

## Strategy Analysis of Increasing Tax Revenue for Two Wheel Motor Vehicles in Medan City

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### Abstract

*This study aims to determine and analyze the strategy for increasing tax revenue for two-wheeled motor vehicles in the city of Medan. The research design used is descriptive method, which is a research method that seeks to solve problems by presenting data, analyzing and interpreting it. While the form of this research is qualitative, namely research in which the data is obtained and analyzed in the form of numbers, starting from data collection, data interpretation and the appearance of the results. The secondary data collection method in this research was obtained through literature study by studying literature books and other official documents that have been published by the government of North Sumatra Province, in addition to obtaining secondary data from the variables studied sourced from interviews, data sourced from Regional Tax and Retribution Management Agency and the Central Statistics Agency of North Sumatra Province and the Central Statistics Agency of Medan City. From the results of this study, it is found that the factors that influence the obstruction of two-wheeled motor vehicle tax revenue and the factors also strategy to increase the tax revenue of two-wheeled motorized vehicles in Medan City.*

### Keywords

two-wheeled vehicles; strategy to increased tax revenue; regional revenue; Medan city



### I. Introduction

Law of the Republic of Indonesia Number 23 of 2014 on Local Government, in Article 285 states that the source of regional income consists of: a. Local Original Income (PAD) includes: 1) Local taxes; 2). Local retribution; 3) The results of the management of the separated area's wealth; and 4). Other genuine local income is valid; b. Transfer revenue; And c. Other legitimate regional revenues. In accordance with Law No. 28 of 2009 on Local Taxes and Regional Levies in Article 2 mentioned that local taxes are divided into two, namely provincial taxes and district / city taxes. Provincial Taxes consist of Motor Vehicle Tax, Duty Behind The Name of Motor Vehicles, Motor Vehicle Fuel Tax, Surface Water Tax and Cigarette Tax. The area is prohibited from collecting taxes other than the type of tax as intended. Furthermore, mentioned in Article 94, the results of provincial tax revenues as such, partly reserved for districts / cities in the province concerned with the provisions of the receipt of Motor Vehicle Tax and Duty On The Name of Motor Vehicles submitted to districts / cities by 30% (thirty percent).

Medan City as one of the working areas in the increase in the two-wheeled motor vehicle tax has the potential to increase the tax considering that Medan City as the capital of North Sumatra Province is a growing area in the Large Trade and Retail Sector, car and motorcycle repair, Transportation and Warehousing Sector, Accommodation and Drinking Provision Sector, Information and Communication Sector, Financial and Insurance Services Sector, Real estate Sector, Corporate Services Sector, Education Services Sector, Health Services sector and social activities, and Other Service Sector.

These sectors require two-wheeled motor vehicles which will consequently increase two-vehicle vehicles. According to data from the Regional Tax and Levy Management Agency of North Sumatra Province, until August 2020 the total number of motor vehicle units which is the potential motor vehicle tax in North Sumatra amounted to 5,662,459 units of vehicles.

Until August 2020 the most potential Motor Vehicle Tax is in the number of units of The RobaDua Vehicle Motorcycle Type which is recorded at 4,975,294 units or 87.86%, the second largest number is in the Type of Mini Bus Passenger Car Which is recorded at 330,875 or 5.84%, the third largest is from the Type of Pick Up Car Goods Car Car amounting to 114,880 units or 2.03% of the total number of units of vehicles in Sumatra Ut fig. The largest number of vehicles is in the Medan City area with 2 Regional Tax Service Units owned, namely the North Medan Regional Tax Service Unit with the number of vehicles registered as many as 1,680,810 in and UPPD South Medan with the number of vehicles registered as many as 483,238 units up to august 2020 data with a total number of vehicles as many as 2,164,048 units in Medan City.

To realize maximum tax revenue, calculating projected tax revenues for the future and planning what efforts to do is very important as well. Given the large role of local taxes as one of the main sources of regional financial revenue in the Regional Original Tax (PAD) component, that makes it a very vital part.

