clinics, government dormitories, loft rental, and lodging services for caregivers, nursing homes, as well as tourist travel services organized by hotels.

2. Hotel Tax Subject

- a. Persons or entities who use lodging services and pay lodging fees to lodging service providers.

3. Hotel Taxpayer

- a. A person or entity that runs a lodging business and manages hotels or lodging services.

Hotel Tax Inhibiting Factors

1. Low Tax Awareness

- a. Many people have not registered because they find the registration process complicated.
- b. Lack of understanding of expenses and tax breakdown.

2. Objection to Tax Rate

- a. People feel that the tax rate is too high and hope for a review from the government.

3. Financial Management Difficulties

- a. Small inns may not have enough resources to consistently manage tax payments.

Basis of imposition, rates, and how to calculate hotel tax

1. Basis of Hotel Tax Imposition

- a. Lodging fees payable by guests to the hotel.

2. Hotel Tax Rate

- a. The hotel tax rate is set at 10%. Boarding houses with more than 10 rooms that rent out above Rp1,000,000 per room per month are also subject to a 10% rate.

3. How to Calculate Hotel Tax

- a. Tax payable = Tax rate × Tax base.
- b. Example: If the cost of lodging is Rp1,000,000, the tax payable is $10\% \times \text{Rp}1,000,000 = \text{Rp}100,000$.

Hotel Tax Collection Procedure

1. Collection Procedure

- a. It cannot be outsourced.
- b. Taxpayers must pay based on the Regional Tax Return (SPTPD).
- c. Payment is made through a bank or place appointed by the regional head.

2. Payment Procedure

- a. Paid using the Regional Tax Payment Slip (SSPD).
- b. Payment is due 30 working days after the tax is payable.
- c. Late payments are penalized 2% per month up to a maximum of 24 months.

3. Billing Procedure

- a. Based on SPTPD, SKPDKB, SKPDKBT, or STPD.
- b. If not paid, a letter of compulsion is issued.
- c. The letter includes the name of the taxpayer, the legal basis for collection, the amount of tax debt, and an order to pay.

With a good understanding of hotel tax, it is expected that lodging entrepreneurs can fulfill their tax obligations better, and local governments can manage revenue from this sector more effectively.

Benchmarks for Assessing Local Tax Potential

According to Davey (1988), there are four criteria for assessing local tax potential, namely:

1. Sufficiency and elasticity

Is the ability to generate additional revenue in order to cover the same demands for an increase in government spending and the tax base grows automatically. Example: due to inflation there will be an increase in prices as well as an increase in population and an increase in the income of an area.

In this case elasticity has two dimensions, namely :

- a. Potential growth of the tax base itself
- b. As an ease to collect the tax growth

Elasticity can be measured by comparing revenue yields over several years with changes in the price index, population or national income per capita (GNP).

2. Justice

The principle of justice referred to here is that government expenditure must be borne by all groups of society in accordance with the wealth and ability of each group.

3. Administrative skills

The administrative capability referred to here implies that the time given and the costs incurred in determining and collecting taxes are proportional to the results that can be achieved.

4. Political agreement

Political agreement is required in the imposition of taxes, setting the rate structure, deciding who should pay and how the tax is set and penalizing those who violate it.

Hotel Tax Effectiveness

According to Devas (1989), effectiveness is the relationship between output and objectives or it can also be said to be a measure of how far the level of certain outputs, policies and procedures of the organization. Effectiveness is also related to the degree of success of an operation in the public sector so that an activity is said to be effective if the activity has a major influence on the ability to provide community services which are predetermined targets (Simanjuntak, 2001). Effectiveness is used to measure the relationship between the results of a tax levy and the real goals or potential that a region has (Mardiasmo in Hapsari, 2011.).

To calculate the effectiveness of hotel tax management, the following formula is used:

$$\frac{\text{Realization of Hotel Tax Revenue} \times 100\%}{\text{Hotel Tax Potential}}$$

From the definition of effectiveness, it can be concluded that effectiveness aims to measure the success ratio, the higher the ratio, the more effective it is, the minimum standard of success ratio is 100% or 1 (one) where the realization is equal to the predetermined target. A ratio below the minimum standard of success can be said to be ineffective. So far, there is no standard measure regarding the effectiveness category, the measure of effectiveness is

usually expressed qualitatively in the form of statements only.

RESEARCH METHODS

1) Research Approach

The approach used in this research is descriptive quantitative. This descriptive research begins with collecting the required data, which is then processed so that the data becomes simpler and easier to understand. Furthermore, the data is re-analyzed to obtain a clearer picture of the problem under study.

2) Location and Time of Research

This research was conducted at the Medan City Regional Revenue Agency (BAPENDA) which is located at Jl. AH Nasution No. 32 Medan. This research took place from September to April 2024.

