



# ANALYSIS OF SURFACE AIR TAX ACQUISITION IN TAX AND RETRIBUTION AGENCY IN NORTH SUMATERA PROVINCE

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## ABSTRACT

*The aim of this study is to analyze the effectiveness and contribution of surface water tax in the province of North Sumatra. The study was conducted in the North Sumatra Province Tax and Retribution Management Agency (BP2RD) on the Surface Water Tax Acquisition Analysis at the North Sumatra Province Tax and Retribution Management Agency (BP2RD). The method used to analyze this research is descriptive. The findings show that the level of the surface water tax for the period 2014-2018 received an average of 116.29 in the highly effective criteria. Tax receipts by the North Sumatra Provincial Tax and Retribution Management Agency show that the acquisition during the 2014-2018 period were still ineffective in 2018 of 7.64%. The average contribution of 3.59 for the realization of the surface water tax to the realization of the Local Original Revenue (PAD) during the 2014-2018 period is included in the very low criteria.*

**KEYWORDS:** *Target and Realization, Effectiveness, Surface Water Tax*

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## 1. INTRODUCTION

Taxes are the primary source of national and regional revenue since the formation of regional autonomy, and the regions do have their own duty to administer their taxes. Regulation of the Republic of Indonesia Number 23 of 2014 concerning the Regional Government Article 285 specifies that the sources of national revenue consist of:

1. Local Original Revenue (PAD) includes: local taxes; user fees; results of the management of separated regional assets; and other legitimate regional original Revenue;
2. Transfer revenue; and
3. Other legal regional revenue

The welfare of the community will depend a lot on the regional government since the enactment of

regional autonomy, so that the regional government must explore as much as possible the sources of Local Original Revenue (PAD), because PAD is one indicator in measuring the success of the implementation of regional autonomy. The higher the PAD, the higher the local government's ability to finance their spending.

Local tax is an important source of Local Original Revenue (PAD) to finance the spending of local government. In accordance with Law Number 28 of 2009 concerning Regional Taxes and Regional Taxes, which states: "That regional taxes and user fees are an important source of regional revenue to finance the spending of regional government."

Among local taxes, the Surface Water Tax is a new revenue potential for the North Sumatra Province Regional Revenue. In accordance with Law No. 28 of 2009 on Regional Taxes and Regional Taxes, the definition of surface water is all surface



water, not including sea water, both at sea and on land. Whereas the surface water tax is a tax on the extraction and / or utilization of surface water. So, simply the surface water tax can be interpreted as a tax that is imposed for the utilization of river, lake, reservoir, and so on. The surface water tax is

expected to bring potential revenue to the country or region. The development of targets and realization of surface water tax in North Sumatra Province can be seen in the following table:

**Tabel 1**  
**Target and Realization of Surface Water Tax of North Sumatra Province in 2013 - 2018**

Year	Target	Realization	%
2014	60.000.000.000	68.003.380.832	113,34
2015	167.211.362.801	401.710.515.619	240,24
2016	208.000.000.000	253.866,206.023	122,05
2017	84.908.242.000	83.320,133.885	98,18
2018	577.000.000.000	44.064.099.420	7,64

*Source: Processed Data (2018)*

Table 1 indicates that there have been fluctuations in the water surface tax target and realization of the North Sumatra Province during the period 2014-2018. The insignificant increase in surface water taxes is attributed to the region's failure to establish a collection plan and to monitor potential surface water taxes. The technique used to measure the potential is also often unrealistic, based solely on raising taxes on surface water, without considering other aspects that influence the decision. Given the large role of local taxes as one of the key primary sources of regional financial revenue in the PAD component, it is important to review "Analysis Of Surface Air Tax Acquisition in Tax And Retribution Agency in North Sumatera Province".

**Objective of the study**

The aim of this study is to analyze the effectiveness and contribution of surface water tax in the province of North Sumatra.

**2. RESEARCH METHODOLOGY**

The design of the study was carried out using descriptive methods that expose problem solving by presenting, analyzing and interpreting data. This research analyzes the realization of surface

water tax revenue in the North Sumatra Province by comparing it with the target water tax revenue for the North Sumatra Province.

