



## SIMPOSIUM ILMIAH AKUNTANSI 6

### OPTIMIZING THE ORIGINAL REGIONAL REVENUE OF MEDAN CITY THROUGH ENTERTAINMENT TAX

Duma Fadini Br Silalahi<sup>1</sup>, Ina Liswanty<sup>2</sup>

Department of Accounting, Universitas Potensi Utama, Indonesia

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##### Corresponding Author:

Duma Fadini Br Silalahi, Ina Liswanty

Department of Accounting, Universitas Potensi Utama, Indonesia

JL. K.L Yos Sudarso, Km. 6,5 No. 3-A, Medan, Indonesia 20241

[Dumasilalahi370@gmail.com](mailto:Dumasilalahi370@gmail.com), [Inaliswanty24@gmail.com](mailto:Inaliswanty24@gmail.com)

#### ABSTRACT

Original Regional Revenue is the income obtained by the region collected based on regional regulations in accordance with the legislation. This research aims to analyze the contribution of entertainment tax in increasing the Original Regional Revenue of Medan City during the period 2018-2022, to analyze the constraints on the contribution of entertainment tax in increasing the Original Regional Revenue of Medan City, and to analyze efforts to increase the contribution of entertainment tax in enhancing the Original Regional Revenue of Medan city, this research uses qualitative methods with data collection techniques through in-depth interviews, observations, and document analysis at the Regional Revenue Agency of Medan City. The research results show that entertainment taxes make a significant contribution but are still below other tax sectors.

#### INTRODUCTION

Indonesia a developing country, is undertaking development in various fields, including economy, social, political, legal, and education, with the aim of improving public health and achieving a fair and prosperous life. Taxes, according to Mardiasmo (2016), are payments made by citizens to the government in accordance with existing laws. (Pulungan, 2020). Regional original revenue is one of the important indicators in regional financial management. Entertainment tax is one type of regional tax that has great potential, especially in large cities like Medan.

The phenomenon that occurred is that last year, the entertainment tax rate in Medan City was set at a maximum of 10% for various types of entertainment, with the exception of discotheques, karaoke, nightclubs, bars and spas, which were charged 35%. In 2023, the general rate remains 10%, but the new regional regulation sets a 40% rate for certain types of entertainment following central government directives. The head of BAPENDA Medan, Endar Lubis, explained that this increase is the minimum compared to other regions that reach 70-75%. However, the chairman of Commission III of the Medan City Council, Afif Abdillah, believes that entertainment taxes are still low because some businesses claim to be quiet when they are actually busy. This policy has received criticism from business operators, such as Denny S. Wardhana from PHRI North Sumatra, who are concerned about the negative impact on the entertainment and hospitality industries. Gunawan Benjamin, an economic observer, added that tax increases could pressure business turnover, so a study is needed to understand the impact. (Tribun, 2024)

Table 1.1

**Budget and realization of Original Regional Revenue of Medan City 2018-2022**

No	Year	Budget	Realization	More/(less)
1.	2018	1.408.770.116.276.00	1.308.458.605.694.00	(100.311.510.582.00)
2.	2019	1.616.553.386.786.00	1.463.915.001.282.00	(152.638.385.504.00)
3.	2020	1.339.862.441.000.00	1.183.705.744.101.00	(156.156.696.899.00)
4.	2021	1.713.934.904.956.00	1.528.643.673.796.00	(185.291.231.160.00)
5.	2022	3.050.594.560.414.00	2.286.732.475.603.85	(763.862.084.810.15)

Source: Regional Revenue Agency

Based on table 1.1, there is a significant difference between the budget and the realization of PPAD in Medan City during 2018-2022. In 2018, the realization of PAD reached 98.86% of the budget, but it decreased to 90.9% in 2019 and 88.3% in 2020. In 2021, the achievement slightly increased to 89.1%, but it drastically dropped again in 2022, reaching only 75.1%. This decline indicates challenges in optimizing regional revenue each year.

Medan City Regional Regulation Number 6 of 2010 establishes an entertainment tax on the organization of various activities such as films, music performances, nightclubs, and karaoke. Based on Law No. 28 of 2009 and Law No. 1 of 2022, local governments. Entertainment tax functions not only as a source of local revenue but also as a tool for regulating the entertainment industry to ensure it aligns with societal norms. The entertainment industry related to tourism and the creative economy make this tax an indicator of development. Based on previous research results and the phenomena that occurred, as well as the inconsistencies in the obtained results, This shows that there are still many aspects that are not fully understood or well explained.