3) Data Type and Source

a) 1. Data Type

The type of data used in this research is quantitative data, which is collected and presented based on the data received. Quantitative data in this study includes data on the target and realization of hotel tax revenue in Medan City in 2020-2022.

b) 2. Data Source

The data sources in this study consist of secondary data and primary data:

1. **Secondary data:** Data obtained through intermediary or indirect media, such as books, records, existing evidence, or generally published archives related to research. Examples are data on the target and realization of hotel tax and the target and realization of Medan City's local revenue for 2020-2022.
2. **Primary data:** Data obtained through direct interviews with officers in the field of data collection and bookkeeping/reporting of hotel tax revenues at the Medan City Regional Revenue Agency (BAPENDA).

4) Data Collection Technique

According to Sugiyono (2016: 193), data collection techniques are strategic steps in research that aim to obtain data. The data collection techniques in this study are:

1. **Interview technique:** Data collection method to obtain information or information directly from the source by asking several questions that have been prepared. The interview was conducted with Umi Umami Lubis, SE, bookkeeping and reporting staff, on January 21, 2024 at the Medan City Regional Revenue Agency (BAPENDA).
2. **Literature/documentation study:** Obtaining data by studying documents related to the problem or research data, such as hotel tax revenue as a source of local revenue in Medan City. Documentation includes records or works about events that have passed and can be in the form of written texts, artifacts, drawings, photographs, life histories, biographies, and others.

5) Data Analysis Method

The data analysis method is an important step in research because it serves to summarize the research results in a form that is easier to read and interpret. The data analysis technique used in this research is descriptive analysis method, which is an analysis technique that collects and clarifies data relevant to the problem under study and then draws conclusions. The steps taken in this research include:

- a. Potential calculation

To calculate the potential of hotel tax, the formula presented by Harun (2001) is used as follows:

$$PPH = A \times B \times C \times D$$

Where:

A : Number of Rooms

B : Average room rate

C : Number of days

D : Hotel tax rate

b. Calculation of Hotel Tax effectiveness

To calculate the effectiveness of hotel tax management, the following formula is used:

$$\frac{\text{Realization of Hotel Tax Revenue} \times 100\%}{\text{Hotel Tax Potential}}$$

The level of effectiveness can be classified into several categories, namely:

1. The result of the comparison of achievement levels above 100% means that it is very effective.
2. The result of 100% achievement level comparison means effective.
3. The comparison result of the achievement level below 100% means that it is not effective.

RESULTS AND DISCUSSION

6) RESEARCH RESULTS

Table 4.1 Target and Realization of Hotel Tax Revenue 2020-2022

Year	Target (Rp)	Realization (Rp)	Percentage
2020	70.247.640.000,00	56.205.691.378,00	80,01%
2021	101.142.393.807,00	70.537.230.772,00	69,74%
2022	164.996.616.971,00	119.142.028.242,00	72,21%

From the table above, it can be concluded that the hotel tax revenue target from 2020-2022 has fluctuated and has not reached the target. This can be seen from:

- 2020: The percentage of hotel tax revenue is 80.01%, which means it has not yet reached the target.
- Year 2021: The percentage of hotel tax revenue is 69.74%, a decrease of 10.27% from the previous year.
- Year 2022: The percentage of hotel tax revenue is 72.21%, an increase of 2.47% from the previous year but still not reaching the target.

This decline is very understandable because of the COVID-19 pandemic that hit the world and had an impact on the economic sector, especially hotel tourism. A slight increase in 2022 occurred because COVID-19 began to subside.

Table of Target and Realization of Regional Original Revenue (PAD) of Medan City in 2020-2022

Year	Target (Rp)	Realization (Rp)	Percentage
2020	1.333.862.441.000,00	1.175.721.775.059,00	88,14%
2021	1.693.934.904.956,00	1.495.751.738.668,00	88,30%
2022	2.587.779.709.433,00	1.961.927.116.116,00	75,82%

Based on the table above, it can be concluded that the realization of PAD revenue from 2020-2022 in Medan City is still fluctuating:

- 2020: The percentage of PAD revenue is 88.14%.
- 2021: The percentage of PAD revenue is 88.30%, an increase of 0.16% from the previous year.

- Year 2022: The percentage of PAD revenue is 75.82%, a decrease of 12.48% from the previous year.

a) Calculation of Contribution of Hotel Tax Revenue in Increasing Regional Original Revenue (PAD) of Medan City

Contribution Criteria Classification Table

Percentage	Criteria
0,00-10%	Very less
10,10%-20%	Less
20,10%-30%	Medium
30,10%-40%	Good enough
40,10%-50%	Good
Above 50%	Very good

Contribution of Hotel Tax Revenue

Year	Hotel Tax Revenue (Rp)	Realization of Regional (PAD) (Rp)
2020	56.205.691.378,00	1.175.721.775.059,00
2021	70.537.230.772,00	1.495.751.738.668,00
2022	119.142.028.242,00	1.961.927.116.116,00

Based on the calculation results in the table, the contribution of hotel tax in 2020 is 0.04%, in 2021 it is 0.04%, and in 2022 it is 0.06%. The percentage contribution of hotel tax as a source of PAD for Medan City from 2020-2022 shows fluctuations with an increase of 0.02% in 2022 compared to 2021. However, the contribution is still very insufficient.