## II. Review of Literature

### 2.1 Planning

According to Handyaningrat *in* Safi'i (2007) planning is a decision for the future, what to do, when it will be done and who will do. According to Safi'i (2007) planning is a process to prepare systematically with awareness of the use of limited resources but oriented to achieve the goal effectively and efficiently, where to achieve the goal requires accurate policy formulation.

Etzioni *in* Safi'i (2007) in planning theory there are several typologies, including rational planning model; incremental planning model; and strategic planning model, namely comprehensive approach, incremental approach, and mixed-scanning approach. The processes covered by this mixed scanning are strength, weakness, opportunity and threat (SWOT) analysis whose result is in the form of strategic planning which is a process to determine components that are considered priority or main and those that are not. The expected progress in this process is the occurrence of snowballing effects of the prioritized components. The approach used in this final project is the mixed scanning planning approach by conducting a SWOT analysis in increasing the Two-Wheeled Motor Vehicle Tax.

### 2.2 Taxes

Taxes according to Soemitro *in* Mardiasmo (2016) are people's dues to state coffers under the law (which can be imposed) by not getting lead services (counterprepretation) that can be directly shown, and which are used to pay for general expenditures.

Tax functions according to Suandy (2011) include the following:

#### a. Financial Function (*budgeter*)

Put as much money into the state treasury, with the aim of financing the expenditures of the State. For example, revenues from the tax sector become the backbone of state revenues in the State Budget (APBN).

## **b. The Governing Function**

Taxes are used as a tool to regulate society both in the economic, social, and political fields with a specific purpose. Taxes are used as a tool to achieve certain goals, can be seen from several examples as follows: the provision of tax incentives, export taxes on certain products in order to meet domestic needs, and the imposition of import duties and sales taxes on certain imported products in order to protect domestic products.

Types of taxes can be grouped into three, namely (Official, 2011):

- 1) By Group, namely Direct Tax and Indirect Tax.
- 2) By Nature, i.e. Subjective Tax and Objective Tax.
- 3) According to the Institution of Collectors, namely State Tax (Central Tax) and Local Tax.

The tax collection system according to Mardiasmo (2016) can be divided into 3 systems, namely as follows: Official Assessment System, which is a tax collection system that authorizes the government (fiscus) to determine the amount of taxes owed. Self Assessment System, which is a tax collection system that authorizes tax payers (WP) to calculate, pay, and report for themselves the amount of taxes to be paid, and the Withholding System, which is a tax collection system that authorizes third parties to deduct or collect the amount of taxes owed by tax payers.

## **2.3 Local Taxes**

Local taxes according to Siahaan (2010) are mandatory dues made by the region to private persons or entities without balanced direct benefits, which can be forced under applicable laws and regulations, which are used to finance the implementation of local government and regional development. In line with the above explanation, Law No. 28 of 2009 on Local Taxes and Regional Levies, mentions the notion of the region as a mandatory contribution to the territory owed by a person or entity that is coercive under the law, by not getting a direct reward and used for regional purposes for the maximum prosperity of the people.

A local tax must meet some general principles, so that its collection can be implemented efficiently and effectively. From a number of principles commonly used in the field of taxation, below are outlined some of the basic principles of a good tax, among others: 1) The principle of fairness (Equity). The Principle of Certainty (Certainty). The Principle of Convenience (Convenience), Principles of Efficiency).

To maintain these principles, local taxation must have certain characteristics. The characteristics in question, especially those that occur in many developing countries, are: Local taxes can be economically levied, which means the comparison between tax revenues must be greater than the cost of the collection; Relatively stable, meaning that tax revenues do not fluctuate too much, sometimes increase drastically and sometimes decrease sharply; Its tax base should be a blend of the principle of profit (benefit) and the ability to pay (ability to pay).

There are several criteria regarding local taxes, namely:

- 1) The levy is tax and not a levy.
- 2) The tax object is located or located in the area of the district / city concerned and has low mobility, and only serves the community in the area of the district / city concerned.
- 3) The object and basis of the imposition of taxes do not conflict with the public interest. Taxes are aimed at the broader common interest between government and society with regard to aspects of political, economic, social, cultural peace and stability.
- 4) The potential for taxes is adequate, meaning that tax receipts must be greater than the cost of voting.