## LITERATURE REVIEW

### Regional Original Revenue

Regional original revenue is the right of the regional government recognized as an addition to net wealth obtained from regional taxes, regional levies, the management of separated regional wealth, and other legitimate regional original revenues, as referred to in Law No. 33 of 2004 concerning financial balance between the central government and regional governments. According to Law No. 32 of 2004, PAD is revenue obtained by the region from sources within its own area collected based on regional regulations in accordance with the legislation. (Putra, P. G. M., & Ulupui, 2019)

The main objective of local original revenue is to grant authority to local governments to fund the implementation of regional autonomy, so PAD functions as decentralization and allows regions to manage their finances according to their potential. one of the most important and crucial sources of local original revenue for financing local government operations that enhance public services and improve regional independence is local taxes. Revenue from local taxes is used to improve community welfare and build better infrastructure and public services at the local level. (Rahmawati & Sutrisno, 2020)

### Regional Tax

The regional tax system includes several types of taxes, namely, land and building tax, motor vehicle tax, entertainment tax, hotel and restaurant tax, and advertisement tax. Entertainment tax, as one type of regional tax that plays an important role as a source of local original revenue, is a form of levy imposed by the government on the organization of various types of entertainment activities enjoyed by the public through payment. Legal perspective, law number 28 of 2009 explains that the subject of entertainment tax is every individual or entity who watches or enjoys entertainment, while the object of entertainment tax is the organization of entertainment itself. In this context, entertainment tax serves as an important source of local revenue, although its contribution is often considered low. The entertainment tax rate is a

percentage imposed on the revenue generated by organizers of various types of entertainment activities. This tariff is determined by the local government and varies depending on the type of entertainment. The city of Medan itself sets the entertainment tax rate at 10% for cinemas, music concerts, and theaters, for nightlife entertainment such as nightclubs and steam baths, the rate is 40%.

## Contribution

According to Handoko, contribution is the amount of donation given for an activity being carried out. Tax contribution analysis is used to determine the extent of the contribution analysis is used to determine the extent of the contribution that taxes can make to local revenue. The factors influencing tax contribution are those that affect the amount of tax that can be generated by the region or country, namely: the level of regional income, the level of regional forests, the level of fixed asset ownership, the level of facility ownership, the level of research and development cost ownership, the level professional cost ownership, the level of administrative cost ownership, the level of operational cost ownership, and the level of education cost ownership. (Amiruddin Pradana et al., 2022)

*Table 2.1*

### *Contribution Criteria*

<b>Contribution Percentage</b>	<b>Contribution Level</b>
0,00%-10%	Very poor
10,10%-20%	Less
20,10%-30%	Moderate
30,10%-40%	Fairly good
40,10%-50%	Good
Above 50%	Very Good

Source: Depdagri, Minister of Home Affairs Decree No.690.900.327 of 1996

## RESEARCH METHOD

The research methodology used in this essay is qualitative methodology. Where the type of data used is also qualitative data that cannot be measured numerically and cannot be expressed in numerical form. Qualitative data usually consists of information obtained from sources that cannot be quantified, such as interview results, text analysis or observation results. By using qualitative methods, the author can investigate elements that cannot be measured quantitatively but have a significant impact on tax contributions to PAD and to understand the constraints and efforts in increasing the contribution of entertainment taxes to local revenue. Examples of such elements include public perception of the tax system and tax fairness, and the level of taxpayer compliance with tax obligations. There are several stages in the research procedure, namely: formulating research questions, research design identifying respondents data collection, data analysis. Nvivo as a tool that helps researchers manage, analyze, and understand qualitative data. In the context of research instrument to support the process of qualitative data analysis systematically and structurally. Nvivo is software developed by QSR international, designed to support qualitative analysis in various disciplines including social sciences, health, business, and others. Nvivo allows researchers to import, categorize, manage, and analyze qualitative data from various sources such as interviews, field notes, transcripts, documents, videos, audio, and images.

