

## THE OTHER SIDE OF THE ADVERTISING TAX (Study Case in District Demak)

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Received: 10 October 2022; Revised: 11 October 2022; Published: 09 November 2022

### ABSTRACT

*The purpose of the research is to optimize the contribution of billboard tax as a source of local funds and minimize the potential for lost billboard tax (EOL) in Demak Regency. This type of research is an explanatory study that aims to find an explanation of the phenomenon of not optimal Advertising Tax as a Source of Regional funds. The object of this research is The Billboard Tax in Demak Regency. The sub-districts selected as research samples are potential sub-districts for billboards in the sense of easy access from various corners, crowded centers and or city centers including (1) Demak kecamatan, (2) Guntur subdistrict, (3) Karangawen subdistrict, and (4) Mranggen subdistrict. These four subdistricts are used as analysis bases to then be generalized as a representation of Demak Regency. The data source is obtained by documentary studies, interviews with relevant officials, as well as field surveys. Data analysis is conducted with the following stages (1) calculation of potential tax receipts, (2) calculating the effectiveness of billboard tax management, 3 analysis of the causes of high low EOL and (4) formulation of policies for the optimization of billboard tax. From the results of the analysis will be formulated the right strategy to minimize EOL. The results showed that the contribution of billboard tax as a source of regional funds is still very small and not yet optimum. This happens because of the high tax on EOL (expected opportunity lost) and the number of wild billboards. The high EOL and wild billboards are due to the relatively weak governance (weak information system, coordination and supervision) and the motivation of the work of officers that has not been optimal. To optimize the potential of tax receipts need to be carried out the development of governance based on integrated information systems. To minimize EOL, a policy of strengthening the governance of The Billboard Tax is necessary: (a) establishing an integrative information system for the management of billboard taxes, (b) reorganization of the billboard tax management organization. (c) improve work rules, (d) improve more effective mechanisms of action, and (e) develop the professionalism of the officers involved.*

**Key Words:** taxes, levies, EOL

### INTRODUCTION

Improving welfare in a fair and equitable manner is the main goal of development in Indonesia, both at the central and regional levels. To achieve the goals set, the government seeks to find a model of government that is able to accommodate these interests. From the efforts that have been made, the concept of Regional Autonomy emerged. The concept of Regional Autonomy emerged in 2004, on the basis of the assumption that Law No. 22/1999 on Regional Government was deemed no longer appropriate with the development of the state and state administration.

Regional autonomy in Indonesia is defined as the granting of the rights, powers, and obligations of autonomous regions to regulate and manage their own government affairs and the interests of the local community, in accordance with statutory regulations. The implementation of regional autonomy is an important focal point in order to improve people's welfare. Through autonomy the development of a region can be adjusted to the potential and uniqueness of each region. Regional autonomy is enforced in Indonesia through Law Number 32 of 2004 concerning Regional Government (State Gazette of the Republic of Indonesia of 2004 Number 125, Supplement to the State Gazette of the Republic of Indonesia Number 4437). Furthermore, Law Number 32 of 2004 concerning Regional Government has been amended several times, most recently with Law Number 12 of 2008 concerning the Second Amendment to Law Number 32 of 2004 concerning Regional Government (State Gazette of the Republic of Indonesia Year 2008 Number 59, Supplement to the State Gazette of

the Republic of Indonesia Number 4844.

The implementation of autonomy is a very good opportunity for local governments to prove their ability to carry out the authority that is the right of the region. The progress or failure of an area is largely determined by the ability and willingness of the local government to implement it. The local government is free to be creative in developing the region, including the funding as long as it is in accordance with the provisions of the applicable legislation. Differences in capabilities between one region and another give rise to different problems faced between these regions. For regions that are economically capable, funding is not the main problem, but for regions that are economically less capable, funding is a major problem in regional development. The problem that needs to be solved is how to optimize the available sources of funds, especially Regional Original Income (PAD).

PAD is all revenues obtained by the region from sources within its own territory which are collected based on regional regulations in accordance with applicable laws and regulations. PAD is an important source of financing for local government administration. PAD is an indicator of the success of regional autonomy. The higher the contribution of PAD as a source of regional funds reflects the higher the regional independence in administering the government. Regions that are economically strong will respond positively through the issuance of local government policies according to their authority, on the contrary, regions with low economic potential will face many difficulties. Based on these conditions, efforts are needed to optimize the contribution of PAD in funding regional work programs. It is hoped that through this program regional independence will increase and reduce dependence on the central government. The same should be carried out by the Demak Regency. In the last 7 years (2012 – 2018) the amount of budget used by the Regional Government of Demak Regency to carry out its duties has fluctuated.

The budget moves between 1.209 and 1.975 trillion, with an annual average of 1.682 trillion rupiah. The majority of these funds come from the General Allocation Fund (DAU) and the Special Allocation Fund (DAK). The two funds are allocations from the State Revenue and Expenditure Budget (APBN) to provinces/districts/municipalities. The DAU is allocated for personnel and infrastructure expenditures, while the DAK is intended to fund special activities which are the affairs of the Regional Government and in accordance with national priorities. Meanwhile, the contribution of PAD in funding local government programs is still very small. In the last seven years, the contribution of PAD as a source of funds for the administration of the Demak Regency Regional Government is very small, averaging only 4.17 percent per year, with an average growth rate of 16.32 percent per year. The degree of independence of Demak Regency is far below the national average of regency/city independence. The degree of independence of districts/cities nationally is an average of 15.5 percent. Demak Regency's total funding is still very dependent on DAU and DAK, with a percentage greater than the national average of 66.8 percent (summary of the 2018 national APBD). Such conditions have an impact on low capital expenditures which can hamper regional economic growth. Demak Regency's capital expenditure is relatively small, only 27.45 percent on average, while 71.91 percent of regional expenditure is used for operational costs in the form of payment of employee salaries. Low capital expenditure or investment can have an impact on low regional economic growth.

