

## Policy Evaluation in Increasing Entertainment Tax in Tanjungpinang City

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**Abstract.** Tax revenue from entertainment in Tanjungpinang City has lower income compared to other tax revenues. The revenue from entertainment tax has been decreasing over the years and has not yet reached its target realization. Several factors contribute to this issue, namely: (i) lack of transparency and firmness from the government in informing the amount of tax generated; (ii) the existence of illegal businesses operating without permits from the government by certain individuals; and (iii) there are still business entities that are not compliant in paying taxes. This research is framed within Lester and Stewart's policy evaluation theory. The research method employed in this paper is a qualitative approach, presenting data descriptively. The research findings indicate that policy evaluation to enhance entertainment tax revenue in Tanjungpinang City highlights the necessity of periodic data collection for each entertainment business to be paid by the taxpayer and monitoring of income reporting from business operations.

**Keywords:** Policy Evaluation, Entertainment Tax Revenue

### 1 Introduction

Taxes are one of the state revenues that come from the results of people's contributions to the state. Taxes are also one of the largest state revenue revenues in Indonesia with a range of 80% [7]. Not only taxes are state revenues, but there are also Non-Tax State Revenues (PNBP) and grants. Taxes are coercive which must be obeyed by all Indonesian citizens as



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tax subjects as stated in article 23A of the 1945 Constitution which reads "Taxes and other levies that are coercive for state purposes are regulated by law".

Local governments are given full authority to be responsible for meeting the needs of their regions independently. One of them is in terms of regional tax collection. This regional tax will be used by the government to carry out the programs listed in the Regional Revenue and Expenditure Budget (APBD). Regional taxes are classified into level II after Level I Regional Taxes [3]. Taxes collected by the regions include: Hotel Tax; Restaurant Tax; Entertainment Tax; Billboard Tax; Street Lighting Tax; Tax on Non-Metallic Minerals and Rocks; Parking Tax; Groundwater Tax; Swallow's Nest Tax; Rural and Urban Land and Building Tax; and Tax on the Acquisition of Land and/or Building Rights.

The Entertainment Tax is one of the regional revenue revenues contained in Law No. 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments (HKPD). The Law also explains that the Entertainment Tax is included in the Certain Goods and Services Tax (PBJT), where the Tax will be paid after the person has used/consumed certain goods/services [4].

Entertainment tax has the name of the subject and object of tax, while the subject is a person/entity that has used/used/enjoyed the entertainment and must pay it at the end, while the object of entertainment tax is an entertainment service that has been mentioned in Law No. 1 of 2022 Article 55 including: Watching movies or other forms of audio-visual spectacle that are shown live in a certain location; Arts, music, dance, and/or fashion performances; Beauty pageants; Bodybuilding contests; Exhibition; Circus performances, acrobatics, and magic; Horse racing and motor vehicle racing; Dexterity games; Sports games by using venues/spaces and/or sports and fitness equipment and equipment; Water ride recreation, ecological rides, educational rides, cultural rides, snow rides, game rides,



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fishing, agrotourism, and zoos; Massage parlors and reflexograms; and Discos, karaoke, nightclubs, bars, and steam baths/spas.

"Wise citizens obey taxes" is a phrase that we often hear when we want to pay taxes [5]. Because without taxes, development will not be able to run smoothly and the government will also not be able to meet the needs of its own regions without public awareness in paying taxes.

The largest PAD revenue in all regions is sourced from taxes, therefore the government must be better and wiser in optimizing the tax. The City of Tanjungpinang has a Regional Regulation on Regional Taxes contained in the Tanjungpinang City Regulation No. 1 of 2020 which is the Third Amendment to Regional Regulation Number 2 of 2011 concerning Regional Taxes.

Table 1. Tanjungpinang City Regional Entertainment Tax Revenue 2020-2022

|                                       | Year 2020        |                   | Year 2021         |                   | Year 2022         |                   |
|---------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                       | Target           | Realization       | Target            | Realization       | Target            | Realization       |
| <b>HOTEL TAX</b>                      | 2.700.000.000,00 | 3.043.081.742,00  | 2.837.107.470,00  | 3.935.611.973,00  | 5.228.000.000,00  | 5.912.702.778,00  |
| <b>RESTAURANT TAXES</b>               | 8.700.000.000,00 | 10.605.012.744,00 | 12.140.844.847,00 | 11.175.965.157,00 | 16.184.000.000,00 | 15.978.782.692,00 |
| <b>ENTERTAINMENT TAX</b>              | 1.400.000.000,00 | 1.408.181.488,00  | 1.408.181.488,00  | 962.055.046,00    | 2.896.000.000,00  | 2.290.506.465,00  |
| Movie/Cinema Viewing                  | 546.750.000,00   | 387.012.198,00    | 430.600.000,00    | 206.330.386,00    | 1.091.508.534,00  | 916.630.575,00    |
| Arts/Music/Dance/Fashion Performances | 2.050.000,00     | -                 | 5.500.000,00      | -                 | -                 | -                 |

