RESTAURANT TAX IN BANDUNG

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Abstract

Purpose: Culinary industry has enabled Bandung to be one of the favorite tourist destinations in Asia and culinary tourist destinations in Indonesia. The presence of the culinary industry, besides being able to increase the income of local people, also contributes to the increase in Local Own Revenues. This research aims to identify the potential of restaurant tax for local own revenues and the problem relating to the collection of restaurant tax in Bandung City.

Methodology: This research used quantitative descriptive and the qualitative method. The quantitative descriptive method was used for calculating the potential of restaurant tax, while the qualitative method with a case study approach was used for explaining the problems in managing restaurant tax. Data collection techniques were conducted through observation, interviews, and literature review.

Results: The result of this research is expected to be useful for determining the strategy for enhancing restaurant tax revenues of Bandung City. The research result shows that restaurant tax in Bandung City is one of local taxes potential for giving a contribution to Local Own Revenues of Bandung City, which is of 12.9% during the last three years.

Implications: Realization of restaurant tax during the last two years (2015-2016) has exceeded the target. It indicates that the potential of restaurant tax can be optimized. However, there are some difficulties in the collection of restaurant tax, there are some potential loss problems such as restaurants that do not pay up the tax according to the real potential of tax and some owners of restaurants (including catering) who have not yet been recorded as taxable subjects. It is also affected by the system of tax collection which is a self-assessment one. In the future, BPPD should improve law enforcement, tax audit, and tax collection in order to enhance local taxes from the restaurant sector.

Keywords: Restaurant Tax, Local-Own Revenues, Bandung, Self-Assessment, Culinary

INTRODUCTION

Bandung as one of the creative cities in Indonesia has become one of the favorite tourist destinations in Asia. The citizens creativity in producing goods/services is able to be an attraction for both domestic and foreign tourists to visit Bandung. Some nicknames are associated with Bandung City due to its beauty such as the city of flowers Parijs van Java. Bandung is also known as a shopping city because the city has a lot of malls and factory outlets. Nowadays Bandung is also known as the culinary city. In 2015 Bandung has even been stipulated as the destination of Indonesian culinary tourism by the Ministry of Tourism. Currently, culinary tourism in Bandung has developed swiftly; as one of the indicators, every weekend Bandung City is visited by many tourists, both domestic and foreign ones, reaching about 200,000 visitors each weekend and more at long weekends.

(http://nasional.republika.co.id/berita/nasional/daerah/17/04/30/op8ekx284-kunjungan-wisatawan-ke-kota-bandung-diprediksi-meningkat).

The specialty of Bandung culinary delights has a special attractiveness for tourists. Its creative citizens are able to create menus that become trending topics at social media. The kinds of foods they create are always developing because they do not only make local foods and drinks but also explore Eastern, Western, and Asian-style food. The development of culinary industries in Bandung City does not only affect the peoples income; the citizens creativity in processing foods also gives a contribution to the Local Government, particularly to Local Own Revenues (PAD). In fact, the Ministry of Tourism has released information in 2013 that the culinary sector contributed Rp208.6 trillion to state revenues, with a growth rate of 4.5 percent. Meanwhile, the employment of workers in the culinary sector reached 3.7 million people with a growth rate of 26 percent. Moreover, this sector created 3 million business units with a growth rate of 0.9 percent. It indicates that
Indonesian culinary delights are able to drive the publics economy. (Paramita, 2014; Suleri and Cavagnaro, 2016)

With the policy of fiscal decentralization for local governments in Indonesia, every region has the authority to dig up their local own revenues according to the provisions of prevailing legislation to meet future fiscal challenges and objectives. Obstacles in the implementation of fiscal decentralization in some countries have been revealed by some scholars, among others, a majority of local governments often face revenue shortfalls forcing them to rely on other sources of financing to meet their spending obligations (Lam and Wingender, 2015). On the other side, local governments everywhere have faced a similar pattern declining grants from senior governments, devolution of additional funding responsibilities, and a limited tax base that may not be sufficient. (Harry, 2005)

One of the sources of local own revenues which can be managed by local governments relating to culinary industries is restaurant tax. Restaurant tax is one of the taxes managed by Regencies/Cities (local government). Restaurant tax is a tax for services provided by restaurants. Restaurants are facilities of providers of food and/or beverages with a collection of payment, which also covers restaurants, cafeterias, canteens, food stalls, bars, and similar types including catering services (Law No. 28 the Year 2009 on Local Taxes and Charges). As for the tariff of restaurant tax, it is determined to be 10% and it is imposed on restaurants with a sale value above Rp10.000.000 (Local Bylaw Number 20 Year 2011 on Local Taxes).