- 5) The Tax Object is not a central tax object.
- 6) It does not have a negative economic impact.
- 7) Pay attention to aspects of justice and the ability of the community.
- 8) Aspects of people's abilities.
- 9) Maintaining environmental sustainability.

#### **2.4 Motor Vehicle Tax**

Law No. 28 of 2009 on Local Taxes and Local Levies, Article 1, Paragraph (13) explains that "Motor vehicles are all wheeled vehicles along with their vehicles used on all types of road, and are driven by engineering equipment in the form of motors or other equipment that serves to convert a certain energy source into the motion force of the motor vehicle concerned, including heavy equipment and large tools that in operation use wheels and motors and are not permanently attached and motorized vehicles operated in water.

The general provisions of motor vehicle tax based on the Regulation of the Governor of North Sumatra Number 25 of 2018 Article 1 are as follows: 1. The regional head is the Governor of North Sumatra. 2. The Agency is the Regional Tax and Levy Management Agency of North Sumatra Province. 3. The Head of the Agency is the Head of the Tax and Levy Management Agency of North Sumatra Province. 4. Motor Ized Vehicles are all wheeled vehicles and their vehicles that are used in all types of roads, and driven by engineering equipment in the form of motors or other equipment that serves to convert a certain energy source into the motion force of the motor vehicle concerned, including heavy equipment and large tools that in operation using wheels and motors are not permanently attached and motor vehicles operated in water. Public Transportation motor vehicle is any vehicle that has a public transportation permit for goods and/or people with a pay levy. 6. Motor Vehicle Tax which is further abbreviated as PKB, is a tax on the ownership and/or control of motor vehicles. 7. Taxpayers are private persons or entities including paying taxes, tax cutters and tax collectors who have tax rights and obligations in accordance with the provisions of local taxation legislation. 8. The selling value of motor vehicles, which is further abbreviated as NJKB, is the general market price of a motor vehicle. 9. The selling value of motorized vehicles changes shape, which is further called NJKBUB is the selling value of motor vehicles that undergo technical changes and/or Use. 10. The basic calculation of the imposition of PKB is based on the multiplication of 2 (two) main elements namely NJKB and Bobot which reflects the relative extent of road damage and/or environmental pollution due to the use of motor vehicles. 11. Weights are those expressed in coefficients whose values are 1 (one) to 1.3 (one comma of three). 12. The coefficients referred to above include: a. Three-wheeled cars, two-wheeled motorcycles and three-wheeled motorcycles have a coefficient value equal to 1 (one) b. Sedan coefficient value equals 1.025 (one comma zero twenty-five) c. Jeep and minibus coefficient values equal to 1,050 (one zero comma fifty) d. Blind van, pick up, and microbus coefficient values equal to 1.085 (one zero comma eighty-five) e. Bus coefficient value equals 1.1 (one comma one) f. Light truck and truck coefficient value equals 1.3 (one comma three).

## 2.5 Regional Development

Regional development basically means increasing the value of regional benefits for the people of a particular region able to accommodate more residents, with the level of community welfare that on average many facilities/infrastructure, goods or services available and community business activities that increase, both in the sense of type, intensity, service and quality (Sirojuzilam, 2005). Mulyanto (2008) defines the development of the territory as any government action that will be taken together with the perpetrators with a view to achieving a goal that is beneficial for the region itself as well as for the administrative unity of which the territory is a part, in this case the Unitary State of the Republic of Indonesia. Budiharsono (2005) stated that the development of the region at least needs to be supported by 6 pillars/aspects, namely (1) biogeophyc aspects, (2) economic aspects, (3) socio-cultural aspects, (4) institutional aspects, (5) location aspects, and (6) environmental aspects.

## III. Research Methods

Research design is carried out using descriptive methods, which are research methods that seek to reveal problem solving by presenting data, analyzing and interpreting it. While this form of research is qualitative, which is research whose data is obtained and analyzed in the form of numbers, ranging from data collection, interpretation of data and appearance of the results. Secondary data collection methods in this study were obtained through Literature studies by studying literature books and other official documents that have been published by the government of North Sumatra Province, in addition to obtaining secondary data from the variables studied are sourced from interviews, data sourced from the Regional Tax and Levy Management Agency and the Central Bureau of Statistics of North Sumatra Province and the Central Bureau of Statistics of North Sumatra Province, the Central Bureau of Statistics of Medan City.

