Strategy to Increase Local Original Income of Tanah Laut Regency: Review of Administrative and Legal Aspects of Business

Hairudinor[1], Abdul Halim Barkatullah[2], Imam Syafa'i[3]
[1,2] Universitas Lambung Mangkurat
[3] Universitas Islam Kalimantan Muhammad Arsyad Al Banjari
Corresponding Author: hairudinor@ulm.ac.id

ABSTRACT

This study analyzes strategies to increase Local Revenue (PAD) in Tanah Laut Regency, South Kalimantan, with a focus on the administrative and legal aspects of business. Using descriptive qualitative methods and secondary data analysis for the 2019-2023 period, this study identifies the main challenges in optimizing PAD and formulates strategies to increase it. The results of the study show that although there was an increase in PAD with a CAGR of 5.6%, its contribution to total regional revenue is still relatively low (average 10.65%). The main recommended strategies include: (1) implementation of a GIS system for mapping tax potential, (2) development of an integrated e-tax system, (3) increasing the capacity of tax human resources, (4) harmonization of Regional Regulations with Law No. 1/2022, and (5) strengthening tax law enforcement. The implementation of this strategy is projected to increase PAD by 25-30% in the medium term (3-5 years).

Keywords: Regional Original Income, Regional Taxes, Regional Retributions, Administration Taxation, Business Law, Tanah Laut Regency.

1. INTRODUCTION

The implementation of regional autonomy in Indonesia has undergone significant changes, giving greater freedom to local governments in managing resources and finances. However, many regions are still struggling with the problem of maximizing their Regional Original Income (PAD). One real example of this phenomenon is Tanah Laut Regency, located in South Kalimantan Province.

Tanah Laut Regency is a region that has diverse economic potential. With an area of 3,841.37 km² and a population of 364,117 people based on 2023 data, this area offers various leading sectors ranging from agriculture, mining, to the tourism industry. However, ironically, the contribution of PAD to total regional income is still relatively minimal, only around 9% to 10% per year in the period 2019 to 2023.

Based on these conditions, a comprehensive study was initiated with several main objectives. First, this study seeks to examine in depth the development and composition of PAD in Tanah Laut Regency during the last five-year period, namely from 2019 to 2023. Furthermore, this study also aims to uncover various factors that play a role in optimizing PAD revenue, especially from the perspective of administration and business law aspects. Finally, this study is expected to produce a strategy formulation that is not only applicable, but also measurable in an effort to increase PAD in the region.

2. LITERATURE REVIEW

2.1 Concept of Local Original Income

Local Original Income (PAD) has a legal definition stated in Law Number 33 of 2004. According to the regulation, PAD is defined as income collected by a region based on regulations set at the local level. This income does not come from a single source, but

consists of several components. First, there is a contribution from taxes collected at the regional level. Second, local governments also rely on levies as one source of income. The third component comes from regional asset management which is managed separately. Finally, there is a category of "other legitimate PAD" which includes various other sources of income that are legally recognized.

In this context, [1] highlighted the importance of a balanced approach in efforts to optimize PAD. He emphasized that increasing regional income should not be done carelessly, but must consider several key factors. First, the aspect of justice must be a top priority, ensuring that the financial burden does not fall disproportionately on certain groups. Second, PAD policies must be realistic and in accordance with the economic capacity of the local community. No less importantly, Mardiasmo warned that efforts to increase PAD should not result in the creation of a high-cost economy that could actually be counterproductive to regional development as a whole.

2.2 Regional Tax Administration

The taxation system at the regional level involves a series of complex administrative stages. This process begins with the initial stage of registering individuals or business entities that have an obligation to pay tax. Furthermore, the amount of tax to be paid is determined, followed by a systematic collection mechanism. This entire process ends with strict supervision to ensure taxpayer compliance. In an effort to improve the effectiveness of this system, [2] proposed a concept of tax administration reform based on four main pillars. First, there needs to be a restructuring of the organizational structure to optimize the function and role of each element. Second, organizational procedures need to be redesigned to be more efficient and responsive. Third, organizational strategies must be carefully formulated to face contemporary challenges. Finally, organizational culture needs to be transformed to support these changes.