Regional data in Figures 2018 (processed data) The embodiment of administrative goals to be achieved through the implementation of regional autonomy is the division of government affairs between the center and the regions, including financial sources, as well as renewal of government bureaucratic management in the regions. Meanwhile, the economic goal to be achieved in the implementation of regional autonomy in Indonesia is the realization of an increase in the human development index as an indicator of improving the welfare of the Indonesian people. To achieve the goal of autonomy as mentioned above, the Regional Government of Demak Regency needs to improve development programs that lead to solving problems that have arisen so far. In order to improve regional development programs, the Regional Government needs to increase the capacity of internal funding sources to finance these programs, in particular increasing the capital expenditure budget.

Demak Regency's capital expenditure budget is relatively small (27 percent of the APBD).

Increasing internal funding sources can be done by optimizing PAD, by optimizing the revenue of each PAD component. One component of PAD is the Advertising Tax. Advertisement Tax until now its contribution as local revenue is relatively very small. The Demak Regency Advertisement Tax as a source of regional funds until 2018 had a very small contribution on average (only 1.34 percent). Meanwhile, its contribution to regional spending is only 0.10-7 percent. For this reason, efforts are needed to optimize the contribution of the advertisement tax as a source of regional income. Creation this aims to optimize the contribution of Advertising Tax as a source of regional funds in the administration of the Demak Regency regional government. For realize Thing this so need to know the potential of the Demak Regency advertisement tax , knowing the magnitude of the potential lost advertisement tax , knowing the advertising tax management system in Demak Regency , knowing the strengths, weaknesses, opportunities and threats in the management of advertisement taxes in Demak Regency as well as Minimize the potential for lost advertising taxes.

### **Local government**

Regional Government is the administration of government affairs by the regional government and regional people's representative councils according to the principle of autonomy and co-administration with the principle of autonomy as wide as possible within the system and principles of the Unitary State of the Republic of Indonesia. Regional Government is the head of the region as an element of the regional government that leads the implementation of government affairs which are the authority of the autonomous region. Regional Autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own Government Affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia. Based on Law Number 23 of 2014 Regional Government is the head of the region as an element of the implementation of the Regional Government who leads the implementation of regional government affairs which are the authority of the autonomous region. The main functions of the Regional Government are:

- a. Regulate and manage government affairs on their own based on the principle of autonomy and co-administration.
- b. Carry out the widest possible autonomy, with the exception of government affairs which are the affairs of the central government and aim to improve public welfare, public service and regional competitiveness.
- c. Carrying out government affairs has a relationship between the central government and local government. Where the relationship consists of authority, finance, public services, utilization of natural resources, and other resources

Principles of the Implementation of Regional Government The implementation of government affairs, especially regional government, is closely related to several principles in the government of a country, namely as follows:

- a. Decentralization is the handover of Government Affairs by the Central Government to autonomous regions based on the Autonomy Principle. The Principle of Autonomy is the basic principle of implementing Regional Government based on Regional Autonomy
- b. Deconcentration is the delegation of part of the Government Affairs which are the authority of the Central Government to the governor as the representative of the Central Government, to vertical agencies in certain areas, and/or to the governor and regent/mayor in charge of general government affairs.
- c. Co-Administration is an assignment from the Central Government to an autonomous region to carry out part of the Government Affairs under the authority of the Central Government or from the Provincial Government to a district/city Region to carry out part of the Government Affairs under the authority of the provincial Region.

## Regional Original Income (PAD)

PAD is income earned by the Region which is collected based on Regional Regulations in accordance with statutory regulations. PAD aims to give authority to Regional Governments to fund the implementation of regional autonomy in accordance with the potential of the Regions as the embodiment of Decentralization. PAD is sourced from:

- a. Regional Tax Regional Tax is a mandatory contribution to the Region that is owed by an individual or entity that is coercive in nature based on the Law, without receiving direct compensation and is used for the purposes of the Region for the greatest prosperity of the people.
- b. Regional Levies Regional levies are regional levies as payment for services or the granting of certain permits specifically provided and/or granted by the Regional Government for the benefit of individuals or entities.
- c. The results of the management of regional assets that are separated.
- d. Other valid PAD includes:
  - 1) Unseparated proceeds from the sale of regional assets;
  - 2) Current account services;
  - 3) Interest income;
  - 4) Gain on the difference in the exchange rate of the rupiah against foreign currencies;
  - 5) Commissions, discounts, or other forms as a result of the sale and/or procurement of goods and/or services by the Region.

