

## **Local Government Levy Optimization**

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### **Abstract**

Levies are local charges for the payment of services, or the granting of specific permits issued explicitly by local governments. Taxes play a significant role in improving regional fiscal revenues because there is a great need for business levies, public services, and permits. Like licensing fees, entrepreneurs are needed to run their business. This study uses a qualitative method, the data collection technique was performed by triangulation (combined), inductive data analysis, and the results of qualitative research underscored meaning rather than generalization. Research informants were directed to people directly involved in paying fees and local government officials, using data collection techniques through interviews, observation, and literature studies. The readiness of the Makassar City Government is demonstrated by the rapid adaptation of tax policies to local conditions. Ensure that appropriate adjustments are made and to encourage regional competitiveness because the investment climate is favourable. The success factor of retribution as local income is influenced by the number of people, community income, and compliance with the regulations.

### **Keywords**

Local Government, Retribution, Regional Finance, Public Service, Indonesia

### **Introduction**

The implementation of the Indonesian regional autonomy is one of the reform objectives for every region, namely, to provide the community with better services and to oblige each independent area to exercise government to increase local revenue. The implementation of regional autonomy has led to a paradigm shift in the implementation of government decentralization under the mandate of Law No. 23 of 2014 on the provincial government so that the principle of centralization no longer applies to local governance.

Changes in local government policies are adjusted to the tax policy to increase the potential for regional revenue through Law No. 28 of 2009 on Taxes and Levies. With autonomy, regions have the right to regulate and manage their districts to improve regional capacities, especially public services, so that funds are needed to manage their areas in the form of local revenue (Umar, Amrin, et al., 2019). A city that has Regional Original Revenue will efficiently carry out its regional affairs and create prosperity for the people so that an effort is needed to increase the revenue from retribution (Ayuni Toduho et al., 2014).

The position of taxes and levies is very strategic for the implementation of the regional government (Regence/City or Province), in particular indicators of the success of local autonomy concerning the regional financial capacity to finance the implementation of its necessary functions (Aryanto et al., 2018; Bagijo, 2011; MacKenzie, 2018; Nugroho et al., 2018; Wahler, 2015). Regional governments should optimize their regions' potential to increase provincial revenues to create regional financial independence to finance expenditure to reduce their dependence on the central government (Yusriadi, Sahid, et al., 2019). Maximizing regional potential to increase local revenues for districts/towns in the Central Java Province can be achieved by

increasing local taxes and levies. They were expanding the revenue base, increasing administrative efficiency and reducing collection costs, and growing revenue capacity through better planning (Putra, 2014).

From some of these studies, the levy's implementation needs to be optimized to help with some of the costs of organizing the government of Makassar City. Makassar City, as one of the autonomous regions of the province of South Sulawesi, seeks to exploit the potential of regional finance to increase provincial financial revenues, including types of local levies, including public service charges, business levies, and licensing fees. Taxes play a significant role in improving regional fiscal revenues because there is a great need for business levies, public services, and permits. Like licensing fees, entrepreneurs are needed to run their business.

## **Methods**

Research has been carried out in Makassar City. The area is a central government area in the South Sulawesi Province, so it is hoped that more information will be provided on retribution as local revenue is expected. This study uses a qualitative method, that is, the research method used to examine the condition of a natural object where the researcher is a crucial instrument. The data collection technique was performed by triangulation (combined), inductive data analysis, and the results of qualitative research underscored meaning rather than generalization. Research informants were directed to people directly involved in paying fees and local government officials, using data collection techniques through interviews, observation, and literature studies.

## **Results**

The interview results show that an increase in city revenue from retribution can only be realized if all the supporting instruments are ready. The tools include facilities, human resources, and technology. The condition of the city government is classified as significant, so it has the potential and opens opportunities for fiscal expansion between regions. The interview results stated that the phased fiscal capacity would certainly encourage inter-regional development, as well as the ability of provinces and cities with the sizeable budgetary ability to provide budgets for the implementation of regional development. The demands of development are being confronted from time to time to deal with them. The availability of necessary infrastructure directly launches social and economic activities in the city, and the city government can manage them (Awaluddin et al., 2019).