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|                                     |                    |                    |                    |                    |                    |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Karaoke                             | 390.850.00<br>0,00 | 557.363.09<br>2,00 | 531.081.48<br>8,00 | 342.156.98<br>3,00 | 594.212.20<br>4,00 | 550.506.40<br>1,00 |
| Nightclub                           | 40.050.000,<br>00  | 59.970.176,<br>00  | 50.400.000,<br>00  | 56.609.707,<br>00  | 85.180.350,<br>00  | 85.994.791,<br>00  |
| Circus/<br>Acrobats/<br>Magic       |                    | -                  | -                  | -                  | -                  | -                  |
| Billiards<br>Games                  | 2.600.000,0<br>0   | 5.321.000,0<br>0   | 5.500.000,0<br>0   | 3.978.000,0<br>0   | 4.078.631,0<br>0   | 10.582.400,<br>00  |
| Dexterity<br>Games /<br>Playstation | 233.250.00<br>0,00 | 159.962.11<br>0,00 | 163.200.00<br>0,00 | 129.890.04<br>7,00 | 756.351.92<br>8,00 | 415.616.18<br>7,00 |
| Massage<br>Therapist/R<br>eflection | 65.650.000,<br>00  | 86.941.750,<br>00  | 85.050.000,<br>00  | 45.484.440,<br>00  | 64.794.795,<br>00  | 58.357.765,<br>00  |
| Mandi<br>Uap/Spa                    | 94.700.000,<br>00  | 114.069.54<br>4,00 | 102.350.00<br>0,00 | 124.946.35<br>5,00 | 221.881.44<br>3,00 | 187.083.48<br>9,00 |
| Helath<br>Center                    | 24.100.000,<br>00  | 37.541.618,<br>00  | 34.500.000,<br>00  | 52.659.128,<br>00  | 77.992.115,<br>00  | 65.734.857,<br>00  |
| Sports<br>Matches                   | -                  | -                  | -                  | -                  | -                  | -                  |
| Swimming<br>pool                    | -                  | -                  | -                  | -                  | -                  | -                  |
| Amusemen<br>t Park                  | -                  | -                  | -                  | -                  | -                  | -                  |

Source: Tanjungpinang City Regional Tax and Levy Management Agency, (2020-2022)

Entertainment Tax Revenue in Tanjungpinang City has lower income than other tax revenues. From the image above, it can be seen that entertainment tax revenue is getting lower and lower year after year and has not reached the target in fulfilling its realization. There are several factors that cause this problem, namely: (i) lack of transparency and firmness from the government in informing the amount of tax generated; (ii) there is still an illegal place of business without a license by the government carried out by certain persons;



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and (iii) there are still business actors who do not comply in paying taxes. Not only that, business actors in paying taxes on income from their businesses are still less than the target because the facilities are minimal and obsolete and the visitors are also less crowded and there are no enthusiasts, this can also be a concern for the government in improving business infrastructure, especially in the entertainment sector.

Based on the problems that have been explained above, therefore the purpose of this study is to analyze the evaluation of the Tanjungpinang City government's policy in increasing entertainment taxes in Tanjungpinang City.

**Theoretical Framework and Development of Research Hypotheses**

Taxes are levies by the public on the state treasury based on the law (forced) by not receiving reciprocal services (counterperformance) that can be directly shown, as used to pay for general expenses (Soemitro in Official, 2014). This tax collection will then be handed over to each region.

Regional taxes are one of the sources of regional revenue that is considered crucial for the development of the region itself, therefore increasing regional tax revenues needs to continue to be carried out to support financing to improve the welfare of the community in various sectors. In various regions at this time, entertainment taxes are one of the potential sources because of the growth of the industry that continues to increase every year, tax revenues from the entertainment sector should be in line with the rapid growth of the industry [10]. This condition can be seen from various studies related to the effectiveness of entertainment tax revenue in various regions which continues to increase every year [9]. This is certainly different from the condition of entertainment tax revenue in Tanjungpinang City where there is a need for policy evaluation on the realization of entertainment tax revenue which has never reached the target from year to year.



