

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the research

In the framework of administering the government, the state of Indonesia is divided into provincial, regency and city government. Regional autonomy provided to the regions implies the emergence of authority and obligations in the implementation of various government activities that are more self-reliant. The government is expected to facilitate its own financial resources that provides more contribution and efficiency in providing services to the community, including allowing collection of local taxes.

The Constitution of the Republic of Indonesia established that the regional (provincial, regency and city) government has the authority to regulates and manages its own government affairs according to the Principle of Autonomy and Co-Administration and is given the widest possible autonomy. Based on the Constitution of the Republic of Indonesia which places taxation as one of the manifestations of statehood, it is emphasized that the burdens of taxes on the citizens, such as income taxes and other compulsory levies, are regulated by law. Thus, the collection of local taxes must be based on the Constitution.

Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central Government and Regional Government in the framework of implementing regional autonomy provides space for regional governments to manage and utilize their regional revenue sources based on aspirations from the public area. Regional governments that carry out regional autonomy, especially managing regional revenues, have hierarchical structure from the provincial to the city / district.

North Sumatra Province is one of the provinces in Indonesia. Economic policies carried out by the Regional Government of North

Sumatra are intended to increase economic growth, increase per capita income to realize equal distribution of development outcomes to achieve the expected level of prosperity. To realize regional economic policies, independent and sustainable income source is needed. The source of income is then called Local Own-source Revenue or *Pendapatan Asli Daerah* (PAD).

PAD is a source of financing as an indication of an autonomy regional income source as well as a source of regional income through revenue-sharing balancing funds scheme based on the percentage of certain balances determined by the central government including taxes. PAD as a source of income in financing development needs to be managed properly. Various policies are needed to make the collection of local taxes more comprehensive, contributionives and efficient. PAD is income originating from the results of Local Taxes or *Pajak Daerah*, Regional Retribution or *Retribusi Daerah*, Separated Regional Wealth Management Results or *Hasil Pengelolaan Kekayaan Daerah yang Dipisahkan*, and Other Legitimate Local Own-Source Revenue or *Lain-lain Pendapatan Daerah yang Sah*, which aims to provide flexibility to the regions in exploring funding for the implementation of regional autonomy.

Local taxes as one of the sources of PAD have the important contribution in financing government activities and regional development because local taxes are beneficial in increasing the ability to collect PAD revenue and also to increase the pace of regional economic growth. Local Taxes are the main source of regional revenue. Along with the enactment of regional autonomy, the regions also have their own responsibility for managing taxation. Without taxes, most of the regional's activities are difficult to implement.

There are 5 components of Local taxes, namely: Motor Vehicle Tax or *Pajak Kendaraan Bermotor* (PKB), Transfer of Motor Vehicle Title Fee or *Bea Balik Nama Kendaraan Bermotor* (BBN-KB), Motor Vehicle Fuel Tax or *Pajak Bahan Bakar Kendaraan Bermotor* (PBB-KB), Surface Water Tax or *Pajak Air Permukaan* (APU), and Cigarette Tax or

*Pajak Rokok*. Each type of local taxes in North Sumatra Province must be maximized properly by the government of North Sumatra Province.

One of the government's efforts to increase PAD through PKB and BBN-KB in North Sumatra Province is by establishing a Single Administrative System Under One Roof or *Sistem Administrasi Manunggal Satu Atap* (SAMSAT). With the existence of this SAMSAT, it is expected that PAD can increase because PKB revenue becomes more coordinated. SAMSAT coordinates a series of activities ranging from Motor Vehicle Registration and Identification or *Registrasi dan Identifikasi Kendaraan Bermotor*, PKB, BBN-KB, and Road Traffic Accident and Traffic Donation Payments or *Sumbangan Wajib Dana Kecelakaan Lalu Lintas Jalan* (SWDKLLJ) ) in an integrated and coordinated.