The implementation of the retribution gives hope that the city will optimally increase its regional income, have an impact on public services and that the city government will recognize the characteristics of the community (Yusriadi, Farida, et al., 2019). With the existence of rules on fees, the government is prepared to make policy adjustments to the conditions of the Makassar City area. To ensure proper adaptation and enhance competitiveness in Makassar City, the investment climate is favourable. Collaborate on the responsibility for the development and the part of the community due to clear and straightforward local levy regulations. City economic growth can be helped as a source of funding for better governance (Sahabuddin et al., 2019).

Compared with other areas in South Sulawesi, the influence of the number of people in Makassar City is classified as densely populated. The community level is the capital of development due to the high income. The increase in the company in Makassar City shows the level of income from city retribution. This means that the average number of people has a high standard of living.

The quantity of society has an impact on development with the support of retribution and labour availability to assist in the implementation of development, increased public revenue with the backing for an increase in the business sector, encouraging increased user fees with an impact on economic growth. The economy increased to 7.21 percent in 2019 due to the development of all business sectors in the province of South Sulawesi. Community income has a variety of sources. Like the labour sector, it is determined by the size of the employment opportunities and the wages received. The agricultural sector, land productivity, crop intensity, and pattern, and the technology used, have an impact on retribution.

The interviews with informants indicated that people's awareness continues to grow within them by adopting a consistent policy stance. Because if the community is inconsistent in complying with the obligation of retribution, public perception is not optimal. Instilling awareness of the rules in society is not only the responsibility of the government but also the responsibility of all parties. The most important thing is public awareness of retribution, so that, with knowledge, the community will be aware of its obligations towards political retribution.

## **Discussion**

Increasing local tax and retribution revenues are one of the methods used by local governments to increase domestic revenue (Nusa et al., 2017). In the context of regional autonomy policy, many provincial governments have stepped up various regional levies in the form of taxes or levies or contributions to development as local revenue (Inggawati et al., 2013). Regional autonomy has resulted in increased financial support to the regions from the central government. To provide local governments with opportunities to innovate in the provision of community services and improve their districts, this has a very positive impact on each area, especially if local human resources support it (Hasbi et al., 2019).

Increasing local tax and retribution revenues are one of the government's methods to increase domestic revenue (Umar, Hasbi, et al., 2019). In the short term, efforts to increase revenue by optimizing local taxes and levies can be made by broadening the revenue base, identifying new levies and the number of payers, improving the object database, improving assessments, calculating the revenue capacity of each type of tax (Sahabuddin et al., 2019). Strengthening the collection process is an effort that can be made to accelerate development, change tariffs levy rates and increase human resources. Increased supervision is an effort that can be made by holding sudden and periodic inspections, improving the supervision process, applying sanctions against tax arrears and services provided by the regions (Ansar et al., 2019).

Increasing the administrative efficiency of local governments and reducing collection costs are reasonable steps to improve tax administration procedures by simplifying administration and increasing the efficiency of collection of each gathering (Rijal et al., 2019). There is revenue capacity through better planning, carried out by the Government through improved coordination between related agencies.

Retribution is revenue that shows a region's ability to raise funds to finance routine and development activities, routine revenue from local governments' efforts to use potential sources of regional finance to finance their duties and responsibilities. The objective of implementing regional autonomy to provide flexibility for the region's exploration of the financing of the implementation of independence as a manifestation of decentralization, an effort to see the capacity of the areas in the context of self-support from a regional financial perspective to reduce dependence on the central government by looking at the composition of local revenues. The higher structure of the revenue levy, the greater the responsibility, but the smaller balance of the income for user fees, the higher the dependence on the center. Meanwhile, the community's impact with an increase in retribution revenue is the smooth running of the development.

## **Conclusion**

Retribution policy is one of the factors that will increase economic revenue for local governments. The readiness of the Makassar City Government is demonstrated by the rapid adaptation of tax policies to local conditions. Ensure that appropriate adjustments are made and to encourage regional competitiveness because the investment climate is favourable. Makassar City Government is taking tactical steps to maximize the benefits of regional levy policy. The success factor of retribution as local income is influenced by the number of people, community income, and compliance with the regulations.

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