
The Effect of Progressive Tax on Regional Income (Study at One of The Centers of Income Management in Cimahi City)

Deswita Maharani¹, Mochamad Kohar Mudzakar²

^{1,2} Universitas Widyatama

E-mail: deswita.maharani@widyatama.ac.id¹, kohar.mudzakar@widyatama.ac.id²

ABSTRACT

This study aims to explore the effect of Progressive Tax on Regional Original Income, one of the SAMSAT Revenue Management Centers in Cimahi City, for 2018-2022. Progressive Tax is an independent variable, while Local Own Revenue is the dependent variable. This research method uses quantitative research methods with a descriptive approach. The results of this study indicate that Progressive Taxes have a significant effect on Regional Original Income. To increase the effect of Progressive Tax on Regional Original Income, one of the SAMSAT Revenue Management Centers in Cimahi City. It is best to strengthen related laws and regulations and improve the performance of regional apparatus to optimize tax revenue and original regional income.

Keywords: Progressive Taxes, Motor Vehicle Taxes, Local Revenues

INTRODUCTION

Indonesia is currently developing in various fields, such as politics, society, education, law, economy, and others, to increase people's welfare and give intelligence to the nation, justice, and prosperity for the nation's life. Therefore, the government must make efforts to obtain financing. This effort maximizes the potential for Indonesian state revenue by utilizing taxes. (Alim et al., 2021; Sidharta, 2017; Yusup et al., 2020)

The increase in vehicles that continues to increase throughout Cimahi has caused various problems, such as congestion at many points on the highway. The growth of vehicles has both good and bad impacts. The negative impacts include traffic jams, long trips, accidents, air pollution, etc. However, the positive impact is that it helps increase the mobility of people, goods, and services. To reduce congestion, Cimahi City must control more and more vehicles.

Along with the increasing number of motorized vehicles, infrastructure development, such as roads and road signs, requires government support and funds. Therefore, the

government decided to collect motor vehicle tax from vehicle owners as a funding source. Over the years, the government has decided to collect vehicle tax. The tax significantly impacts regional revenues, which helps finance the day-to-day activities of local governments. (Basri et al., 2021; S. P. Dewi & Cynthia, 2018; Yulianti et al., 2021)

The determination of progressive tariffs aims to regulate the number of motorized vehicles so that they do not increase rapidly so that, in the end, it can reduce congestion in Cimahi City. Furthermore, a progressive tax is assumed to minimize the need for people to buy lots of motorbikes or cars because the double tax and so on are more expensive than the first tax. (I. G. A. M. R. Dewi & P, 2019; S. P. Dewi & Cynthia, 2018; Yulianti et al., 2021; Yulistiani et al., 2022)

Motorized vehicle tax imposes because the road is a public facility used by the community with direct and indirect costs. Therefore, UU no. 28 of 2009 regulates motor vehicle tax rates regarding Regional Taxes and Regional Levies, using a progressive system that starts from 2% of the sales value on the first motorized vehicle to 10% on the second motorized vehicle. However, in implementing this policy, the government must consider its suitability with tax principles. (Heru Sudinta et al., 2022; Rahayu & Kustina, 2019)

In general, implementing a progressive motor vehicle tax has good and bad effects on society. The positive side is that it can reduce the number of motorized vehicles and increase tax revenues for local governments. However, on the other hand, this policy can lead to legal violations by taxpayers who want to avoid paying exorbitant taxes, such as by keeping vehicles in the name of their family or other people. (Sutrasmini & Atmadja, 2021; Tan & Taeihagh, 2020)

Table 1. Recapitulation of Progressive Tax Revenue at SAMSAT The City of Cimahi for the 2018-2022 period.

Year	Target (Rp)	Realization (Rp)	Percentage (%)
2018	143.997.000.000	149.538.686.900	103,84
2019	160.415.000.000	160.474.882.050	100,04
2020	182.338.488.500	151.636.942.000	83,16
2021	154.825.950.000	159.646.654.400	103,11
2022	167.617.100.394	170.321.438.450	101,61

Source: West Java Regional Revenue Agency

Based on table 1, revenue realization has increased from 2018 to 2022, which shows that development continues to increase and has the potential to impact original regional income every year.

The Cimahi City Regional Revenue Management Center 2020 did not reach the revenue target due to the Covid-19 pandemic, which affected tax revenue realization. Therefore, the 2021 revenue target reduces to IDR 154,825,950,000. However, the reduction is made to meet the revenue target, so the income earned increases.