## IV. Results and Discussion

The effectiveness of the target and realization of two-wheeled motor vehicle tax revenues at the Medan City Regional Tax Service Unit can be seen in the table below:

**Table 1.** Effectiveness of Target and Realization of Two-Wheeled Motor Vehicle Tax Unit of Regional Tax Service Unit (UPPD) Of Medan City 2015 - 2019

<b>Year</b>	<b>Target</b>	<b>Realization</b>	<b>%</b>	<b>Information</b>
2015	178.702.302.911	174.211.073.262	97,49	Effective
2016	190.350.062.598	171.115.554.003	89,90	Enough
2017	198.090.038.783	194.678.513.305	98,28	Effective
2018	211.009.323.327	215.621.796.801	102,19	Very Effective
2019	220.923.578.475	201.730.262.211	91,31	Effective
<b>Average</b>			<b>95,83</b>	<b>Effective</b>

Source: Processed Data (2019)

#### 4.1 Factors That Cause the Achievement of Set Targets

Based on the data presented in Table 4.2. above that the average realization belongs to the effective category, but there are still years where realization is not in accordance with the specified target or it can be said that the uptake of Two-Wheeled Motor Vehicle Tax in the Medan City Tax Service Unit has not been optimal, this happens due to several good factors derived from internal factors that become weaknesses and external factors that are a threat to increase the receipt of Two-Wheeled Motor Vehicle Tax in the Medan City Regional Tax Service Unit. The factors that cause the achievement of the targets set include internal aspects that are weaknesses are: low tax uptake compared to tax potential, lack of tax officers, limited authority to manage Motor Vehicle Tax and lack of socialization of motor vehicle taxes, then from external aspects that are threats for the improvement of Medan City Tax Service Unit is flooding and pandemic Covid-19, low awareness of taxpayers, weak law enforcement and the number of intermediaries / brokers.

#### 4.2 Justification of Variable Internal Factors Inhibiting Tax Increase in Medan City Tax Service Unit

Internal factors that are a *weakness* in the policy strategy to increase the tax on two-wheeled motor vehicles in the Medan City Regional Tax Service Unit, as follows:

- 1) Low tax uptake compared to potential taxes. To see the comparison of the potential of taxpayers who make tax payments at the Medan City Regional Tax Service Unit, there is still a deviation between the potential number of vehicle units to realization from 2015-2020 (Quarter III). In terms of the potential number of units, the number of vehicles each year continues to increase, but in terms of realization of vehicle units that make tax payments continue to decrease.
- 2) Lack of Tax Officer Number. The State Civil Apparatus (ASN) of the tax officer in the Medan City Tax Service Unit amounted to 152 people, in addition there were Non ASN employees who amounted to 91 people, when compared to the potential amount of motor vehicle tax of 2,164,048 units of vehicles in Medan City is considered not optimal to be able to provide tax levy services. The condition of the number of employees in the Regional Tax Service Unit in Medan City is ASN 152 and Non ASN 91, a total of 243 employees.
- 3) Limited authority of PKB management. That the authority of the two-wheeled pkb province can not be added or reduced, in accordance with the laws and regulations that have been established so that in carrying out tax levies only intensification, including limitations in cracking down on pending taxes only limited to the imposition of tax penalty sanctions.
- 4) Lack of socialization of motor vehicle taxes Based on the results of Romandana research (2012) proves that tax knowledge has a positive and significant effect on the level of compliance of private taxpayers in the Surabaya Tax Service Office (KPP). Soebagyo (2005) stated that Tax Socialization has a significant effect on Taxpayer Compliance. Along with increasing tax socialization, it will also increase taxpayer compliance in fulfilling their tax obligations. Advertisements that invite the public to obediently pay their motor vehicle taxes are currently rarely found except only in offices and outlets of the Existing One-Stop Manunggal Administration System (SAMSAT), not in places that many people see such as in malls or shopping places and other public places.