The location of the study was conducted at the Regional Management Agency for Tax and Retribution of North Sumatra Province as the policy maker for the target of surface water tax revenues.

This type of data is secondary data in the form of a report on surface water tax revenue in the North Sumatra Province for a period of six years from 2014 to 2018 issued by the North Sumatra Province Regional Tax and Retribution Management Agency. Other data sources include articles, scientific journals, books, newspapers, magazines and websites. Secondary data collection methods for this activity were collected through a literature review of literature books and other official documents issued by the Government of the North Sumatra Province. This documentation study was conducted in order to obtain secondary data from the variables studied derived from the Regional Tax and Retribution Management Agency and the Central Statistics Agency of North Sumatra Province.

According to Halim (2004) the effectiveness value of local tax object is determined using the following formula:

$$\text{Effectiveness} = \frac{\text{Surface Water Tax Realization}}{\text{Surface Water Tax Target}} \times 100\%$$

To calculate effectiveness, compare between realization and target. According to Kesek (2013), the guideline for evaluating the financial performance of the Ministry of Home Affairs is based on the Decree of the Minister of Home Affairs No. 690,900-327, 1996 which categorizes the financial

effectiveness capabilities of autonomous regions into five effectiveness levels as shown in the table below to measure the level of effectiveness then it is used indicators as follows:



**Table 2**  
**Interpretation of the Effectiveness Value of Realized Surface Water Tax on Surface Water Tax Targets**

Percentage (%)	Criteria
> 100%	Highly effective
90-100%	Effective
80-90%	Fairly effective
60-80%	Less effective
< 60%	Not effective

Source: Decree of the Minister of Home Affairs No. 690,900-327, 1996 (Kesek, 2013)

Interpretation of the value of surface water tax effectiveness if the calculation produces a number/percentage approaching 100% and above, the criteria are highly effective, and 90-100% effective, 80-90% moderately effective, 60-80% less effective, and below 60% not effective. The higher the ratio of effectiveness in research, the more effective.

### 3. LITERATURE REVIEW

#### Tax Definition

Tax under Soemitro in Mardiasmo (2016) is a public contribution to the state treasury based on the statute (which may be forced) by not providing lead services (counterparts) which can be seen directly and which are used to fund public spending. M.J.H Smeets in Agoes (2014) argues that tax is a government achievement that is owed by general norms and can be forced to do so without any counterparts that can be demonstrated individually; the intention is to finance government spending. Hoppe (2006) argues that tax is a transfer of part of the national product from the hands of individuals to the people of the government, which is required to meet public consumption or spendings. And taxes are people's contributions to the state based on the legislation by not offering similar reciprocity benefits that can be illustrated and used to fund public spending..

#### Local tax

Rahardjo (2011) argues that local taxes are a duty in the population to give part of the wealth to the region as a result of a circumstance, event or act that gives rise to a certain role, but not as a sanction or a law. In line with the explanation given above, Law No. 28 of 2009 on Regional Taxes and Regional Levies refers to the definition of regional taxes as complying to regions owed by individuals or entities that are legally binding, without direct compensation and used for the needs of the Region for the benefit of the people of maximum prosperity.

#### General Surface Water Tax

Accordance with the provisions to Law No. 28 of 2007, taxes must be charged to persons owed by individuals or organizations authorized under the law by not collecting a surplus directly and by being used for the State for a sum funded by the welfare of the

State. According to North Sumatra Governor Regulation No. 1 of 2011, the Surface Water Tax (PAP) is a tax on the production and/or use of surface water. Surface water is all the water that is on the surface of the earth, not including the air in the sea, both at sea and on land.