Regional tax is an obligation to pay without compensation that individuals or organizations in an area must fulfill. These taxes are helpful for financing development and government activities. (Heru Sudinta et al., 2022; Rakhmadhani & Napisah, 2019)

The local tax imposed at the provincial level calls the motor vehicle tax. It covers all vehicles equipped with wheels and trailers, used on highways powered by electric motors or other devices, heavy vehicles, and large equipment that use wheels and motors that are not permanently installed. , as well as motorized vehicles operating in water. Motor vehicle tax payments are made on ownership of motorized vehicles owned by individuals or organizations. (I. G. A. M. R. Dewi & P, 2019; Heru Sudinta et al., 2022)

A tax whose rate will increase in line with the addition of tax objects is a progressive tax, which is imposed on motorized vehicles that have ownership with the same name and address. Tax rates on motorized vehicles vary depending on their class, namely class one, two, and three. For example, the progressive tax rate for motorized vehicles in West Java with first ownership is 1.75%; second ownership 2.25%; third ownership 2.75%; fourth ownership 3.25%; fifth ownership 3.75%, and others. (Directorate General of Indonesian Taxes, 2016).

The income a region earns from sources within its territory is Local Own Revenue per regional laws and regulations. Therefore, having a crucial role as an indicator of the regional ability to support the costs of government activities and regional development of the regional income sector. Therefore, it is essential for the regions to actively maximize local tax revenues in order to obtain adequate funds for regional government financing and fulfill the principle of revenue decentralization. (S. P. Dewi & Cynthia, 2018; Kaldiyarov et al., 2018)

METHOD

The research method used to test hypotheses and obtain correlations between certain variables using quantitative data is called quantitative research. Such as statistics and measurements, the aim is to generalize and test the truth of the hypotheses proposed. In this context, a quantitative approach uses to find the correlation between Progressive Taxes and Local Own Revenue.

Descriptive research is the research method that aims to explain and describe the object or phenomenon under study. This method involves collecting and analyzing data from populations or samples taken to explain the relationship between the variables studied. For example, researchers used descriptive methods in this study to describe tax and budget revenues at the SAMSAT Center for Regional Revenue Management in Cimahi City. To select the sample, the researcher used a non-probability sampling technique with the appropriate purposive sampling method, as the research objectives had been determined previously.

To carry out testing using the t-test, the steps are as follows, set a significance level of α at 5%. This condition means that the confidence level of the test is 95%, and the acceptable error rate is 5%. The calculating the t-test:

$$t = r\sqrt{n - 2} / \sqrt{1 - r^2}$$

The formulation of the t-test hypothesis involves the correlation coefficient (r) and the number of samples (n). The null hypothesis (Ho) states that progressive tax does not significantly affect local own-source revenue, with a coefficient (β) equal to zero. The alternative hypothesis (Ha) states that progressive taxes significantly affect local revenue, with a coefficient (β) not equal to zero.

Criteria for Decision Making: Ho is rejected: the probability of the value of t is smaller than 0.05 (t-count > t-table); Ha is accepted: the probability of the value of t is more significant than 0.05 (t-count < t-table).

If the statistical test results reject the null hypothesis (Ho), the progressive tax on motorized vehicles affects local revenue. However, if Ha is accepted, the progressive tax does not affect the original regional income.

RESULTS AND DISCUSSION

Progressive Tax Revenue and Local Own Revenue received by the City of Cimahi are the focus of research. SAMSAT Center for Regional Revenue Management in Cimahi City as the subject of research, place of collection, and data analysis.

Table 2. Recapitulation of Progressive Tax Revenue at SAMSAT The City of Cimahi for the 2018-2022 period

Year	Target (Rp)	Realization (Rp)	Percentage (%)
2018	143.997.000.000	149.538.686.900	103,84
2019	160.415.000.000	160.474.882.050	100,04
2020	182.338.488.500	151.636.942.000	83,16
2021	154.825.950.000	159.646.654.400	103,11
2022	167.617.100.394	170.321.438.450	101,61

Source: West Java Regional Revenue Agency

Table 2 for 2018 Motor Vehicle Tax Achievement of 103.84%; in 2019, it decreased to 100.04% due to a lack of people's purchasing power for motorized vehicles. However, this reduction is still effective because it meets the predetermined target.

In 2020 it decreased to 83.16%. Many people had difficulty paying taxes because, in 2020, the government implemented (PPKM) which resulted in some people being unable to work and carry out activities from home.

In 2021 it increased to 103.11% because many people have returned to work and are carrying out their usual activities. However, in 2022 it decreased to 101.61%. This

condition decreased due to the low obligation to pay vehicle tax according to a predetermined deadline.