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Referring to the previous study related to the implementation of the entertainment tax collection policy in increasing regional tax revenue at the rate of the tax agency and regional levy in one of the cities on the island of Java, that the results of the evaluation in the implementation of the entertainment tax policy have gone well but have not been optimal due to the aspect of communication that still lacks direct socialization to taxpayers, as well as the human resource aspect that is still lacking so that the officers who supervise the collection of entertainment taxes have not run optimally [6]. Shifting to a case study of policy evaluation in the land and building tax sector, namely the evaluation of the policy of providing rural and urban land and building tax reductions (PBB-P2) is also caused by the impact of the Covid-19 pandemic outbreak. From the study, it can be seen that the government in implementing tax reductions to increase land and building tax revenues is still not running well, the collection strategy has not been able to help achieve the target of taxpayers who report SPPT and tax revenues in the current year due to a decrease in income from taxpayers [1].

### **Policy Evaluation**

This research will be framed in the policy evaluation theory of James P. Lester and Joseph Stewart which explains, policy evaluation is referred to to see the cause of failure by a policy or to find out whether public policies have been implemented to achieve the expected and desired impact[8]. So that policy evaluation has the task of determining the consequences of what has been caused by a policy by describing the impact and assessing the success and failure of a policy based on predetermined criteria.

In other words, policy evaluation serves as a tool to evaluate the effectiveness and efficiency of public policies in achieving predetermined goals. Through a careful evaluation process, governments and stakeholders can gain better insight into the success or



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shortcomings of a policy and make the necessary improvements to achieve better results in the future [8].

## **2 Research Methods**

This research uses a qualitative approach. Bogdan and Taylor explained that qualitative research is a research procedure that produces descriptive data in the form of written or oral data from individuals and observable behaviors. This research uses a descriptive analysis technique, which is a study describing what problems are happening while being researched. In this study, there are efforts to describe, record, and analyze the situation that is currently occurring [2]. The place for this research was conducted in Tanjungpinang City, Riau Islands Province with a focus on policy evaluation in increasing entertainment taxes. This research is a literature study, namely collecting information that is in accordance with the problem being researched. The materials used in this study were obtained with various information from journals, laws and regulations, websites, books, and various other sources.

## **3 Result and Discussion**

The government as a tax collector is tasked with socializing the importance of taxes for the regions, especially in development, as well as as a supervisor in collecting taxes. Business actors who establish business ventures, especially in the entertainment sector, must also have awareness in depositing their taxes and registering their businesses with the government so that they are officially and recognized by the government. The role between the government and individuals/groups of entities that establish a business must be able to relate well so that miscommunication does not occur. However, in practice in the field and the data obtained are still not in accordance with expectations. In addition to the realization



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that has not reached the target, there are even some tax records where there is no nominal listed at all.

Table 2. Recap of Tanjungpinang City Entertainment Tax Targets and Realizations

|                | Year 2020 |             | Year 2021 |             | Year 2022 |             |
|----------------|-----------|-------------|-----------|-------------|-----------|-------------|
|                | Target    | Realization | Target    | Realization | Target    | Realization |
| Sports Matches | -         | -           | -         | -           | -         | -           |
| Swimming pool  | -         | -           | -         | -           | -         | -           |
| Amusement Park | -         | -           | -         | -           | -         | -           |

Source: Tanjungpinang City Regional Tax and Levy Management Agency, (2020-2022)

Data from these three categories of entertainment taxes in the Tanjungpinang City regional tax record, both targets and realizations are not listed. One of the recreational parks in Tanjungpinang is Trans Studio Garden which is an entertainment venue that is visited by many people. However, in the report there is no nominal list at all. Sports matches that are held for more than a year are also not included in the reckoning. With the tax deduction from the winner of the match, it can be an income for the region in tax revenue. Swimming pool facilities in Tanjungpinang are mostly in hotels that can be opened to the public, but in the data there is no income or even a target achieved. The swimming pool itself is also very crowded with visitors.