There are three institutions in SAMSAT, which are National Police of the Republic of Indonesia (represented by the Directorate General of Traffic), the Regional Finance Management Work Unit that conducts provincial tax collection (represented by the Local taxes and Retribution Management Institution or *Badan Pengolahan Pajak dan Retribusi Daerah* (BPPRD)), and Indonesian state-owned enterprise in charge of road traffic accidents (represented by PT. Jasa Raharja). The three institutions above are referred to as the SAMSAT Development Team which has its own service function.

The duties and functions of BPPRD at SAMSAT are to collect local taxes in the form of PKB and BBN-KB payment. These two sub-sectors of local taxes contribute a lot to PAD as explained earlier. In the framework of managing the PAD, tax target must be achieved. The general description of targets and realization of PAD can be explained in the table below:

**Table 1.1**  
**Target and Realization of Local Own-Source Revenue from North Sumatra**  
**Province in 2012-2016**

Year	Target	Realization	Realization Percentage	Deviation
	(Rp)	(Rp)	(%)	
2012	4,372,231,640,122	4,060,846,570,222.65	92.88%	
2013	5,525,557,845,610	4,276,140,070,943.37	77.39%	-15.49%
2014	5,128,315,131,755	4,351,216,336,963.89	84.85%	7.46%
2015	4,623,636,999,015	4,829,134,049,622.72	104.44%	19.59%
2016	4,691,493,452,883	4,892,810,288,373.78	104.29%	-0.15%

Source: BPPRD North Sumatra (2019)

The realization of pad in 2012 reached 92.88% from the target that has been set. Realization of PAD in 2013 then decreased to 77.39% or decreased by 15.49% from the previous year, but in the period 2013-2015 there was a significant increase as shown in the table above. The data above shows that in 2014 the realization of PAD increased by 7.46% to 84.85%. In 2015 the realization of PAD again has a significant increase of 19.59% to 104.44% from the previous year. In 2016 the realization of PAD decreased by 0.15% from 2015. The high rate of realization percentage growth was shown in 2015.

The change in PAD from year to year is influenced by changes in the sources of PAD described previously. This can be explained below:

**Table 1.2**  
**The source of PAD percentage to PAD of North Sumatra in 2012**

Source of PAD	Amount (Rp)	Percentage to PAD (%)
Local Taxes	3,636,074,646,214.00	89.54%
Regional Retribution	33,494,627,107.00	0.82%
Separated Regional Wealth Management Results	263,801,190,345.00	6.50%
Other Legitimate Local Own-Source Revenue	127,476,106,556.65	3.14%
Total PAD	4,060,846,570,222.65	100.00%

Source: BPPRD of North Sumatra (2019)

**Table 1.3**  
**The source of PAD percentage to PAD of North Sumatra in 2013**

Source of PAD	Amount (Rp)	Percentage to PAD (%)
Local Taxes	3,685,437,787,973.00	86.19%
Regional Retribution	33,385,576,375.50	0.78%
Separated Regional Wealth Management Results	229,195,003,023.00	5.36%
Other Legitimate Local Own-Source Revenue	328,121,703,571.87	7.67%
Total PAD	4,276,140,070,943.37	100.00%

Source: BPPRD of North Sumatra (2019)

**Table 1.4**  
**The source of PAD percentage to PAD of North Sumatra in 2014**

Source of PAD	Amount (Rp)	Percentage to PAD (%)
Local Taxes	4,055,217,776,906.00	93.20%
Regional Retribution	25,960,647,324.49	0.60%
Separated Regional Wealth Management Results	156,160,197,054.00	3.59%
Other Legitimate Local Own-Source Revenue	113,877,715,679.40	2.62%
Total PAD	4,351,216,336,963.89	100.00%

Source: BPPRD of North Sumatra (2019)

**Table 1.5**  
**The source of PAD percentage to PAD of North Sumatra in 2015**

Source of PAD	Amount (Rp)	Percentage to PAD (%)
Local Taxes	4,427,152,020,428.00	91.68%
Regional Retribution	36,162,915,271.00	0.75%
Separated Regional Wealth Management Results	250,601,153,282.00	5.19%
Other Legitimate Local Own-Source Revenue	115,217,960,641.72	2.39%
Total PAD	4,829,134,049,622.72	100.00%