#### Regional Development

The concept of regional development in Indonesia was born out of an iterative process that discusses the foundations of understanding dialog and practical experience as a type of dynamic application (Sirojuzilam and Mahalli, 2010). Law No. 26 of 2007 on spatial planning describes space as a territorial unit for all matters not connected to established boundaries and describes the structure based on administrative and/or functional aspects. Hoover and Giarratani in Nugroho and Dahuri (2004) have completed three important pillars in the process of regional development, namely:

1. Imperfect mobility of factors. This pillar has to do with the situation of locating those resources that are physically difficult or that have to be transported between regions.
2. Agglomeration (imperfect divisibility). The agglomeration pillar is an external phenomenon that affects economic actors in the form of spatially increasing economic profits. This happens because of reduced production costs due to reduced distances in the transportation of raw materials and product distribution.
3. Transport costs (imperfect mobility of goods and services). This pillar is the most noticeable to have an impact on economic activity. The implication is that costs related to distance and location can no longer be ignored in the process of production and regional growth.



#### 4. RESULT

##### General Overview of the North Sumatra Regional Tax and Retribution Management Agency

As a follow-up to RI Law No. 22 The year 1999 on Local Government Jo. Government of the Republic of Indonesia Regulation (PP RI) No 84 of 2000 concerning the Guidelines for Regional Apparatus Organizations, issued by the Government of the Province of North Sumatra Regional Regulation (Perda) No 3 of 31 July 2001 concerning Services as Technical Institutions, which supported the Provincial Government (Governor) in carrying out the tasks of decentralization, deconcentration, and assistance. One such service is the North Sumatra Province Revenue Service (DIPENDASU), which is currently being changed to the Regional Tax and Retribution Management Agency (BP2RD). Because of the large number of work areas of the Regional Tax and Retribution Management Agency (BP2RD) covering the entire North Sumatra region, the UPTD / Office Technical Implementation Unit (formerly called the branch office) is effective and efficient in carrying out its key tasks and functions.

The Regional Tax and Retribution Management Agency (BP2RD) has a very strategic

role as the organizer of the part of the governmental authority and the task of deconcentration in the field of regional income, namely: on the principles of accountability, openness, efficiency, and effectiveness.'

##### Effectiveness and Contribution of Surface Water Tax in North Sumatra Province

The Surface Water Tax is a new potential for the acquisition of the Regional Management Agency for Tax and Retribution (BP2RD) of North Sumatra Province. UU no. 28 of 2009 concerning Regional Taxes and Regional Taxes, the definition of surface water is all water that is on the surface of the land, not including seawater, both at sea and on land. So while surface water tax is a tax on the extraction and/or utilization surface water. So, simply the tax on surface water can be interpreted as a tax imposed on the collection of rivers, lakes, reservoirs, and so on. Surface water tax is supposed to carry potential revenues to the country or region.

The effectiveness of the targets and realization of surface water tax revenues at the Regional Management Agency and the North Sumatra Province can be seen in the following table.

**Table 3**  
**Effectiveness of the North Sumatra Province Surface Water Tax Target and Realization 2014 - 2018**

Year	Target	Realization	%	Criteria
2014	60.000.000.000	68.003.380.832	113,34	Highly effective
2015	167.211.362.801	401.710.515.619	240,24	Highly effective
2016	208.000.000.000	253.866,206.023	122,05	Highly effective
2017	84.908.242.000	83.320,133.885	98,18	Effective
2018	577.000.000.000	44.064.099.420	7,64	Not effective
Average			116,29	Highly effective

Source: Processed Data (2018)

Table 3 shows that during the period 2014-2018 the average realization of surface water tax to the surface water tax target of 116.29 was included in the highly effective criteria. Surface Water Tax received by the North Sumatra Provincial Tax and Retribution Management Agency shows that the results of tax revenues during the 2014-2018 period are still ineffective. The effectiveness of collecting surface water tax was considered to be very effective between 2014 and 2016, as this was attributed to taxpayers already paying and applying rates in compliance with the Regional Regulations (Perda) in 2014-2016. The effectiveness of receiving surface water tax is considered to be effective in 2017.

In 2018, the effectiveness of surface water tax collections was criticized as ineffective, as there are already taxpayers who are in arrears to pay their taxes and who do not pay surface water taxes that have been decided by the Regional Government. PT Inalum is responsible for the inefficiency of the surface water tax on the surface water tax targets because Inalum has not yet paid the receivables.