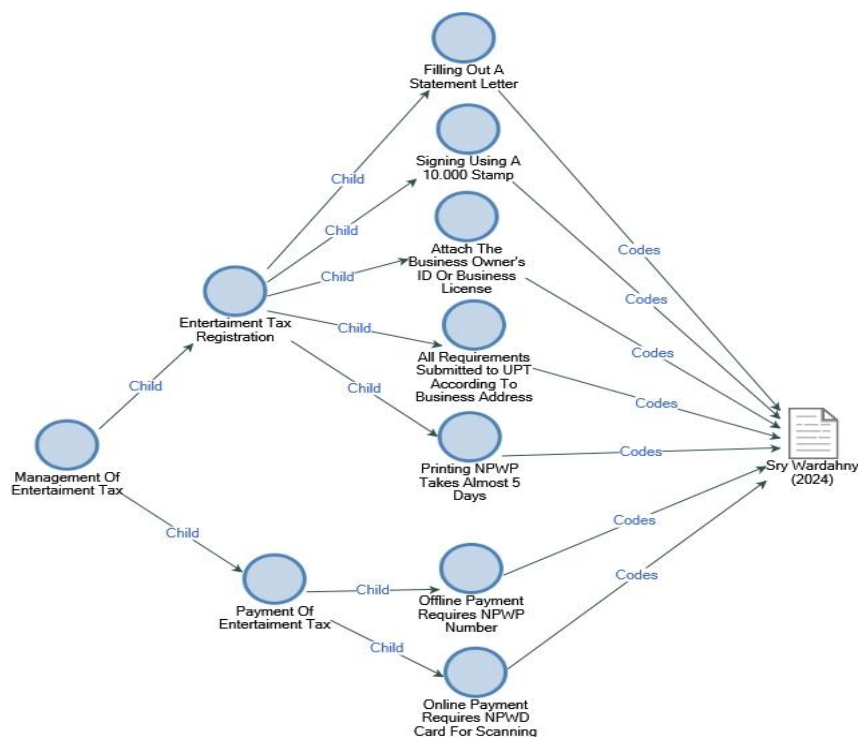
The purpose of data analysis is to reveal the meaning, patterns, and themes related to the collected data. Data analysis in qualitative research is a systematic process that consists of three parts: open coding, axial coding, and selective coding. An analytical map is a graphical representation that organizes and illustrates the relationship between various themes,

concepts, or categories identified from the data, and serves as a visual guide for understanding and analyzing qualitative data.

**RESEARCH RESULTS AND DISCUSSION**

Analysis of the extent to which entertainment tax contributions play a role in increasing the local revenue of Medan City. This analysis also includes factors that influence the magnitude of entertainment tax contributions and the challenges faced in optimizing its collection. The following is an analytical map conducted using the Nvivo 12 Plus Software interviews were conducted to gain in-depth perspectives from informants regarding the contribution of entertainment taxes to increasing the local revenue of Medan City. Data generated through Nvivo will be processed using coding techniques, and the interview results will become an important part in supporting comprehensive research.