## Balancing Fund

Balancing Funds are funds sourced from APBN revenues allocated to regions to fund regional needs in the context of implementing Decentralization. The Balancing Fund aims to reduce the fiscal gap between the Government and Regional Governments and between Regional Governments. The Balancing Fund consists of:

### a. Profit Sharing Fund

Revenue Sharing Funds are funds sourced from APBN revenues that are allocated to regions based on percentage figures to fund regional needs in the context of implementing Decentralization. Profit Sharing Fund consists of: (1). Revenue Sharing Funds are sourced from taxes a) Land and Building Tax (PBB); b) Land and Building Rights Acquisition Fee (BPHTB); and c) Income Tax (PPH) Article 25 and Article 29 for Domestic Individual Taxpayers and Income Tax Article 21. (2). Revenue Sharing Funds are sourced from natural resources a) forestry; b) general mining; c) fisheries; d) petroleum mining; e) natural gas mining; and f) geothermal mining.

### b. General Allocation Fund

General Allocation Funds (DAU) are funds sourced from APBN revenues allocated with the aim of equitable distribution of financial capacity among regions to fund regional needs in the context of implementing Decentralization. The total amount of DAU is determined to be at least 26% of the Net Domestic Revenue specified in the APBN. DAU for a region is allocated on the basis of the fiscal gap and basic allocation. Fiscal gap is the fiscal need minus the fiscal capacity of the Region. Regional fiscal needs are regional funding needs to carry out general basic service functions. Each of these funding needs is measured successively by population, area, Construction Cost Index, Gross Regional Domestic Product per capita, and Human Development Index. 13 Regional fiscal capacity is a source of regional funding originating from PAD and Revenue Sharing Funds. While the basic allocation is calculated based on the

salary of Regional Civil Servants.

c. Special Allocation Fund.

Special Allocation Funds (DAK) are funds sourced from APBN revenues allocated to certain regions with the aim of helping to fund special activities that are regional affairs and in accordance with national priorities. DAK is allocated to certain regions to fund special activities that are regional affairs. These special activities are in accordance with the functions that have been determined in the APBN. The government stipulates DAK criteria which include general criteria, special criteria, and technical criteria. . The general criteria are determined by taking into account the capacity of the Regional Finances in the APBD. Specific criteria are determined by taking into account the statutory regulations and regional characteristics. Meanwhile, the technical criteria are determined by the State ministries/technical departments. Regions receiving DAK are required to provide Matching Funds of at least 10% of the DAK allocation. The Companion Fund is budgeted in the APBD. However, Regions with a certain fiscal capacity are not required to provide Matching Funds.

### **Other Income.**

Revenue aims to provide opportunities for regions to obtain income other than income from PAD, Balancing Funds, and Loans. Others Revenues consist of grant income and Emergency Fund income. Grant income is non-binding assistance. Grants to regions originating from abroad are carried out through the Government. The grant is set forth in an agreement between the Regional Government and the grantor. Henceforth, the grant is used in accordance with the text of the agreement. The Government allocates Emergency Funds originating from the APBN for urgent needs caused by national disasters and/or extraordinary events that cannot be handled by the Regions using APBD sources. Circumstances that can be classified as national disasters and/or extraordinary events are determined by the President. In addition, the Government may allocate Emergency Funds to Regions that are declared to be experiencing a solvency crisis. The region is declared to be experiencing a solvency crisis based on the Government's evaluation in accordance with the laws and regulations. Furthermore, the Region is declared to be experiencing a solvency crisis, which is determined by the Government after consulting with the House of Representatives.

### **Financing**

Financing is any income that needs to be repaid and/or expenses that will be received back, either in the relevant fiscal year or in the following fiscal years. Financing as may be sourced from the remainder of the calculation of the Regional budget, receipts of Regional Loans, Regional Reserve Funds, and proceeds from the sale of separated Regional assets. Receipts of regional loans and regional reserve funds are discussed in detail as follows:

- a. Regional Loans Regional loans are all transactions that result in the Region receiving a sum of money or receiving money-valued benefits from other parties so that the Region is burdened with the obligation to repay. In this regard, the Government shall determine the maximum cumulative limit of Government and Regional Government loans by taking into account the conditions and forecasts of the development of the national economy. The maximum cumulative limit for the loan is not to exceed 60% of the Gross Domestic Product for the year concerned. The Minister of Finance sets the maximum cumulative limit for regional government loans as a whole no later than August for the following fiscal year. Regional Loans are sourced from: a. Government; b. Other Local Governments; c. bank financial institutions; d. non-bank financial institutions; e. Public. Regional Loans sourced from the Government are given through the Minister of Finance. While Regional Loans sourced from the community are in the form of Regional Bonds issued through the capital market.

- b. Regional Reserve Funds may establish Reserve Funds to fund needs that cannot be charged within one fiscal year as stipulated by a Regional Regulation. The Reserve Fund can be sourced from allowance for APBD revenues except from DAK, Regional Loans, and other revenues whose use is restricted to certain expenditures. The use of Reserve Funds in one fiscal year becomes the receipt of APBD financing in the relevant fiscal year.

The Reserve Fund is placed in a separate account in the Regional General Treasury Account. In the event that the said Reserve Fund has not been used in accordance with its designation, the said fund may be placed in a portfolio that provides fixed returns with low risk.

