The Development of Online-Based Hotel and Restaurant Tax: Advantages and Constraints in the Case of Pekalongan City

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Abstract

In the attempt to improve the quality of service to hotel and restaurant taxpayers and to avoid the evasion of local income tax, Pekalongan City Government through DPPKAD or Dinas Pendapatan, Pengelolaan Keuangan dan Aset Daerah (Local Income, Financial and Asset Management Service) introduced a Hotel and Restaurant Tax using online system. This research aims to identify problems and constraints in applying the online-based tax system and recommends steps to address the problems. This study surveyed the users of the system using purposive sampling of DPPKAD officers, hotel, inn, and restaurant owners, and bank as the service provider. The results identified the advantages of online-based Hotel and Restaurant Tax namely: reducing potential fraud; improved tax assessments; reducing administrative works in the recording of Surat Pemberitahuan Tahunan (Annual Notification Letter). However, DPPKAD of Pekalongan City encountered some constraints: many taxpayers were not willing to calculate their own tax and had the DPPKAD to specify the tax amount; many restaurant owners were not willing to use cash register because they were afraid that it would increase their products’ selling price; exposure of taxpayers’ private financial records; 2) the preparation of infrastructure is inhibited because the taxpayers have not been willing to connect the cashier machine directly to the partner’s bank system, 3) DPPKAD had not had human resource with the competency of examining the local tax.

Keywords: hotel and restaurant tax, online

1. Background

The mandate of Law No. 23 of 2014 about Local Government and Law No. 33 of 2004 on Central and Local Finance Balance requires every local area to submit an annual return of their real income. The sources of local original income can be local tax, retribution, and local asset management. For the local areas rich of natural resources, the improvement of local original income is not significant problem. However, for the one with limited natural resources, maximizing the local tax and retribution is the alternative inevitable option. One of the tax sources in local area derives from
Hotel and Restaurant Tax (Pajak Hotel dan Restoran). Pekalongan city is the area with potential service and trade should optimize local income deriving from tax. One of taxes that can be maximized is Hotel and Restaurant Tax. Nevertheless, Hotel and Restaurant Tax has not manually submitted its local real income. Here is the data of Hotel and Restaurant Tax contribution to local original income of Pekalongan city.

From the chart above, it can be seen that the contribution of Hotel and Restaurant tax to local original income is very low. Some factors led to the low Hotel and Restaurant Tax in Pekalongan city: 1). There are some hotels paying tax less than the actual amount that should be paid on time. For restaurant, some taxpayers do not want to undertake its obligation of paying tax. 2) Local Income, Financial and Asset Management Service (DPPKAD) of Pekalongan city lacks the competent human resource in examining local tax; and 3) the manual system results in the probability of local income evasion.

Considering the problems above, DPPKAD introduced an online based-Hotel and Restaurant Tax. This research will identify the advantages and the problem encountered in applying online-based hotel and tax system, and will formulate its solution recommendation.

1.1. E-Government: Definition, Elements, and Constraints

Tax payment system through internet is a form of public service using electronic facility or called electronic government (e-government). Edmiston [2] defined e-government as the use of digital technology in delivering and managing public service, particularly through internet media. E-government is also defined as information and communication technology (ICT) use in public administration to improve public service and democratic process in order to reinforce support to public policy (http://www.egov-conference.org/). E-government is very beneficial to improve the efficiency of
public sector and to build the more personal relationship with service users. Nevertheless, e-government is not a panacea for the corruption and the efficiency of public service. E-government not only applies more computers and opens website for the public service organization. Online-based public service will improve the efficiency and the quality of service when it is supported with mature planning, dedication, and sustainable political will and supported with the powerful and technologically literate society [9].

United Nations (UN) and American Society for Public Administration (ASPA) identify five stages of e-government: 1) emerging, limited to providing static information to citizens; 2) enhanced, giving dynamic information to citizen and providing more options to access information; 3) interactive, allows for the interaction between citizen and government, and downloading the form and filing online application; 4) transactional, creating websites that allow users to conduct transactions online; and 5) networked or fully integrated, offering the delivery of public service actually integrated online. A survey conducted by UN-ASPA found, 32 out of 169 states are in the first stage, 65 in the second, 55 in the third, 17 in the fourth, and 1 in the fifth stages [10].