The contribution of local taxation has been studied in some researches, such as the study conducted by (Lewis, 2006; Ortiz-Salgado and García-Carmona, 2018) in 2013, which revealed that own-source taxes and charges in Indonesia made up less than 8% of total local revenues. However, the contribution of local own revenues to local revenues increased by 23% in 2016 (Directorate General of Fiscal Balance, 2016). Another study (Ruliana, 2015) also shows that the realization of acceptance the local own revenues is very effective for achieving revenue targets that have been set.

Some studies on the contribution of restaurant tax to local own revenues of Bandung City have also been conducted through some following researches. That restaurant tax is very important because during the time period of 2004-2008 the contribution of restaurant tax to local own taxes was 16.2% on average and the result of the collection of hotel tax and restaurant tax affects local own revenues of Bandung City. (Rachmawati, 2009; Shishova et al., 2016)

Some research results indicate that restaurant tax plays a quite a significant role in local own revenues of Bandung City, therefore, its existence is relevant for researches. Nevertheless, in the implementation, there are some obstructions. This paper would identify the potential of restaurant tax for local own revenues and the problems relating to the collection of restaurant tax in Bandung City. The result of this research is expected to be useful for determining the strategy for enhancing the restaurant tax of Bandung City.

METHODS

This research used quantitative descriptive and the qualitative method. The quantitative descriptive method was used for calculating the potential of restaurant tax, while the qualitative method with a case study approach was used for explaining the problems in managing restaurant tax. The data used in this research were collected from multiple sources, such as interviews, observations, documents of financial data of the City Government of Bandung. The data were analyzed through a description of the case and themes of the case as well as cross-case themes in order to understand the potential and the problem relating to restaurant tax in Bandung City.

RESULTS AND DISCUSSION

The management of local tax in Bandung City is conducted by the Department of Management of Local Revenues (BPPD). BPPD manages 9 tax sectors, namely Hotel Tax, Restaurant Tax, Entertainment Tax, Parking Tax, Excise on Acquisition of Right on Land and Building (BPHTB), Street Lighting Tax, Advertising Tax, Ground Water Tax, and Land and Building Tax. These 9 types of local taxes can be grouped into two collecting systems, namely self-assessment system (for Hotel Tax, Restaurant Tax, Entertainment Tax, Parking Tax, Excise on Acquisition of Right on Land and Building (BPHTB), Street Lighting Tax) and official assessment system (for Advertising Tax, Ground Water Tax, and Land and Building Tax). These local taxes have given a lot of contribution to local own revenues of Bandung City, which can be proven by the improvement in the development, both facilities, and infrastructures for the wealth of the public of Bandung City.

The Potential of Restaurant Tax of Bandung City

In general, local own revenues of Bandung City during the last 3 years (2014-2016) have given a contribution of 38.14%.
Among the existing types of local own revenues, Restaurant Tax has given the contribution of 12.19% on average to local revenues during the last three years. Although it is not the local tax that gives the biggest contribution to local own revenues, Restaurant Tax has grown and developed in the last few years. Besides that, the culinary sector is potential for developing tourism.

In 2015 the revenue of restaurant tax was Rp181,868,358,705, exceeding the stipulated target of Rp170,000,000,000 or in other words the performance achievement was 102.89%. Restaurant tax consists of restaurant sub-tax and catering sub-tax, in which the largest revenues of restaurant tax was contributed by restaurant sub-tax (94%) and catering (6%). When viewed from the revenues per month, the largest revenues of restaurant tax was obtained in December, amounting 19 billion. It was possibly related to between the high occupancy of hotels in Bandung City during the end of the year, followed by the high revenues of restaurant tax in December. Besides that, December coincides with Christmas and New Year Holiday so that many people want to dine out. This trend appears in the annual revenues which show the same trend, the peak of the revenues is in December (LAKIP 2014-2016).

Problems on Taxable Subjects of Restaurant

During the last 2 years, the realization of the revenues of restaurant tax has exceeded the stipulated target. It indicates that the potential of restaurant tax can be optimized. However, the optimization of the collection of restaurant tax faces some obstacles, among others: the first, the mechanism of tax collection is on the basis of self-assessment which entrusts taxable subjects with the calculation, remittance, and report on the amount of owed taxes based on the provisions of tax legislation\(^7\). Self-assessment system aims to promote public awareness in paying taxes. The system also enables misconduct by taxable subjects not to report their real tax obligations. It also occurs in restaurant tax. Based on the findings of the Extensification and Intensification Team (2016), there were restaurants that did not pay tax according to the real potential tax.

To ensure that the self-assessment system has been conducted properly, it needs supervision (law enforcement) in its implementation. The role of the supervisor is played by the tax authorities in the form of examination (tax audit) in order to examine the obedience of taxable subjects in performing their tax obligations, and then tax investigation, and the last in the form of tax collection.

In practice, the self-assessment system faces some obstructions, among other things: First, the trust given by the government to the public to calculate, remit, and report their own taxes is still in doubt, hence it causes tax evasion because only the taxable subjects themselves know the correctness of the Letter of Notification on Local Taxes (SPTPD) they have reported.