Table 3. Recap of Tanjungpinang City Entertainment Tax Targets and Realization

|                               | Year 2020          |                    | Year 2021          |                    | Year 2022          |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                               | Target             | Realization        | Target             | Realization        | Target             | Realization        |
| Dexterity Games / Playstation | 233.250.00<br>0,00 | 159.962.11<br>0,00 | 163.200.00<br>0,00 | 129.890.04<br>7,00 | 756.351.92<br>8,00 | 415.616.18<br>7,00 |

Source: Tanjungpinang City Regional Tax and Levy Management Agency, (2020-2022)

The realization of the dexterity/playstation game from year to year has not met the target, seeing that there are many places for this game in Tanjungpinang City and even a lot of school-age children play there. Currently, the Billiard game arena also seems to be mushrooming in Tanjungpinang City, if calculated clearly, of course entertainment tax revenue will increase, but back to the policy that oversees the process of receiving entertainment taxes and business establishment permits.

The issuance of other policies related to the increase in entertainment tax payments by 40-75% makes the government have to be careful in taking steps, every decision will have an impact on increasing or decreasing the tax revenue. Reporting from various media that also reported on this matter, the Tanjungpinang City Government has approved an increase in the entertainment tax rate by 40%, in accordance with the provisions of Law Number 1 of 2022 concerning Financial Relations between the Regional Government and the Central Government. However, the government will still adjust the decision to local conditions, especially in Tanjungpinang. There is a possibility that the government will provide certain discretion, depending on the results of discussions with entertainment business actors. On the other hand, the Chairman of Commission II of the Riau Islands Provincial DPRD submitted a request to the government to review the 40% increase in entertainment tax. He argued that the policy could burden business actors and visitors in the entertainment



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industry, especially considering the economic situation that has not fully recovered after the impact of the COVID-19 pandemic. Concerns about this tax increase have triggered the closure of entertainment businesses and have the potential to cause layoffs for employees. Although the increase in entertainment tax has the potential to increase Regional Original Revenue (PAD), there are concerns that not all entertainment business actors can afford to pay a tax of 40%. There were inputs and complaints from entertainment entrepreneurs, who expressed concern about losing customers due to the tax increase (vnews.click: Riau Islands Information Media, 2024).

The evaluation of policies to increase entertainment tax revenue in Tanjungpinang City shows the need for periodic data collection for each entertainment business that will be broadcast by Taxpayers and supervision of the reporting of the amount of income from the business. The strategy that has been carried out by the Tanjungpinang City government to increase entertainment tax revenue is that the Tanjungpinang City Government through the Regional Tax and Levy Management Agency held a Coffee Morning by inviting taxpayers in Tanjungpinang City as well as providing a certificate of appreciation for Regional Taxpayers.

The government has also taken additional steps in supervising taxpayers who have the authority to self-calculate their tax payments (Self Assessment) through the use of tapping boxes. Tapping box is a transaction recording device that can calculate turnover, helping taxpayers to report their taxes more easily. Currently, as many as 76 tapping boxes have been installed, and it is planned to add 24 new units out of a total of 1000 units submitted. The plan is that the installation of tapping boxes will be carried out gradually and evenly for all Taxpayers of Certain Goods and Services (PBJT), including hospitality services, food and beverages, arts and entertainment, and parking. This coffee morning activity also aims to hear aspirations as well as provide socialization about Regional Regulations related to



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entertainment venue taxes. This effort is aligned with the central and regional financial relations laws, namely Law Number 1 of 2022 which was later made into Regional Regulation Number 1 of 2024, especially related to tax provisions of 40% on entertainment venues such as discotheques, SPAs, and other provisions. Through the Coordinating Minister for Economic Affairs, a fiscal incentive discretionary policy has been implemented through the ministry of tourism related to nightlife venues [12].

#### **4. Conclusion**

The government, as a tax collector, should socialize the importance of taxes for regional development and supervise tax collection. Businesses, especially in the entertainment sector, must be aware of tax deposit and registration. However, there are issues in practice. In Tanjungpinang City, tax records for entertainment taxes such as sports matches, swimming pools, and amusement parks are not listed. Even popular recreational parks and sports matches do not have nominal listings. Dexterity game realizations have not met targets. The government is considering increasing entertainment tax payments by 40-75%, but this must be done carefully. A 40% increase has been approved, but the government will adjust the decision to local conditions. There are concerns that this increase could burden business actors and visitors, leading to closures and layoffs. The Tanjungpinang City government has taken steps to increase entertainment tax revenue, such as holding Coffee Mornings and providing certificates of appreciation for taxpayers. The government has also installed tapping boxes to help taxpayers report taxes and supervise self-calculated tax payments. However, there is a need for periodic data collection and supervision of entertainment business income reporting. The increase in entertainment tax has the potential to increase Regional Original Revenue, but not all entertainment business actors may be able to afford the 40% tax.



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