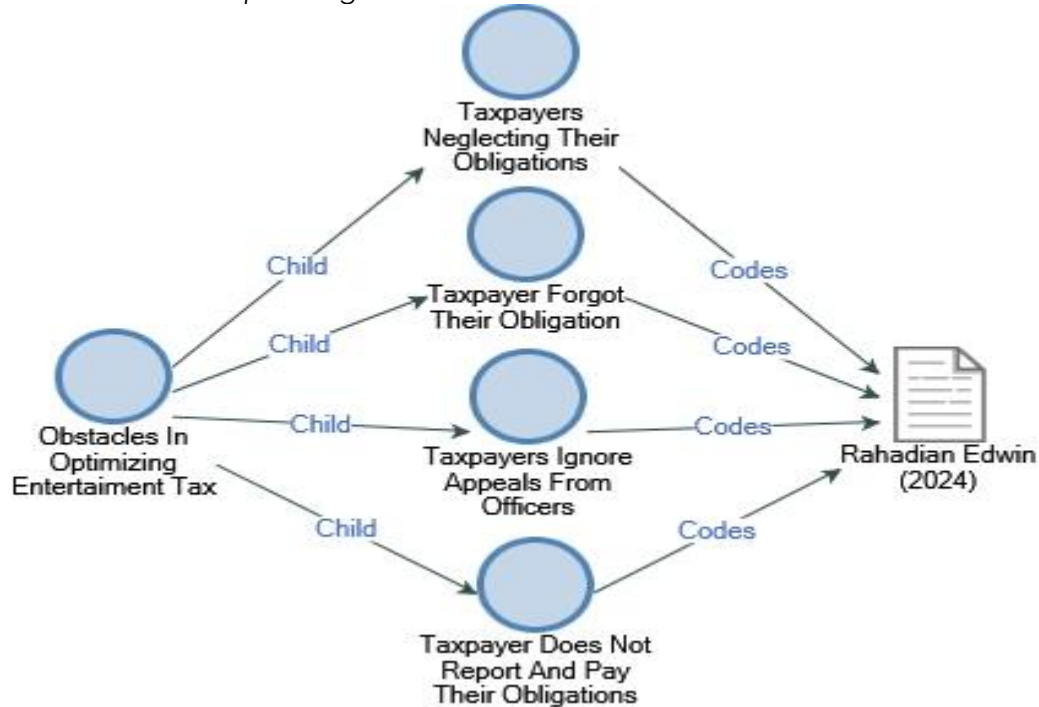
1. Entertainment tax management



**Figure 4.3**  
**Analytical Map of Entertainment Tax Management at BAPENDA Kota Medan**  
 Source: Processed Data

The analytical map above is a diagram that illustrates the process flow of entertainment tax management, based on an interview with Mrs. Sry Wardahny (2024) who stated, "the management of entertainment tax in the city of Medan begins with registration, filling out forms, declarations, direct inspections, NPWPD card printing, and making payments both offline and online." The management of entertainment tax at the regional revenue agency of the city of Medan is carried out as an effort to increase local revenue through the collection of taxes from various types of entertainment activities. This entertainment tax includes places such as cinemas, music concerts, amusement parks, games, and entertainment events, BAPENDA is responsible for data collection, and supervision of tax payments by entertainment organizers. To ensure compliance, BAPENDA implements a strict monitoring and verification system and provides various facilities for taxpayers, including online payment services, this effective management is expected to support the increase in PAD while ensuring that entertainment activities contribute to the city's development. (Sry, 2024)

## 2. constraints on optimizing entertainment tax



**Figure 4.4**

### **Analytical Map Of Obstacles in Optimizing Entertainment Tax**

Source: Processed Data

In an effort to increase local revenue through entertainment taxes in the city of Medan, there are several obstacles that need to be addressed. This map identifies several issues related to taxpayers compliance with their tax obligations, namely: some taxpayers who fail to fulfill their responsibilities according to the applicable regulations, forgetfulness also being a factor in non-compliance among taxpayers, some taxpayers who do not perform two important actions, namely not reporting and not paying their obligations. To understand the dynamics of optimizing entertainment tax in Medan City, various obstacles affecting tax revenue performance need to be analyzed comprehensively. Factors such as low taxpayer awareness, and inadequate supervision system, and regulations that may not fully support this effort pose major challenges in increasing the contribution of entertainment tax to local revenue. These obstacles not only affect the amount of revenue but also the overall effectiveness of tax management. This challenge highlights the need to enhance the capabilities of tax management institutions to be more effective in carrying out their duties, as well as to provide clearer legal certainty to entertainment business operators.

3. Efforts to optimize entertainment tax



**Figure 4.5**  
**Analytical Map Of Obstacles and efforts to optimize Entertainment Tax**  
 Source: Processed Data

As an effort to address these various obstacles, several strategic steps, have been proposed, including increasing outreach to taxpayers, implementing technology in monitoring entertainment taxes, and enhancing cooperation between related agencies. In addition, revising regulations to be more adaptive to the developments in the entertainment industry is also one of the important strategies. With these efforts, it is hoped that the management of entertainment taxes in the city of Medan can be more optimal and provide significant contributions to the regional revenue. The map above illustrates the connections between various questions that arise in the discussion regarding the contribution of entertainment taxes to increasing the local revenue of Medan city. At the center, there is a main document that serves as a reference, namely "Rahadian Edwin (2024)". From the interview results, it is hierarchically connected as child nodes or derivatives of the constraints and efforts to optimize entertainment taxes in the city of Medan, namely:

- a. Taxpayers who neglect their obligations will be directly urged as the due date approaches.
- b. Taxpayers who forget their obligations are addressed through monitoring or surveillance, such as visits to remind the taxpayers.
- c. Taxpayers who ignore the officers's appeals will be subject to administrative sanctions based on Medan city regulation No. 1 of 2024.
- d. Taxpayers who do not report and pay their obligations are encouraged to maintain communication with the taxpayers. (Edwin, 2024)

## CONCLUSION

Research shows that entertainment taxes have a significant contribution to increasing the original regional revenue of Medan City. Although the entertainment sector contributes to PAD, its contribution is still relatively low compared to the relatively low compared to the existing potential and other regional tax sectors, indicating that this sector has not yet optimized its contribution to the original regional revenue.

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