Second, some taxable subjects still have difficulties in calculating owed taxes because in the law it is not stated in detail how to calculate owed taxes for some business types, hence some companies eventually make a mistake in calculating their owed taxes. Third, the obstruction is also faced by the tax authorities in the form of limited access to the data on taxable subjects hence it is difficult to detect the correctness of SPTPD reported by taxable subjects. It makes the supervision
cannot be conducted optimally. (Saravani et al., 2017)

In order to resolve the obstacle in the self-assessment system, thus far, the local government has formed a task force (which comprises some elements of the organization of local apparatus) to extend and intensify local taxes, in which one of its tasks is to examine the fairness of the report of taxable subjects of restaurant tax. The teams findings stated that some taxable subjects of restaurant tax paid the amount below the real potential. The teams findings were then followed up by the Control Unit of BPPD by taking action in the form of sending a dunning letter (to settle the tax receivables), attaching warning media, and publishing the activities of tax collection in the mass media. The Head of Restaurant Tax Subsection of BPPD considered this method is effective because many taxable subjects immediately paid their owed taxes after the news had been published.

The second problem related to restaurant tax is the much amount of potential loss. Based on the regulation, taxable subjects include restaurant and catering businesses, but thus far many restaurant businesses have not yet been listed as taxable subjects (Figure 3). The Restaurant Tax Section of BPPD has not yet strictly imposed the regulation on taxes on the catering business considering that many owners catering businesses. Unlike the restaurant, the catering service is a service that serves foods ordered for an event, in which (in most cases) the payment is charged to the people who order the food, not each individual who consume it in the event. The amount of ordered food will correlate with owed taxes; the more the food is ordered, the more the amount of owed taxes is. Considering that matter, usually, consumers who order a large amount of foods have objections to paying additional restaurant tax (10% of the purchasing price). It is the reason for the refusal to restaurant tax. In the future, the government needs to regulate the formulation of tariff by considering the willingness to pay and ability to pay in order that restaurant tax from the business catering can be collected effectively. At
the moment, the revenue of restaurant tax from the catering business is imposed only on the catering service ordered by the City Government of Bandung.

The potential loss is also because culinary industries are growing fast in Bandung City. This condition has an impact like two sides of the same coin. On one side, the growth of culinary industries has caused many new restaurant and catering industries have not yet been recorded as taxable subjects. Hence, BPPD must enhance its socialization campaigns for local taxes, in order that new business owners are willing to become taxable subjects. On the other side, the growth of culinary industries has also made many culinary businesses go bankrupt because they are not able to compete. Therefore, the revenue of the restaurant tax is unpredictable. To relieve this condition, the local government must be able to protect culinary industries in Bandung City so that not many business owners will go bankrupt. This policy certainly will avoid fluctuating revenues of the restaurant tax. One of the strategies is by improving tourist promotion with an effective quality of promotion, by making use of the policy of regional autonomy, by using information technology in conducting and controlling the collection of hotel and restaurant taxes, and by enhancing the participation of taxable subjects. (Jenaabadi and Khosropour, 2014; Mardiasmo, 2004)

The third problem of potential loss relates to the payment system conducted by taxable subjects of restaurant tax to consumers. The basis of imposition of restaurant tax depends on the amount of foods and/or beverages purchased by consumers. (Baroughi and Zarei, 2013; Khairunnisa, 2011) If the transaction is conducted through automation, there will be the purchasing record hence the imposition of restaurant tax will be more objective. Moreover, consumers will be more well-informed on the tariff of the restaurant tax because it is stated in the receipt. However, there are some types of culinary businesses which still use a manual transaction system hence the amount of purchases is not well recorded. This condition enables the occurrence of bias in determining the basis of imposition of restaurant tax. Taxable subjects usually will calculate the basis of imposition of tax by estimating the turnover per month after it is multiplied by the tariff of the restaurant tax of 10%. In the future, the local government needs to encourage the owners of restaurant businesses to conduct the payment transaction through automation in order to guarantee transparency and accountability in the tax payment.

CONCLUSION

As one of the destinations of culinary tourism, restaurant tax of Bandung City is one of local taxes potential for giving a contribution to Local Own Revenues of Bandung City, which is of 12.9% during the last three years. The other data shows that the realization of restaurant tax in the last two years (2015–2016) has exceeded the target. It indicates that the potential of restaurant tax can be optimized. However, there are some obstructions in collecting restaurant tax, among other things, some restaurants do not pay taxes according to the correct potential tax and some owners of restaurants (including catering) who have not yet been recorded as taxable subjects. It is also affected by the self-assessment tax collection system. In the future, BPPD must improve law enforcement, tax audit, and tax collection in order to enhance the revenues of local taxes from the restaurant sector.

REFERENCES