### **Local Government Governance**

Definition of Governance Governance was created with the intention of serving as a guideline in an effort to improve the quality of government services to the community and to provide guidance on the rights and responsibilities of each actor in organizational activities, both as a group and individually. In a performance-based organization management can only be done if the organization is implemented on the basis of the principles of Governance which ensures the implementation of good practices as follows: a. Organization and management, including organizational structure, work procedures, logical grouping of functions, availability and development of human resources, and cost efficiency. b. Accountability, including policies, mechanisms/procedures, media accountability, and periodization of accountability for programs, activities, and finances in order to achieve the goals that have been set. c. Transparency, by applying the principle of openness built on the basis of easy access to information for those in need. d. Responsibility, namely the conformity of the management of the institution to the applicable laws and regulations and the principles of a healthy organization. e. Fairness, namely justice and equality in fulfilling the rights of organizational stakeholders that arise based on agreements and applicable laws and regulations. f. Independence, namely the state of managing the organization without conflict of interest and influence/pressure from any party that is not in accordance with the interests of the organization and the laws and regulations.

Thinking Framework for Optimizing Advertising Tax as a Source of Funds for Demak Regency. The ultimate goal of this research is to increase the contribution of Advertising Tax as a Source of Regional Funds, with the aim of improving Governance. The steps to achieve these goals are as follows:

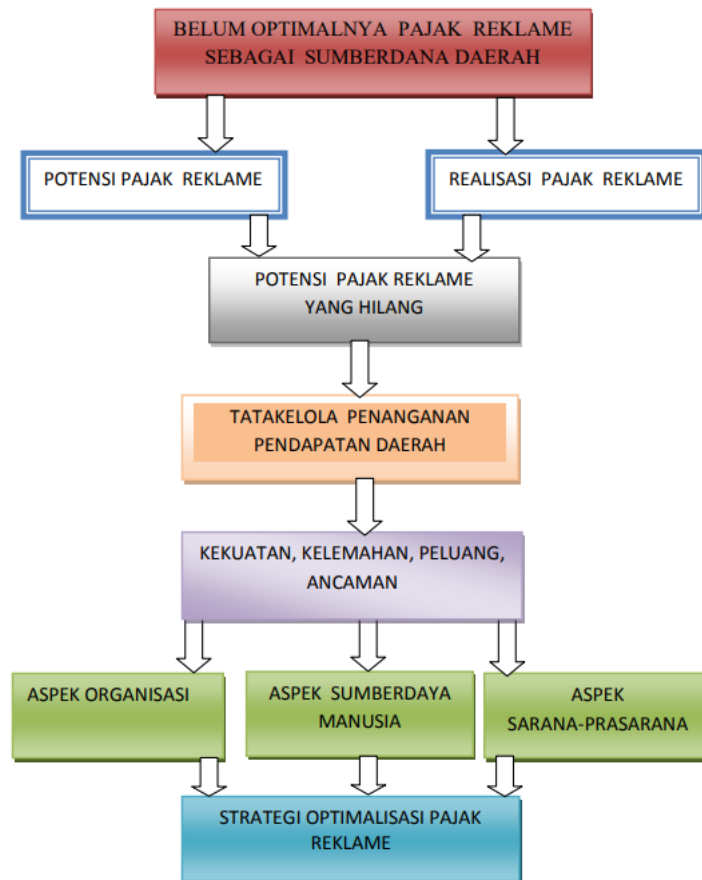


Figure 1. Thinking Framework for Optimizing Advertising Tax e

## METHODOLOGY

This type of research is explanatory research is a type of research that aims to find an explanation of why an event or symptom occurs. The final result of this study is a description of the causal relationship. This research is based on the phenomenon of the not yet optimal advertising tax as a source of regional funds. This study will solve this problem by providing an overview of the ineffectiveness by calculating how much potential is lost and then looking for the cause of the lost potential. By understanding the factors causing the potential loss of advertisement tax, it is the basis for policy formulation to optimize the advertisement tax as a source of regional funds.

The object of this research is the Advertising Tax of Demak Regency, which is one of the regencies in Central Java province with the capital city of Demak. This regency is bordered by the Java Sea in the west, Jepara Regency in the north, Kudus Regency in the east, Grobogan Regency in the southeast, and Semarang City and Semarang Regency in the west. This district consists of 14 districts with different characters.

Limited time and resources make it impossible to examine the problem of the non-optimal advertising tax as a source of regional funds in the entire Demak district (14 sub-districts). Based on these considerations, the research was carried out in only a few sub-districts as a sample. The sub-districts selected as samples are potential sub-districts for advertisements in the sense that they are easily accessible from various directions, the center of the crowd and or the city center. The results of the pre-survey there are 4 strategic sub-districts in Demak Regency, namely: Demak District, Guntur

District, Karangawen District, and Mranggen District. These four sub-districts are used as the basis of analysis and then generalized as representatives of Demak Regency.

The data needed in this study are: general description data of Demak Regency, Regional Revenue and Expenditure Budget data, advertisement tax realization data, Regional Tax Management data, potential Advertising Tax data. Sources of data used: BPS, BAPPEDA, BPKPAD, DITARU, DISHUB, Tourism Office, Licensing Office and other related OPDs. The data was obtained through documentary studies, interviews with related officials, and field surveys.

Data analysis was carried out in the following stages:

1. Calculation of Potential Advertising Tax Potential Advertising Tax is calculated based on the number of permits in one year and the survey results are multiplied by the stipulated rate. The number of applications for advertising permits reflects the number of interested parties (needs) to organize billboards in the Demak Regency area. The calculation steps are as follows: a. Determine the number of applications for advertisement permits for several years and the results of field surveys. b. Grouping Advertising requests based on their type. c. Grouping advertisement requests based on location (Rayon) d. Set the rate for each type of Advertisement. e. Multiplying the number of advertisement requests based on each type by the rate.