The use of computer or complex procedure automation does not ensure the improvement of government efficiency or citizen participation. E-government is related to the government’s changing way of interacting with society. Information technology usage will encourage bureaucratic reform only when it is followed with transparency and empower society to participate in decision making process impacting on their life. It needs coherent strategy supported with political will, resource, regulation, and society’s ability to use the design technology. Successful e-government requires fundamental change in the government’s work mechanism and how people see the government’s way of helping them. There is no single strategy appropriate for all in implementing e-government, but there are at least five basic elements supporting the successful e-government process: 1) process reform: e-government is not only automation process, but also building new process and relation between government and those served; 2) Leadership: all apparatus in all government level should know and master technology and can encourage the acceleration of e-government, 3) investment strategic: it is important to set the clear objective and its achievement procedure that is supported with transparency, community participation, disconnecting red-tape, and saving money; there should be standard and benchmark to measure the success; 4) Collaboration: government should establish collaboration with business actor and NGO to ensure the quality and accessibility of e-government. The business sector practitioners who master e-commerce, information technology, marketing and management well can be the consultant for the policy making officials; and 5) Civic engagement: e-government is not only for efficiency objective but for improving the
citizen life; for that reason, in designing system, stakeholders – government and non-government – should be involved to unite vision and the way of realizing it [2, 9].

Ifinedo (http://faculty.cbu.ca/pifinedo/ibimnedo.pdf) identifies some factors inhibiting and challenging the application of e-government in Nigeria: 1) organizational: e-government development needs an effective communication and organizational skill to maintain vision and aspiration values of all stakeholders; 2) infrastructure and technical: the application of e-government should be supported by telecommunication infrastructure. ICT becomes the fundamental precondition in the implementation of e-government; 3) social: e-government requires social condition of society ready to apply it such as communication technology literacy and education level; 4) economic: e-government is applied more successful in the society with established economic level; 5) political: e-government will be successful if the government builds health collaboration with the private and reciprocal interaction with citizen; 6) cultural: cultural norm will determine how the citizen and policy maker utilize technology.

In a paternalistic bureaucratic culture, the leader plays an important role in growing internet-based working culture; and 7) psychological, the implementation of e-government will effective when there is a positive perception among the society about information technology. For that reason, government should campaign for growing awareness of the advantage of information technology in public service.

2. Method

This research employed a qualitative approach; data collection was carried out using observation, in-depth interviews and focus group discussions (FGDs). Informants were selected purposively comprising stakeholders in the hotel and restaurant sectors, including DPPKAD and taxpayers coming from the hotels and restaurants existing in Pekalongan City and service provider (bank). This study also used secondary data sources from documents, archives, government regulations and data obtained from newspapers, magazines, and internet-related research themes. Data analysis was carried out using an interactive model including three components: data reduction, data presentation, and drawing conclusions [7].

3. Findings and Discussion

Hotel and restaurant tax is the tax charged to consumers for the service, reported and paid to local government. Thus, Hotel and Restaurant Tax is the local tax imposed on consumers (Law No. 28 of 2009 about Local Tax and Local Retribution).
Maximizing local income through optimizing the hotel and restaurant tax can be done by utilizing technology and information and through applying Hotel and Restaurant Tax online. Pekalongan City Government introduced an online Hotel and Restaurant Tax collection system because the implementation of payment online has the following advantages: a) Hotel and Restaurant Tax in Pekalongan City has not been maximised because the supervision of tax payment system is still poor. The online tax payment will reduce the direct interaction between taxpayers and tax officers, thereby mitigating the potential fraud; b) taxing data of Pekalongan City has not been organized well yet. The database of hotel and restaurant taxpayers has not documented entirely. However, the online system has encountered some disadvantages (constraints) as explained below:

3.1. Taxpayer

The taxpayer (Wajib Pajak) compliance with its taxing obligation corresponding to legislation becomes the key factor to the successful tax collection system [8]. In relation to the application of online Hotel and Restaurant Tax in Pekalongan City, the taxpayer’s compliance factor becomes the constraint. Taxpayers prefer to pay the tax manually. They calculate their own tax reluctantly and prefer to have the DPPKAD to specify their tax amount. It is because online tax requires the cashier machine to be connected directly to computer and internet entering directly into the partner bank’s system.