In line with technological developments, the implementation of e-government in the taxation sector has shown a significant positive impact. [3] emphasized that the implementation of electronic systems such as e-tax and e-billing has been proven to increase efficiency and effectiveness in the tax collection process. This digital innovation not only accelerates the administrative process but also increases data accuracy and transparency of the taxation system as a whole. Thus, the use of information technology in regional tax administration is a strategic step in efforts to optimize Regional Original Income in this digital era.

2.3 Legal Aspects of Business in Regional Taxation

The regulatory landscape of taxation at the regional level in Indonesia has undergone a fairly fundamental transformation. The main catalyst for this change was the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments. This new regulation brings a breath of fresh air to regional governments by providing more freedom of movement in managing local revenue sources, especially in terms of taxes and levies. One of the innovations introduced is the opsen system, which allows regions to apply additional levies on top of existing tax rates.

However, [4] reminded that this broader authority needs to be balanced with a careful and strategic approach. He emphasized the urgency to create harmony between regulations made at the regional level and the national regulatory framework. This harmonization is considered crucial to achieve two goals that are often considered contradictory: creating an attractive and conducive investment climate on the one hand, while optimizing regional revenues on the other. In other words, the challenge for local governments is to find the right balance between attracting investors and maximizing revenue, without creating an excessive burden that can be counterproductive to local economic growth.

3 METHODS

This study adopts a descriptive qualitative approach with a single case study method, focusing on the Tanah Laut Regency Government as the unit of analysis. This study was conducted in Tanah Laut Regency, South Kalimantan, during the period from January to June 2024. In an effort to obtain comprehensive data, this study relies on a combination of primary and secondary data sources. Primary data was obtained through in-depth interviews with relevant officials and selected taxpayers, while secondary data includes various official documents such as financial reports, performance reports, regional regulations, and statistical data of Tanah Laut Regency from 2019 to 2023.

The data collection process involved three main techniques: in-depth interviews, documentation studies, and field observations. To analyze the collected data, the research team applied an interactive model developed by [5]. This model consists of three stages: data condensation, data presentation, and conclusion drawing. To ensure the validity of the research findings, several validation methods were applied, including triangulation, member checking, peer debriefing, and audit trail.

With this structured research design, the study aims to produce a deep understanding of the strategy for increasing the Local Original Income (PAD) of Tanah Laut Regency. The holistic approach taken, by considering the administrative and legal aspects of the business, is expected to produce recommendations that are not only financially effective, but also administratively feasible and in line with the applicable legal framework

4. RESULTS AND DISCUSSION

4.1 Analysis of PAD Development in Tanah Laut Regency

Table 1. Realization of PAD Tanah Laut Regency 2019-2023 (in billion Rupiah)

Tahun	Pajak Daerah	Retribusi Daerah	Hasil Pengelolaan Kekayaan D
2019	46.69	9.29	4.88
2020	44.58	7.52	7.44
2021	43.64	5.74	9.84
2022	45.36	6.97	11.01
2023	52.66	7.65	12.01

Local Original Revenue (PAD) has shown a positive growth trend in recent years. From 2019 to 2023, PAD experienced a significant increase, growing from IDR 169.89 billion to IDR 211.29 billion, with a Compound Annual Growth Rate (CAGR) of 5.6%. However, PAD's contribution to total regional revenue showed interesting fluctuations. The peak of PAD's contribution was recorded

in 2021, reaching 14.49% of total regional revenue. However, this figure decreased in 2023, returning to 9.37%.

　　　The main sources of PAD that significantly contributed to this growth were regional taxes and other legitimate PAD categories. Regional taxes, as one of the largest components, play a crucial role in increasing regional fiscal independence. On the other hand, regional levies showed a downward trend, indicating challenges in managing and optimizing this source of revenue.

　　　This phenomenon reflects the complex dynamics in regional financial management, where local governments continue to strive to increase PAD to support the implementation of effective regional autonomy. Although there are fluctuations in its contribution to total regional income, the increase in nominal PAD indicates a great potential for the development of regional income sources in the future.