2. Calculating the Effectiveness of Advertising Tax Management The effectiveness of advertising tax management is measured by the level of Expected Opportunity Lost (EOL). EOL reflects the potential lost (unrealized) advertising tax calculated by the formula:

$$EOL = 1 - \frac{RL}{PT}$$

Information:

RL = Realization of Advertising Tax

PT = Potential Advertising Tax

The higher the EOL reflects the ineffectiveness of the Advertising Tax management, on the contrary, the lower EOL reflects the more effective management. This means that the higher the EOL, the higher the potential for lost (unrealized) Advertising Tax and vice versa.

Analysis of the Causes of High and Low EOL To analyze the causes of high/low EOL, it is done through an institutional approach, especially Advertising Tax Governance. The Governance approach is important because it is the main key to achieving the Advertising Tax Realization target or not. The better the Governance, the higher the realization of Advertising Tax, on the contrary, the worse the Governance, the higher the lost Advertising Tax.

## RESULTS AND ANALYSIS

### Overview of Demak Regency.

Demak Regency is one of the regencies in Central Java which is located at 6°43'26" - 7°09'43" South Latitude and 110°48'47" East Longitude and is located about 25 km east of Semarang City. Demak Regency has an area of ± 1,149.07 km<sup>2</sup>, which consists of a land area of ± 897.43 km<sup>2</sup>, and an ocean area of ± 252.34 km<sup>2</sup>. While the condition of the soil texture, Demak Regency consists of fine soil texture (silt) and medium soil texture (clay). The sub-districts are Demak, Wonosalam, Karangtengah, Bonang, Wedung, Mijen, Karanganyar, Gajah, Dempet, Guntur, Sayung, Mranggen, Karangawen and Kebonagung sub-districts, which are further divided into a number of 249 villages and sub-districts



consisting of 243 villages and 6 sub-districts. The sub-districts in Demak are: Bonang, Demak, Dempet, Gajah, Guntur, Karanganyar, Karangawen, Karangtengah, Kebonagung, Mijen, Mranggen, Sayung, Wedung and Wonosalam.

Population Based on Age. The population of Demak Regency is 1151796 people, consisting of 49 percent men and 51 percent women. 60.42 percent in productive age and 39.58 in unproductive age. Productive age are those aged 15 to 60 years who are already working. While the unproductive age are those who are in school, unemployed and those who are retired . The number of labor force in Demak Regency is relatively high, namely 70.71 percent of the working age population.

The processing industry sector in Demak basically has a large enough potential to be developed. Contribution to GRDP reached 29.63 percent (2016), the highest compared to other sectors, agriculture (24.28 percent), and trade (15.65 percent). In addition, the contribution of the medium-large manufacturing industry in Demak occupies the fourth position in Central Java, after Kudus, Semarang Regency, and Semarang City .

Gross Regional Domestic Product (GRDP) is the total value added of goods and services generated from all economic activities in all regions within a certain year period, generally within one year. GRDP is one that is used to measure the economic growth of a region. The higher GDP growth reflects the higher prosperity of a region. The largest sector contribution in forming the GRDP of Demak Regency when viewed from expenditure is Household Expenditure with an average contribution of 82 percent, followed by the Fixed capital formation sector with an average contribution of 25.21 percent. Meanwhile, export activities tend to be negative with an average of 7.21 percent. The GRDP growth of Demak Regency in the last 9 years is an average of 5.25

Economic Structure Demak Regency as one of the regencies in Central Java Province is an autonomous region that has considerable potential to be developed. In addition to the agricultural sector with abundant production of food crops and a wide expanse of sea as a producer of fishery production, the manufacturing sector has become one of the mainstay sectors that have been the driving force for the economy of Demak Regency in recent years. The current economic development carried out by the government of Demak Regency in various sectors in the form of physical and non-physical is certainly aimed at increasing economic growth which will then make the people of Demak more prosperous. When viewed from the economic structure of Demak Regency, Based on the results of the SE2016 listing, the number of businesses/companies in Demak Regency was recorded at 107.12 thousand businesses/companies. This figure increased by about 9.62 percent compared to the 2006 Economic Census, which was 97.72 thousand businesses/companies .

Efforts to increase local government revenues both at the provincial and district/city levels must be supported by various policies according to the situation and conditions of each region. As with other regions, Demak Regency as one of the autonomous regions in Central Java Province has enormous potential to grow and develop. In Table 1 , it can be seen that Demak Regency's PAD receipts from the 2015-2017 fiscal year are as follows : The contribution of local tax revenues to the total PAD revenue of Demak Regency is much greater than the results of separate regional wealth management

Table 1. Realization of Regional PAD Recipients of Demak Regency in 2015-2017 (000 Rupiah)

No	Jenis Penerimaan	2015		2016		2017	
		Realisasi	%	Realisasi	%	Realisasi	%
1	Pajak Daerah	78.490.400	108.22	90.281.109	111.15	128.974.164	119.97
2	Retribusi Daerah	17.805.827	94.63	18.564.132	91.63	21.053.351	96.32
3	Hasil Pengelolaan kekayaan daerah yang dipisahkan	10.055.105	100.28	12.602.885	100.00	15.195.097	99.98
4	Penerimaan Lain-lain	146.216.429	114.63	166.009.373	102.69	144.389.796	103.79
TOTAL PAD		252,567,761		287,457,499		309,612,408	