Source: BPPRD of North Sumatra (2019)

**Table 1.6**  
**The source of PAD percentage to PAD of North Sumatra in 2016**

Source of PAD	Amount (Rp)	Percentage to PAD (%)
Local Taxes	4,446,422,014,271.27	90.88%
Regional Retribution	34,617,501,521.81	0.71%
Separated Regional Wealth Management Results	259,493,568,323.00	5.30%
Other Legitimate Local Own-Source Revenue	152,277,204,257.70	3.11%
Total PAD	4,892,810,288,373.78	100.00%

**Source: BPPRD of North Sumatra (2019)**

Based on the table above it can be concluded that in general the number of PAD is strongly influenced by the number of Local Taxes. This is indicated from the amount of percentage of local taxes to PAD every year with an average value reaching 90%. While the number of other PAD sources: regional retribution, separated regional wealth management results, other legitimate local own-source revenue is only reached an average value of 10%.

To understand the degree of influence of local taxes to PAD, the writer plans to firstly know the components contained in local taxes. This can be explained in the table as follows:

**Table 1.7**  
**The percentage of components of Local Taxes to Local Taxes in North Sumatra for the period 2012**

Components of Local Taxes	Amount (Rp)	Percentage to Local Tax (%)
PKB	1,211,376,190,415.00	33.32%
BBN-KB	1,808,944,474,183.00	49.75%
PBB-KB	587,582,131,614.00	16.16%
APU	28,171,850,002.00	0.77%
Total Local Taxes	3,636,074,646,214.00	100.00%

**Source: BPPRD of North Sumatra (2019)**

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**Table 1.8**  
**The percentage of components of Local Taxes to Local Taxes in North Sumatra for the period 2013**

Components of Local Taxes	Amount (Rp)	Percentage to Local Tax (%)
PKB	1,322,318,068,189.00	35.88%
BBN-KB	1,642,093,635,022.00	44.56%
PBB-KB	682,716,876,960.00	18.52%
APU	38,309,207,802.00	1.04%
Total Local Taxes	3,685,437,787,973.00	100.00%

Source: BPPRD of North Sumatra (2019)

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**Table 1.9**  
**The percentage of components of Local Taxes to Local Taxes in North Sumatra for the period 2014!**

Components of Local Taxes	Amount (Rp)	Percentage to Local Tax (%)
PKB	1,487,489,752,113.00	36.68%
BBN-KB	1,280,838,048,168.00	31.58%
PBB-KB	823,855,159,113.00	20.32%
APU	68,524,532,854.00	1.69%
Cigarette Tax	394,510,284,658.00	9.73%
Total Local Taxes	4,055,217,776,906.00	100.00%

Source: BPPRD of North Sumatra (2019)

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**Table 1.10**  
**The percentage of components of Local Taxes to Local Taxes in North Sumatra for the period 2015!**

Components of Local Taxes	Amount (Rp)	Percentage to Local Tax (%)
PKB	1,493,779,209,549.00	33.74%
BBN-KB	1,001,207,440,989.00	22.62%
PBB-KB	883,566,337,162.00	19.96%
APU	401,710,515,619.00	9.07%
Cigarette Tax	646,888,517,109.00	14.61%
Total Local Taxes	4,427,152,020,428.00	100.00%

Source: BPPRD of North Sumatra (2019)

**Table 1.11**  
**The percentage of components of Local Taxes to Local Taxes in North Sumatra for the period 2016!**

Components of Local Taxes	Amount (Rp)	Percentage to Local Tax (%)
PKB	1,600,726,046,444.00	36.00%
BBN-KB	1,054,956,606,065.00	23.73%
PBB-KB	777,038,886,275.00	17.48%
APU	253,866,206,023.27	5.71%
Cigarette Tax	759,834,269,464.00	17.09%
Total Local Taxes	4,446,422,014,271.27	100.00%

Source: BPPRD of North Sumatra (2019)

Based on the table above, it can be concluded that in general the number of PKB and BBN-KB strongly increases due to the number of local taxes. This is indicated by the percentage of PKB and BBN-KB to local taxes every year with an average value reaching 70%, while the number of other local taxes components: PBB-KB, APU only reaches an average value of 10%.