7) 4.2 Discussion

a) 4.2.1 Contribution of Hotel Tax Revenue in Efforts to Increase Regional Original Revenue of Medan City

Based on the table above, the hotel tax revenue target fluctuates from year to year:

- Year 2020: The percentage of hotel tax revenue is 80.01%, showing a decrease from the previous year.
- Year 2021: The percentage of hotel tax revenue is 69.74%, a decrease of 10.27% from the previous year.
- Year 2022: The percentage of hotel tax revenue is 72.21%, an increase of 2.47% from the previous year.

8) Obstacles of Medan City Regional Revenue Agency (BAPENDA) in Increasing Hotel Tax as a Source of Regional Original Revenue of Medan City

2. Low Taxpayer Compliance

- a. Many hotel taxpayers do not carry out their tax obligations properly, resulting in an increase in tax arrears.

3. Avoidance in Data Collection and Audit

- a. Taxpayers often avoid the data collection, registration, and audit process conducted by BAPENDA Kota Medan.

4. Tax Arrears due to Turnover Not Reaching Target

- a. Some taxpayers are delinquent in their tax payments because their income has not reached the target or they do not have time to pay their taxes.

5. Difficulty in Gathering Information from Taxpayers

- a. It is difficult to meet taxpayers for information on income data, which is necessary to avoid irregularities.

6. **Lack of Infrastructure and Tourism Supporting Facilities**
 - a. Taxpayers are less likely to improve infrastructure and facilities for tourist visits, which has an impact on hotel tax revenues.
 7. **Lack of Public Infrastructure**
 - a. Public infrastructure and facilities provided are still inadequate to support tourist visits.
 8. **Lack of Friendliness to Tourists**
 - a. The unfriendly attitude of the community towards tourists reduces the interest of tourists to visit, thus affecting hotel tax revenue.
- 9) *Efforts of Medan City Regional Revenue Agency (BAPENDA) in Increasing Hotel Tax Revenue as a Source of Regional Original Revenue of Medan City*
2. **Use of the Peting Box Tool**
 - a. Installing a peting box tool on the taxpayer database recorded by the taxpayer's camera. This tool helps BAPENDA monitor taxpayer compliance in paying their taxes.
 3. **Periodic Local Tax Audit**
 - a. Conduct local tax audits every three months to ensure taxpayers fulfill their tax obligations.
 4. **Cooperation with Other Agencies**
 - a. Collaborate with other agencies such as local government, Satpol PP, police, military police, and prosecutors to enforce local regulations.
 5. **Letter of Reprimand to Taxpayer**
 - a. Sending warning letters to taxpayers who have not submitted Local Tax Notification Letters (SPTPD).
 6. **Technical Implementation Unit (UPT)**
 - a. Has a UPT that is tasked with conducting field evaluations and visits directly to hotels to urge taxpayers to pay their taxes.
 7. **Sanctioning**
 - a. Provide sanctions to hotel taxpayers who do not carry out their tax obligations.
 8. **Counseling and Socialization**
 - a. Conducting counseling and socialization to the public about local taxes, especially about hotel tax payments using the Self Assessment system.
 9. **Improving Community Hospitality**
 - a. Improve the hospitality of the community towards tourists visiting Medan City.
 10. **Improved Hotel Infrastructure and Facilities**
 - a. Improve hotel infrastructure and facilities to attract more tourists.
 11. **Tax Extensification and Intensification**
 - a. **Extensification:** Increasing the number of registered taxpayers and expanding tax objects in the administration of the Directorate General of Taxes (DGT). It is intended for taxpayers who have met the

requirements to have a Taxpayer Identification Number (NPWP).

- b. **Intensification:** Optimizing tax revenue from registered tax objects and extensification results. This is done through audit, disbursement of arrears, collection, and application of strict sanctions.

CONCLUSIONS

Based on the results of the research that has been carried out regarding hotel tax revenues in an effort to increase local revenue in Medan City, the following conclusions can be drawn:

1. The potential of hotel tax in Medansanagt City is large but it is optimally explored, this can be seen from the difference between the realization of revenue and the target of hotel tax revenue.
2. The effectiveness rate of hotel tax is not more than 5% each year.
3. The management of hotels in the city of Medan is good but related to the potential of hotel tax, there is a need for correction of the management system and management of hotels in the city of Medan.

ADVICE

Thus, to increase hotel tax revenue, more effective strategic measures are needed, including increased education and continuous counseling, stricter supervision of taxpayer compliance, and an improved tax administration system that is more efficient and transparent.

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