Sumber: Demak Dalam Angka 2016-2018

Regional Tax Contributions in 2015 experienced \_ enhancement as big as 8,225 . Then in 2016 the contribution of local taxes increased by 11.15% . Likewise, in 2017, local taxes continued to increase by 19.97%. Based on these data, it can be seen that there is an increase in the contribution of local taxes in each region year . In the realization of PAD, local taxes provide a good realization. This can be seen from the realization that the realization is always above 100%. On the other hand, if viewed from the portion of regional taxes, it is a type of revenue that has great potential to be managed and maximized. However, in its implementation, local taxes are still not fully absorbed. This is because the management and sense and obligations of taxpayers are still considered low.

#### Potential Advertising Tax as a Source of Regional Funds.

Potential Advertising Tax is the ability of a region or region to generate taxes on the implementation of Advertisements. While the advertisement comes from the Latin "Re" which means repeatedly, and "Clamo" which means exclaiming. So Reclamo means exclaiming over and over again. The definition of advertising is an action aimed at attracting people's attention to a type of goods or services by generating interest and willingness of a person to own or use the service. Advertisement Tax is one of the elements of Regional Tax as a source of PAD. So the object of advertisement tax is all advertisement administration, which includes:

- Billboards / billboards / videotron / megatron and the like.
- Fabric advertisement
- billboard advertisement
- Ads attached, stickers
- flyer advertisement
- Running advertisements are included on vehicles.
- Voice ads
- Air ads
- Movie/slide advertisement
- display advertisement,

Not including the object of advertisement tax are:

- Administration of advertisements by the government.
- Advertising through the internet, television, radio, daily news, weekly news, monthly news and the like.
- Product label/brand attached to the traded goods which serves to distinguish it from other similar products.
- The name of the business or profession that is attached to the building where the business or profession is located, provided that it does not exceed 0.5 m2 in size.
- Writing or objects posted solely to ensure public safety as long as there is no sponsor message.

- f. Freklame held in the context of the implementation of general elections.
- g. Advertisements that are held in the context of implementing the election of village head candidates.

The subject of the Advertisement Tax is an individual or entity that uses Advertisements, while the Taxpayer of Advertisements is an individual or entity that organizes Advertisements. Advertising Tax can function as a source of regional funds that can support the operations of the Regional Government, but the facts show that the contribution so far is still small. Therefore it needs to be optimized. To optimize it, it is necessary to know the actual potential of Advertising Tax. The size of the Advertising Tax depends on four things, namely:

- a. The strategic level of the location, the more strategic the location the more expensive the tariff.
- b. Type of advertisement
- c. Show time
- d. Rate

Judging from the strategic level of the advertisement location, the Demak Regency Government divides the advertisement location into 4 categories , namely :

- a. Rayon A (very strategic), covers the area within the city of Demak, including the ring road.
- b. Rayon B (Strategic), Covering the Sayung highway to the city limits.
- c. Rayon C (less strategic) covers the Dempet, Kebonagung, Mijen, Karangawen and Mranggen highways.
- d. Rayon D (not strategic). Wedung, Bonang and Guntur

Judging from the types of advertisements used in Demak district, among others:

- a. Road Billboard
- b. Megatron and Large Electronic Display
- c. Display Board
- d. Glowing Pole Nameplate
- e. Signboard
- f. Store name board
- g. Wall Advertisement
- h. group
- i. Templates
- j. Vehicle.

The determining factor for the amount of the Advertising Tax is the demand for public billboards. The procedures that must be followed for the installation of billboards are as follows: 1. Apply for a license to administer billboards to the Regency DPMPSTP by filling out the form provided. 2. Applications for the administration of Advertisements that have met the requirements shall be forwarded to BPKPAD as the basis for the issuance of an Advertising Tax Assessment. 3. Tax payments are made at the Regional Treasury of Demak Regency at Bank Jateng, or through the Revenue Treasurer at BPKPAD. 4. Permits to install advertisements are granted if the advertisement organizer has paid the stipulated advertisement tax. Based on the provisions of such procedures, the number of requests for the implementation of advertisements can be identified with the number of submissions for the implementation of advertisements. The number of requests for the implementation of Advertisements is as follows:

Calculation of Potential Advertising Tax Based on the data on the number and type of advertisements, and the determined advertisement rate, the amount of advertisement tax can be calculated as follows:

- a. The Potential for Fabric Advertisement Tax The total Potential for Fabric Advertisement Tax Revenue during 2018 reached Rp. 1,931,100,000, - (One billion nine hundred thirty-one million one hundred thousand rupiah.). The revenue was sourced from 2297 billboards with an average size of 1.75 square meters, which were distributed in 4 districts. Rayon A is a source of tax revenue for

fabric billboards. The potential revenue for fabric billboards in 2019 does not change much compared to 2018.