4.2 PAD Component Analysis
1. Regional Taxes

Table 2. Realization of Regional Taxes in Tanah Laut Regency 2023 (in billion Rupiah)

Jenis Pajak	Realisasi 2023	% thd Total Pajak Daerah
Pajak Penerangan Jalan	26.37	50.08%
BPHTB	8.98	17.05%
PBB-P2	5.86	11.13%
Pajak Restoran	6.78	12.88%
Lainnya	4.67	8.86%
Total	52.66	100%

　　　In the structure of regional tax revenue, Street Lighting Tax (PPJ) emerged as the main contributor with a very significant portion, reaching 50.08% of total regional tax revenue. The dominance of PPJ reflects its important role in supporting Regional Original Income (PAD). A similar phenomenon was also observed in several other districts such as Bantul, Kendal, Klaten, and Magelang, where PPJ consistently became the largest contributor to regional tax revenue.

　　　Although PPJ provides a large contribution, the analysis shows that there is potential that has not been optimally explored from other types of regional taxes. Hotel Tax, Entertainment Tax, and Parking Tax still show relatively small contributions, each below 1% of total regional tax revenue. This low contribution indicates that there is ample room for increasing and optimizing revenue from these sectors.

　　　This condition highlights the need for a more effective strategy in managing and collecting regional taxes, especially for types of taxes that still have low contributions. Efforts to improve can be done through various approaches, such as improving the tax administration system, increasing taxpayer awareness, and developing economic potential in the hotel, entertainment, and parking sectors. By optimizing tax sources that still have great potential, it is hoped that it can increase regional fiscal independence and reduce dependence on one dominant type of tax such as PPJ.

2.　**Regional Retribution**

Table 3. Realization of Regional Retribution of Tanah Laut Regency 2023 (in billion Rupiah)

Jenis Retribusi	Realisasi 2023	% thd Total Retribusi Daerah
Retribusi Jasa Umum	3.12	40.78%
Retribusi Jasa Usaha	2.89	37.78%
Retribusi Perizinan Tertentu	1.64	21.44%
Total	7.65	100%

In the structure of regional retribution revenue, General Service Retribution appears as the main contributor, with dominant roles from two key sectors: health service retribution and waste retribution. This dominance reflects the importance of basic services provided by local governments for the interests and general benefits of the community. The significant contribution from the health and waste sectors shows the high demand and needs of the community for these essential services.

Meanwhile, Certain Licensing Retributions experienced a significant downward trend. This phenomenon is largely due to the implementation of the ease of doing business policy implemented by the government. This policy aims to simplify the licensing process and reduce bureaucratic obstacles for business actors, which in turn has an impact on decreasing revenue from licensing levies. Although this decline may be seen as a challenge from the regional revenue side, it actually reflects the government's efforts to encourage economic growth and investment by simplifying licensing procedures.

This dynamic illustrates the complexity of managing regional levies, where local governments must balance between optimizing revenue and creating a conducive business climate. In the future, innovative strategies are needed to optimize revenue from General Service Levy, while still supporting ease of doing business policies that can stimulate long-term economic growth.

4.3 PAD Increase Strategy from Administrative Aspect

Taxpayer Database Update is a crucial first step. Implementation of Geographic Information System (GIS) for mapping tax potential, especially Rural and Urban Land and Building Tax (PBB-P2) and Land and Building Acquisition Fee (BPHTB), is expected to improve the accuracy and completeness of taxpayer data. This system allows digital mapping of tax objects, which will facilitate the identification and management of regional tax potential. With a target of increasing the PBB-P2 tax base by 15% in 2 years, this strategy is expected to significantly expand the regional tax revenue base.

The second step is the Implementation of the Integrated E-Tax System. The development of e-tax applications that include e-registration, e-filing, e-billing, and e-reporting aims to modernize the regional taxation system. This system will make it easier for taxpayers to report and pay taxes, as well as increase the efficiency of tax administration. With a target of 80% of regional tax transactions through electronic systems in 3 years, this initiative is expected to improve tax compliance and accelerate the realization of regional tax revenues.

The third strategy focuses on Increasing the Capacity of Tax HR. The competency certification program for regional tax officers aims to improve professionalism and technical skills in regional tax management. With a target of 100% certified tax officers in 5 years, this strategy is expected to improve the quality of tax services and the effectiveness of exploring tax potential.