Table 3. Recapitulation of Regional Original Revenue Receipts at SAMSAT The City of Cimahi Period 2018-2022

Year	Target (Rp)	Realization (Rp)	Percentage (%)
2018	315.746.802.450	323.448.658.633	102,44
2019	335.871.490.723	338.210.454.185	100,70
2020	329.748.542.994	293.199.538.011	88,92
2021	311.794.974.313	322.670.754.559	103,49
2022	351.752.297.441	365.128.565.800	103,80

Source: West Java Regional Revenue Agency

Table 3 Achievement of Cimahi City Regional Original Income for 2018-2022. shows variable values. This condition illustrates that the Regional Revenue Management of Cimahi City has yet to succeed in optimally increasing motorized vehicle tax revenues.

In 2018 the achievement of local revenue was 102.44%; in 2019 decreased to 100.70%; in 2020 decreased to 88.91%. ; in 2021, it increases to 103.48%, and in 2022, it increases to 103.80%.

The decline in 2019, 2020, and 2022 was due to a decrease in the realization of motorized vehicle taxes, which resulted in a decrease in local revenue. Vice versa, in 2021, motorized vehicle taxes will be realized so that original regional revenue will increase. This achievement is said to be fluctuating because the value is constantly changing (unstable). For 2018, 2019, 2021, and 2022, Regional Original Income in Cimahi City is still effective because it reaches the target set.

Table 4. Simple Linear Regression Results

Variable	Koefisien	Standar Error	Probability
C	29.70	7.08	0.02
PKB	0.71	0.07	0.00
R-squared	0.97		
F-statistic	98.76		
Prob(F-statistic)	0.00		

The regression equation model is based on table 4 as follows:

$$Y = 29.70793 + 0.713377 X + e$$

The following is an explanation, if the constant (α) value is 29.70793, then Local Own Revenue is worth 29.70793 when the value of Motor Vehicle Tax consider fixed at a value

of 0. This condition proves that Motor Vehicle Tax significantly affects Regional Original Income. The regression coefficient is 0.713377, meaning that every increase of one unit of Motorized Vehicle Tax will increase Local Own Revenue by 0.713377. So the higher the motor vehicle tax revenue, the higher the local revenue.

Table 4, the magnitude of the R-Squared is 0.970520 (97.05%). This condition means that the independent variable explains 97.05% of the dependent variable. So the magnitude of the effect of a progressive tax on local revenue is 97.05%. Other variables influence the rest.

From the research results on the impact of progressive taxes on regional fiscal revenues, a regression coefficient of 0.713377 (Motor Vehicle Tax) was found, and the independent variables affect the dependent variable. This condition means an increase in motor vehicle tax revenue will increase local revenue by 0.713377.

The t-test of the regression model shows a value of 0.0022 (motor vehicle tax) with a significance value of 0.05, so the research results are statistically significant. In addition, the comparison between the tcount and ttable values shows a tcount of 9.938077 and a ttable of 3.182. So this can be said if $t \text{ count} > t \text{ table}$, H_0 is rejected, and H_a is accepted.

The regression model results show a coefficient of determination (R^2) of 0.970520 (97.05%). This indicates that the independent variables explain 97.05% of the dependent variable. Thus, the conclusion is that progressive taxes significantly affect Cimahi City's local revenue. The results of this study support previous research which shows that the application of progressive taxes can increase local revenues such as Rahayu & Kustina, (2019); Rakhmadhani & Napisah, (2019) and Sutrasmini & Atmadja, (2021).

CONCLUSION

Based on the study results, the progressive tax has a significant effect on the local revenue of Cimahi City. For Samsat, the Regional Revenue Management Center for the City of Cimahi must increase the socialization of Progressive Motorized Vehicle Taxes to the public in an integrated manner by strengthening related laws and regulations and improving the performance of regional apparatus to optimize tax revenues and original regional income.

To increase motorized vehicle tax revenue, local governments must reach out effectively to the public about the importance of paying motorized vehicle tax. Increase supervision of motorized vehicles that do not pay taxes—providing convenience to taxpayers in making motor vehicles tax payments, such as by expanding the network of payment centers or providing online payments, as well as providing incentives for people who pay motor vehicle taxes on time, such as discounts or gifts to increase motor vehicle tax revenues and also increase public awareness about the importance of paying motor vehicle tax promptly.

Future researchers expect to study other factors, such as parking fees. In addition, a policy from the Provincial Government of West Java must address the growth in the number of motorized vehicles in their area, namely limiting the age of the vehicle.