- b. The Potential of Pole Signboards Tax Potential of Pole Nameplate Advertising Taxes ranks second in terms of number, in 2018 the number of pole billboards reached 176, in 2019 there was not much change in terms of quantity. The average size of the Pole Billboard is 2 square meters, with a potential income of IDR 73,375,000. In 2019, a slight increase compared to 2018 of IDR 72,654 . 000
- c. The Potential of the Pole Shine Nameplate Advertisement Tax. Another form of billboard is the Illuminated Pole Signage Billboard, but the number is smaller than the regular Pole Nameplate Billboard. The potential for this billboard can generate a tax value of Rp. 71,218,750,- in 2019. There is a potential increase in tax on the billboard billboard in 2019 compared to 2018, although the increase is not significant.
- d. Potential Tax Advertisement Pole Store Names. The potential tax for the Advertisement Pole of the Name of the Shop is relatively small, until 2019 the potential is only Rp. 5,906,250.
- e. The Potential of the Advertisement Tax for the Pole of the Name of the Store Bersinar Not much different from the Tax for the Advertisement of the Pole of the Name of the Store, the potential for the Tax for the Advertisement of the Advertisement of the Pole of the Name of the Store Bersinar is only a small contribution as a source of regional income. The amount of the Shining Name Pole Advertisement tax is only around 5.3 million rupiah
- f. Potential for Billboard Advertising Tax. Billboards do not seem to be the preferred advertising media by the Billboard organizers. Only a few billboard organizers use it, there are only 14 billboards with relatively low tax potential
- g. Total Potential Advertising Tax. Overall, there are only 6 types of advertisements that contribute as a source of regional funds in the form of taxes. The six types of Advertising Tax have high potential. In 2018 the potential for Advertising Tax is Rp. 2,100,273,375, - and Rp. 2,095,716,250 in 2019. Fabric advertisements dominate the income sourced from the Advertising Tax, both in terms of the number of Advertisements and in terms of receipts of Advertising Tax. The fabric advertisement tax in one year reaches Rp. 1,931,100,000. in 2018 and Rp. 1,925,065,000,- Meanwhile, the Pole of the Name of the Shop Advertisement and the Advertisement of the Pole of the Name of the Store Shine have the smallest and smallest contribution among other advertisements. The potential for the advertisement tax of the shop name pole only reaches Rp. 8,246,875, -.

The realization of the Advertisement Tax is the potential of the Advertising Tax that can be utilized by the Regional Government to finance regional operations. In 2018 the Advertising Tax receipts received by the Kuputaen Demak Government amounted to Rp. 1,696,495,391,- in 2019 increased to Rp. 1,730,238,506 or an increase of 1.98 percent. Advertising Tax revenue fluctuates from month to month, moving between 76 million rupiah to 268 million rupiah.

Expected Opportunity Lost (EOL) is a Tax Potential that cannot be realized by the Regional Government (lost). EOL reflects the government's effectiveness in managing taxes. The higher the EOL, the lower the effectiveness of Advertising Tax management, on the contrary, the lower the EOL, the higher the effectiveness. The EOL of the Demak Regency Advertising Tax in 2018 was 19.23 percent. This means that there are around 19.23 percent of the potential for advertisement tax that has not been explored. Or the Demak Regency government is only able to explore the potential of the Advertising Tax as a source of regional funds of 80.77 percent. In 2019, there was an increase in the effectiveness of Advertising Tax management, which was marked by a decrease in EOL from 19.23 percent to 17.44 percent . This means that the potential lost Advertising Tax is experiencing decreased (only 17.44 percent left).

Among the 6 advertisement taxes, the highest EOL is the Store Name Pole Tax. In 2018 the

Lost Store Name Pole Advertisement Tax reached 42.40 percent, but in 2019 it fell to 17.97 percent but it is still the highest among other Advertising taxes. The second highest order of missing Advertising Tax Potential is Fabric Advertisements. The potential for Lost Fabric Advertising Tax in 2018 reached 19.31 percent, in 2019 it fell to 17.45 percent. The Potential for Advertising Tax with the lowest EOL is Billboards .

Table 2 : Potential Lost Advertising Tax (EOL) 2018 - 2019

No	JENIS REKLAME	POTENSI		REALISASI		EOL	
		2018	2019	2018	2019	2018	2019
1	Reklame Kain	1931100000	1925065000	1558231017	1589224068	0,1931	0,1745
2	Reklame Papan Nama Tiang	72654000	73375000	59377338,69	60558347,71	0,1827	0,1747
3	Papan nama Tiang Bersinar	70484375	71218750	57511193,75	58655085,35	0,1841	0,1764
4	Tiang Nama Toko	8246875	5906250	4750187,095	4844667,817	0,4240	0,1797
5	Tiang mama Toko Bersinar	4828125	5031250	4071588,938	4152572,414	0,1567	0,1746
6	Baliho	12960000	15120000	12554065,89	12803764,94	0,0313	0,1532
	JUMLAH	2100273375	2095716250	1696495391	1730238506	0,1923	0,1744

Sumber: Data penelitian Yang diolah 2019.

## Advertising Tax Issues

Based on the analysis as described previously, there are several problems related to the Advertising Tax in Demak Regency as follows:

### a. EOL Advertising Tax is Still Relatively High.

Advertising Tax is one component of Regional Original Income (PAD) that needs serious attention.