The implementation of these three strategies in an integrated manner is expected to optimize PAD revenue, improve taxpayer compliance, and strengthen regional tax governance. Through this comprehensive approach, regional governments are committed to increasing fiscal independence and supporting sustainable regional development.

4.4 PAD Increase Strategy from Business Law Aspect

Harmonization of Regional Regulations is a crucial initial step. The revision of Regional Regulations (Perda) on Taxes and Levies will be carried out in accordance with Law No. 1 of 2022, including the implementation of the opt-in system. This opt-in system allows districts/cities to impose additional levies on certain tax bases, such as Motor Vehicle Tax (PKB) and Motor Vehicle Transfer Fee (BBNKB). With the target of completing the revision and preparation of the Perda within 1 year, this strategy is expected to strengthen the legal basis and increase the effectiveness of regional tax and levy collection.

The second step is Strengthening Tax Law Enforcement. The formation of a cross-agency regional tax justice team aims to improve taxpayer compliance and optimize regional tax revenues. This team will play a role in supervising, examining, and enforcing sanctions against non-compliant taxpayers. With a target of increasing taxpayer compliance by 15% in 2 years, this initiative is expected to significantly increase the realization of regional tax revenues.

The third strategy focuses on Developing Tax Incentives to Encourage Investment. The preparation of Regional Regulations on Regional Tax Incentives for priority sectors aims to create a more attractive investment climate. These incentives can be in the form of tax reductions, relief, or exemptions for certain sectors that are considered strategic for regional development. With a target of increasing regional investment by 20% in 5 years, this strategy is expected to encourage regional economic growth while increasing the tax base in the long term.

The implementation of these three strategies in an integrated manner is expected to optimize PAD revenue, improve taxpayer compliance, and encourage investment growth. Through this comprehensive approach, local governments are committed to increasing fiscal independence and supporting sustainable regional development, while still paying attention to ease of doing business and improving public services.

CONCLUSION

Tanah Laut Regency's Local Revenue (PAD) showed a positive trend with a compound annual growth of 5.6% during the 2019-2023 period. However, its contribution to total regional revenue is still relatively low, averaging only 10.65%, indicating a high dependence on transfer funds from the central government. Regional taxes, especially Street Lighting Tax, are the main contributors to PAD, but dependence on one type of tax indicates the urgency of diversifying tax sources. Meanwhile, the regional retribution sector has decreased, indicating the need for revitalization.

To overcome these challenges and increase PAD, several comprehensive strategies are recommended. First, the implementation of an integrated GIS-based tax information system needs to be prioritized to build an accurate taxpayer database. Second, focus on developing the tourism and MSME sectors as potential sources of increasing hotel, entertainment, and restaurant taxes, which currently still have low contributions. This strategy can include the preparation of tax incentive regulations, development of supporting tourism infrastructure, and providing training and mentoring for MSME actors.

Revitalization of the regional retribution sector is also a priority through improving the quality of public services and implementing technology in retribution collection. The formation of a special task force to accelerate the harmonization of regional regulations with Law No. 1/2022 is expected to complete this process within 1 year. Intensive tax education and socialization programs need to be developed to increase taxpayer awareness and compliance, especially in the MSME sector.

Initiating cooperation with universities and research institutions to develop more accurate tax potential projection models will help in better fiscal planning. Implementing a strict reward and punishment system for tax and levy collectors is expected to improve performance and integrity.

Establishing a regular consultation forum with business associations and investors is also important to design an effective tax incentive scheme to encourage investment.

Increasing the capacity of regional tax human resources through competency certification programs and ongoing training will strengthen the ability of officers to identify and explore regional tax potential. Harmonization of regional regulations with Law No. 1/2022, including the implementation of the opsen system, is expected to optimize revenue from provincial taxes such as PKB and BBNKB.

With the implementation of these strategies comprehensively and continuously, Tanah Laut Regency is expected to significantly increase PAD, reduce dependence on transfer funds, and strengthen regional fiscal independence. These efforts will not only increase regional financial capacity, but also encourage economic growth, increase investment competitiveness, and ultimately contribute to improving the welfare of society as a whole.

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