Meanwhile, not all taxpayers, particularly restaurant taxpayers, apply cash register payment system. Many restaurants still use manual cashier or manually written invoice and calculator. The use of cash register, in addition to helping organize the bookkeeping orderly, can sort the tax payment accurately. However, there is still misunderstanding on the importance of cash register among the restaurant owners so far. They think that the tool installed will increase the price of food so that they worry it will lead the customers to buy reluctantly. In addition, the thing mostly frightening the taxpayers is that online tax system will harm the privacy of taxpayers’ financial data.

These findings prove that in the application of online tax payment system, confidentiality should be guaranteed in the sense that the company’s financial data must be secured and not used for other purposes [4, 6]. In addition, the user ratings of perceived usefulness (PU) and perceived ease of use (PEOU) will determine the acceptance of a new technology ([1]. Process Reform and Civic Engagement [2, 9] also be determining factors in online tax payment system. The application of online Hotel and Restaurant Tax is not only a change from manual system to internet transaction but it also builds new paradigm in the relation between government and the society served and it needs the community participation in uniting vision and the way of achieving
it. It will be done easily when there is no psychological constraint namely that society has trust or positive perception on government performance [5].

3.2. Infrastructure Readiness

To apply online-based Hotel and Restaurant Tax, Pekalongan City government needs cooperation with third party, Application Service Provider Company. The quality of software prepared by the server and application provider partner will determine the effectiveness of online tax. To ensure the quality and accessibility of Hotel and Restaurant Tax accessibility online, Pekalongan City Government should establish collaboration [9] with business sector practitioners mastering the information technology well-being the consultant or partner for the policy making officials. The tax and restaurant system-supporting infrastructure in Pekalongan City is the responsibility of partner bank, in this case Bank Rakyat Indonesia (Indonesian People Bank, thereafter called BRI). In the term of infrastructure preparedness, the source of constraint lies on the taxpayers’ reluctance to connect the cash register directly to the partner bank’s system. Online tax payment also requires the taxpayers to be the customers of the partner bank (Bank Rakyat Indonesia/BRI), while not all taxpayers are the customers of it. Taxpayers have had their own partner bank uncertainly as same as the partner bank designated by DPPKAD.

3.3. Tax Authority Competency

Article 6 of Law No.18 of 1997 mentioned that the activities that can be collaborated with the third party in the attempt of tax collecting process, among others, are: tax form printing, letter delivery to taxpayers, or data collection concerning Tax Object and Tax Subject. The activity that cannot be collaborated with the third party is the activity of calculating the receivable tax, tax depositing supervision, and tax collection. Thus, online system remains to need tax officer/authority with the competency of supervising (research, examination, investigating, and determining sanction) to the taxpayers breaking the rule and the competency of building and ensuring the confidentiality of taxpayer’s data. Tax authority’s competency factor inhibits the application of online-based Hotel and Restaurant Tax because DPPKAD of Pekalongan city has not had human resource with competency of examining local tax.

4. Conclusion

The application of online Hotel and Restaurant Tax will maximize the local original income revenue deriving from tax in Pekalongan City. However, to implement online
Hotel and Restaurant Tax, Pekalongan City Government encounters some constraints from taxpayer side, infrastructure readiness and human resource competency, particularly tax authority (officer). From the result of research, it can be concluded that the main constraint in the online tax payment lies on the human resource (taxpayers and tax apparatus)’s preparedness factor, rather than infrastructure and information technology only.

For the Hotel and Restaurant Tax to be implemented immediately, the following recommendations are:

a. Educate taxpayers so that taxpayers have knowledge, awareness and compliance with tax obligations under the taxation laws. The education program to include: definition and function of Hotel and Restaurant Tax, right and obligation of taxpayers, and procedure of tax calculation (self-assessment) both manually and online.

b. Intensive socialization of taxpayers in the way or procedure of online Hotel and Restaurant Tax payments, and the benefit to taxpayers.

c. Examine the infrastructure for partner banks to participate in the online Hotel and Restaurant Tax system (Semarang, DKI Jakarta, Malang, Denpasar, etc).

d. Develop the tax authority’s competency through short courses on the taxation authority’s rights and obligation to tax payers, and the skill to undertake supervisory roles (research, examination, investigation, and sanction imposition).

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References