Concerning the Realization of Surface Water Tax Realization Targets in the North Sumatra Province Regional Tax and Retribution Management Agency in 2014-2018 compared to the overall Regional Revenue of North Sumatra Province can be seen from the following table.



**Table 4**  
**Realization of the Surface Water Tax (PAP) for the Realization of the Regional Original Revenue (PAD) of the North Sumatra Province in 2014-2018.**

Year	Realization PAP	Realization PAD	Contribution (%)	Criteria
2014	68.003.380.832	4.351.216.336.963,89	1,57	Less effective
2015	401.710.515.619	4.829.134.049.622,72	8,98	Less effective
2016	253.866,206.023	4.892.810.288.373,78	5,19	Less effective
2017	83.320,133.885	5.308.954.558.114,04	1,57	Less effective
2018	44.064.099.420	5.113.374.280.989,97	0,65	Less effective
Rataan			3,59	Less effective

Source: Processed Data (2019)

Criteria based on Research Department of the Ministry of Home Affairs-FISIPOL UGM 1991

Table 4 shows that during the period 2014-2018 the average realization of surface water tax to the realization of Local Own Revenue (PAD) of 3.59 was included in the less effective criteria based on contribution criteria according to the Research Department of the Ministry of Home Affairs-FISIPOL UGM 1991 (Handoko, 2013). The contribution is how much contribution the Surface Water Tax revenue in the Original Revenue of North Sumatra Province. It is expected that the higher the contribution of Surface Water Tax revenue will also increase the Original Revenue of North Sumatra Province. If the revenue from the Surface Water Tax is on increased, the tax revenue results in the Regional Original Revenues will also increase. It can be seen that the contribution made by the Surface Water Tax only ranges between 0.65 percent to 8.98 percent. The contribution is primarily determined according to the 1991 Research Department of the Ministry of Home Affairs-FISIPOL UGM (Handoko, 2013), when it reaches 50%, the contribution gets better. Contributions are used to assess the extent to which local taxes contribute to local tax revenues.

## 5. DISCUSSION

### Effectiveness and Contribution of Surface Water Tax in North Sumatra Province

The results showed that the average realization of surface water tax to the surface water tax target of 116.29 was included in the highly effective criterion for the period 2014-2018. The findings of this study showed better results than Waani (2016) in the North Sulawesi Province, which showed an average surface water tax in 2011-2015 of 98.16%, which was included in the effective criterion, and Hendri's analysis (2017) in the Riau Province, which showed an average surface water tax in 2013-2016 of 84.01, which was rated as less effective.

During the period 2014-2018, the average realization of the surface water tax for the realization of the Local Original Revenue (PAD) of 3.59 was included in the criteria for inefficiency according to

the contribution criteria of the Research Department of the Ministry of Home Affairs – FISIPOL 1991 (Handoko, 2013). These findings are consistent with Waani's research (2016) which concluded that the contribution of the Surface Water Tax to the Original Revenue of the North Sulawesi Province from 2011-2015 on average was 0.25% if, on the basis of these criteria or indicators, the valuation was less effective. Hasil penelitian Hendri (2017) juga menunjukkan hasil yang sama bahwa kontribusi Pajak Air Permukaan terhadap Pendapatan Asli Daerah Provinsi Riau rata-rata dari tahun 2013-2016 adalah sebesar 0,99%, jika berdasarkan kriteria atau indikator tersebut maka penilaiannya adalah sangat kurang.

Hendri's research results (2017) also showed the same results that, on average, the contribution of the Surface Water Tax to the Riau Province's original revenue from 2013-2016 was 0.99 percent if, based on these criteria or metrics, the evaluation was less effective.

## CONCLUSION

Based on the results of the research conducted, it can be concluded that: The effectiveness of surface water tax during the period 2014-2018 has an average of 116.29 included in the very effective criteria. Surface Water Tax Receipts by the North Sumatra Provincial Tax and Retribution Management Agency show that the results of tax revenues obtained during the 2014-2018 period were still ineffective, i.e 7.64% in 2018. The average contribution of 3.59 to the realization of the Provincial Original Revenue (PAD) for the 2014-2018 period is included in the less effective criteria.

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