REFERENCES

- Alim, M. B., Setiyantono, A. P., & Zakiah, S. N. (2021). Analysis of the relationship between Tax Revenue and Government Expenditures in Indonesia. *Journal of International Conference Proceedings*, 4(3). <https://doi.org/10.32535/jicp.v4i3.1299>
- Basri, M. C., Felix, M., Hanna, R., & Olken, B. A. (2021). Tax Administration versus Tax Rates: Evidence from Corporate Taxation in Indonesia. *American Economic Review*, 111(12), 3827–3871. <https://doi.org/10.1257/aer.20201237>
- Dewi, I. G. A. M. R., & P, K. W. L. (2019). Efektivitas E-Samsat, Pajak Progresif Dan Kualitas Pelayanan Terhadap Kepatuhan Wajib Pajak Kendaraan Bermotor. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 4(1), 50. <https://doi.org/10.38043/jiab.v4i1.2151>
- Dewi, S. P., & Cynthia, C. (2018). Aggressiveness tax in indonesia. *Jurnal Akuntansi*, 22(2), 239. <https://doi.org/10.24912/ja.v22i2.350>
- Heru Sudinta, Dwikora Harjo, Iwan Irwansyah, & Francky William Leonardo Lona. (2022). Motor Vehicle Tax Collection Potential and Fees for Returning the Name of Motor Vehicles in Belu Regency, Nusa Tenggara Timur. *East Asian Journal of Multidisciplinary Research*, 1(7), 1449–1460. <https://doi.org/10.55927/eajmr.v1i7.947>
- Kaldiyarov, D. A., Dudin, M. N., Reshetov, K. Y., Bashilov, B. I., & Noskov, I. Y. (2018). Developing Vehicles for Collective Investment in Real Estate in the Russian Federation. *Journal of Real Estate Literature*, 26(2), 313–329. <https://doi.org/10.1080/10835547.2018.12090488>
- Rahayu, N. P. I., & Kustina, K. T. (2019). Pengaruh Penerapan Pajak Progresif dan Perilaku Konsumtif Wajib Pajak dalam Pembelian Kendaraan Bermotor terhadap Pendapatan Asli Daerah Provinsi Bali UPT. Samsat di Kota Denpasar. . *WACANA EKONOMI (Jurnal Ekonomi, Bisnis Dan Akuntansi)*, 18(2), 98–103.
- Rakhmadhani, V., & Napisah, L. S. (2019). Pengaruh Penerapan E-Samsat dan Pajak Progresif Terhadap Penerimaan Pendapatan Pajak Kendaraan Bermotor. *JRAK (Jurnal Riset Akuntansi Dan Bisnis)*, 5(2), 88–96.
- Sidharta, I. (2017). Pengujian Model “Sliperry Slope” Dalam Kepatuhan Wajib Pajak. *Jurnal Ekonomi, Bisnis & Entrepreneurship (e-Journal)*, 11(2), 149–158.
- Sutrasmini, M., & Atmadja, A. T. (2021). Perhitungan Pajak Progresif Kendaraan Bermotor Dalam Upaya Meningkatkan Pendapatan Asli Daerah. *Widya Akuntansi Dan Keuangan*, 3(1), 1–10.
- Tan, S., & Taeihagh, A. (2020). Smart City Governance in Developing Countries: A Systematic Literature Review. *Sustainability*, 12(3), 899. <https://doi.org/10.3390/su12030899>
- Yulianti, Y., Mursalim, M., & Su'un, M. (2021). Efektivitas Pemungutan Pajak Progresif Terhadap Pendapatan Asli Daerah Pada Kantor Samsat Kota Makassar. *Amnesty: Jurnal Riset Perpajakan*, 4(1), 167–182. <https://doi.org/10.26618/jrp.v4i1.5313>

Yulistiani, V., Yusup, M., Rahman, R. S., & Mialasmaya, S. (2022). Pengaruh Insentif Perpajakan Terhadap Kepatuhan Wajib Pajak UMKM Masa Pandemi Covid-19. *Acman: Accounting and Management Journal*, 2(1), 20–30. <https://doi.org/10.55208/aj.v2i1.28>

Yusup, M., Sidharta, I., Rahman, R. S., & Mialasmaya, S. (2020). Self-Assessment System and Corporate Taxpayer Compliance (Case Study at One Of The Tax Office In Bandung City). *Jurnal Computech & Bisnis (e-Journal)*, 14(1), 58–63.