This needs to be done so that its contribution to PAD increases. The increasing contribution of Advertising Tax to PAD can have an impact on the higher contribution of PAD as a source of Regional Government funds, and has an impact on increasing regional independence. To increase the contribution of Advertising Tax to PAD, it is necessary to formulate a policy to minimize the Potential for Lost Tax (EOL). This policy is important for areas with relatively high EOL, such as Demak Regency. The EOL of the Demak Regency Advertisement Tax is still relatively high, between 17.44 to 19.23 percent. The high EOL is due to the not yet optimal Advertising Tax Governance. As we know that the Advertising Tax Administration involves 4 sections, namely the Regional Revenue and Asset Financial Management Section (BPKPAD), the Licensing Section, the Public Works Section and the Civil Service Police Unit (SATPOLPP). The existence of these 4 institutions has not been able to function optimally in managing the Advertising Tax due to:

1. Job descriptions that are still unclear have an impact on the non-handling of a certain job which results in the uncollectible Advertising Tax.
2. Limited Information System. This limited information system has an impact on the number of potentials that are not identified, so that these potentials cannot be realized.
3. The lack of synchronization of activities between the parts involved in handling the Advertising tax raises various problems related to the Advertising Tax. For example, in the case of the extension of the advertisement permit, it often only stops at the BPKPAD and does not reach the Licensing Section. The Advertiser only pays the renewal fee, but does not take care of the permit extension to the Licensing Section.
4. SATPOLPP, often unable to identify whether the advertisement is licensed or not, due to lack of information.
5. Lack of work motivation of personnel who handle advertisements, so that many potentials are neglected.

b. Number of Wild Advertisements. Illegal advertisements in question are advertisements without a permit so that the organizers of advertisements do not pay rent or advertisement taxes. The more organizers of illegal advertisements, the higher the loss to the local government. The number of organizers of Illegal Advertisements indicates the weakness of the Monitoring System. Who should carry out supervision, how the monitoring process is carried out is less clear. So far, the supervision is carried out by the SATPOLPP, the supervision has not been able to function optimally, so it has not been able to minimize illegal advertisements. Some of the problems faced by SATPOLPP include:

1. It is difficult to identify which advertisements are licensed and which are not.
2. It is difficult to identify which advertisements have expired.
3. It is difficult to identify which advertisements have been extended and which have not.
4. If it is known that the advertisement is illegal, it is difficult to execute it.

Especially for permanent advertisements. Difficulties arise because of budget problems. In addition, the issue of permanent dismantling of buildings is under the authority of the Public Works Section. The difficulties faced in supervising the implementation of the billboards are due to the lack of information and clarity of the duties and responsibilities of the sections involved in the management of advertisements.

### **EOL Minimization Policy.**

If you observe the factual conditions of Demak Regency related to the Advertising Tax, it can be said that the opportunity to increase the Advertising tax contribution as a source of Local Government funds is still very high. With the support of a high commitment to human resources, government support, the existence of binding rules, a clear legal basis, it is very possible for Demak Regency to optimize the function of the advertisement tax as a source of regional funds. The strengths as mentioned above really enable the Demak Regency Government to overcome or solve problems or obstacles that hinder them, namely: Limited Information, Weak Coordination System, Unclear Duties and Responsibilities. The key is to strengthen the Management of Advertising Tax handling. Governance that must be developed is Information Technology-Based Governance and good governance practices by implementing:

- a. Accountability, including policies, mechanisms/procedures, media accountability, and periodization of accountability for programs, activities, and finances in order to achieve the goals that have been set.
- b. Transparency, by applying the principle of openness built on the basis of easy access to information for those in need.
- c. Responsibility, namely the conformity of the management of the institution to the applicable laws and regulations and the principles of a healthy organization.
- d. Fairness, namely justice and equality in fulfilling the rights of organizational stakeholders that arise based on agreements and applicable laws and regulations.

The Governance must be able to create:

- a. Organizational arrangements that are effective and quality with transparency, accountability, and independence.
- b. Legal certainty for organizers of organizational activities.
- c. Professional work of employees so that they are able to work effectively
- d. Every element in the organization is able to carry out their duties professionally.
- e. Increased efficiency in resource management.
- f. Created a good working mechanism
- g. Clarity of information so as to facilitate coordination and synchronization
- h. There is clarity in terms of rights and responsibilities of each element of the organization

## DISCUSION AND CONCLUSION

In order to optimize the contribution of Advertising Tax as a Regional Fund Source, it is necessary to formulate a policy to minimize EOL. In general, the policies needed are: Strengthening Advertising Tax Governance. In detail, the policy includes:

- a. Building an integrated Advertising Tax Management Information System
- b. Reorganization of Advertising Tax Management organization.
- c. Improve work rules
- d. Improve work mechanism more effectively
- e. Develop the professionalism of the parties involved

Demak Regency is one of the Autonomous Regions in Central Java which has a low level of independence. The level of independence of Demak Regency is still below the average level of independence of the Regency/City in Central Java. For this reason, it is deemed necessary for the Demak Regency government to increase its level of independence. To increase the level of independence, Demak Regency needs to optimize PAD as a source of regional funds. Including optimizing the contribution of Advertising Tax as a source of regional funds. Advertising tax contribution as a source of regional funds is still very small and not yet optimal. This happens because of the high lost Advertising Tax (EOL), and the large number of Illegal Advertisements. The high EOL and Illegal Advertisements are caused by relatively weak Governance, in the form of: Weak information systems, weak coordination and supervision and suboptimal work motivation. Therefore, in the context of Optimizing the Potential for Advertising Tax, it is necessary to develop an integrated Information System-based Governance. Through an integrated information system will be created: a clear working mechanism, accuracy of information, transparency and good accountability.

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