Internal factors are a force (*Strengths*) for policy strategies to increase motor vehicle taxes by looking at the development of the number of two-wheeled motor vehicles in the city of Medan, North Sumatra Province, namely:

- 1) Local Regulations.
- 2) Availability of One-Stop Manunggal Administration System (SAMSAT) Mobile and SAMSAT Outlets in strategic locations.
- 3) There are tax incentives.
- 4) The existence of a computerized system (online system).

#### **4.3 Justification of Variable External Factors Driving Tax Increases in Regional Tax Service Units in Medan City**

In addition to knowing the variables of inhibiting factors, for SWOT analysis it is also necessary to determine the variables that are the driving factors of the Regional Tax Service Unit in Medan City. Several opportunities that support policy strategies to increase the tax on two-wheeled motor vehicles by looking at aspects of potential in the area, namely: Population, Economic Growth, Large Tax Potential, and Online Transportation. External factors that pose a threat in increasing the tax of two-wheeled motor vehicles on the Medan City Regional Tax Service Unit, namely: Floods and Pandemic Covid-19, Low awareness of taxpayers, weak law enforcement, and the number of intermediaries / brokers. Sinulingga (2021) state that Coronavirus or COVID-19 has a very large impact on the atmosphere of tourism globally, especially in 2020. The prolonged Covid19 pandemic has contributed to economic and climatic uncertainty in business (Wijaya, 2021).

#### **4.4 Two-Wheeled Motor Vehicle Tax Increase Strategy**

In devising a policy strategy to increase the tax on two-wheeled motor vehicles, previously it was necessary to conduct an in-depth analysis. In this research the data analysis method used is with SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats Analysis), which is an analysis of potential/strengths, weaknesses, opportunities and threats/ obstacles. This analysis begins with an inventory and classification of problems / weaknesses and advantages/strengths both internally and externally the Tax and Levy Management Agency of North Sumatra Province working area of Medan City.

#### **4.5 Analysis of Internal and External Factors**

Based on the identification data adjusted to the existing conditions of two-wheeled motor vehicle taxes, government policies and the potential possessed, shows the interrelationship between the factors discussed, so that the elements obtained from each of these factors show similarities, after which the elements are grouped between internal and external. Further more, the elements that are favorable for the increase in taxes on two-wheeled motor vehicles that are internal are categorized as strength of (strengths) and elements that are less favorable for the internal tax on two-wheeled vehicles are categorized as weaknesses. Meanwhile, the elements that are favorable for the increase in the tax on two-wheeled motor vehicles that are external are categorized as opportunities and the elements that are less favorable for the increase in the tax on two-wheeled motor vehicles that are external are categorized as threats (threats).

With regard to sources of regional income, when regional income from tax revenue sharing funds increases, regional governments are also required to increase their regional expenditures, which according to the provisions of the law are aimed at developing the region for the welfare of its people. Therefore, if tax revenues experience a decrease in revenue, it will also have an impact on the allocation of regional expenditures in financing their development.

## V. Conclusion

Based on the results of the research that has been described previously, several conclusions can be obtained as follows:

1. The effectiveness of the two-wheeled motor vehicle tax in the UPPD of Medan City during the 2015-2019 period for the Medan City work area has an average realization of 95.83% and is included in the effective criteria.
2. The inhibiting factors for two-wheeled motor vehicle tax revenues originating from the internal environment are the low tax absorption compared to the potential tax, the lack of a number of tax collection officers, the limited authority of motor vehicle tax management and the lack of socialization of motor vehicle taxes, while the inhibiting factors originating from the external environment are the occurrence of floods and the Covid-19 pandemic, low awareness of taxpayers, weak law enforcement and the large number of intermediaries/brokers.
3. The most effective strategy to increase tax revenue for two-wheeled vehicles in the Regional Tax Service Unit in Medan City is to optimize the motor vehicle tax intensification program, build an integrated data base system, use information technology in the implementation, supervision and control of motor vehicle tax levies.

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