Seeing the large number of PKB and BBN-KB, the writers want to know how much the realizations of the target of PKB and BBN-KB will increase the number of PAD for period 2012-2016. Based on the explanation above, the writer are interested in conducting research with the title **"ANALYSIS ON THE CONTRIBUTION OF MOTOR VEHICLE TAX AND TRANSFER OF MOTOR VEHICLE TITLE FEE TO LOCAL OWN-SOURCE REVENUE OF NORTH SUMATRA FOR THE PERIOD 2012-2016"**.

## 1.2 Problem Limitation

Due to the limitations of time and resources, the problem of this research will be limited on two factors contributing the PAD, which are PKB and BBN-KB.

The decision for this problem limitations is that the PKB and BBN-KB as the most contributing components of PAD, so this research focuses on the contribution of PKB and BBN-KB to PAD. The boundary of the location of this research is the BPPRD of North Sumatra Province.

### **1.3 Problem Formulation**

In line with the background of the research outlined above, the problems identified by the writer are:

1. The contribution of PKB on PAD in North Sumatra
2. The contribution of BBN-KB on PAD in North Sumatra

### **1.4 Objective of the Research**

The objectives of this research are:

1. To determine the contribution of PKB on PAD in North Sumatra;
2. To determine the contribution of BBN-KB on PAD in North Sumatra;

### **1.5 Benefit of the Research**

This research expected to obtain useful things not only theoretically but also useful to practically. The benefits of this research are:

#### **1.5.1 Theoretical Benefit**

Theoretically, this research is expected to benefit the development of taxation, the research community, and academics by providing valuable information and extending the existing knowledge regarding the PKB, BBN-KB and PAD. It can also be used as an input to refer in future researches who are interested in conducting a research of a similar or related topic.

### 1.5.2 Practical Benefit

Practically, this research will provide practical benefit as below:

1. For the government and related institution, it is expected that this research can be used as recommendations for BPPRD of North Sumatra and related institution to increase PKB and BBN-KB as the most influential component of PAD.
2. For the society, this research is expected to provide information about the contributions of PKB and BBN-KB to the regional development process so that the society is obedient and wieldy to tax laws and is not negligent in paying taxes that have become their responsibility.

### 1.6 Systems of Writing

This research consists of 5 (five) chapters, where each chapter consists of several sub-chapters. This is done so that this research is more systematic and organized. The systematic research is as follows:

#### **Chapter I: Introduction**

In this chapter the writers examine the problem that encourages the author to carry out this research. The problem that initiates the research is about how the PAD depends on Local Tax. There are two sources on Local Tax that give biggest contribution which is PKB and BBN-KB. This chapter also highlights the scope of the research, the research question that would be answered in this study, the purpose of the research, the benefits from the research, and the summary of each chapter in this research.

**Chapter II: Literature Review and Hypotheses Development**

In this chapter the writers will describe the definitions, legal basis and rates of PKB, BBN-KB and PAD. Previous research concerns the analysis of contribution of PKB and BBN-KB to PAD in North Sumatra for the period 2012-2016. Furthermore, this chapter also outlines the hypotheses development of this study, the research model and the framework of thinking.

**Chapter III: Research Methodology**

In this chapter the writers describe the appropriate research design for the study using quantitative research. Furthermore, this chapter also tells the population and sample, data collection method, operational variable definition and variable measurement, data analysis method.

**Chapter IV: Data Analysis and Discussion**

In this chapter the writers describe about BPPRD in North Sumatra. This chapter also explains and interprets the data analysis followed by a comprehensive discussion of the research findings that are related to the research question.

**Chapter V: Conclusion**

The last chapter covers the conclusion from the result of the previous chapter. This chapter also explains the implications from the results of this study and provides recommendations for government, BPPRD and community.