Tax and Transfer Pricing

e-ISSN: xxxx-xxxx

Homepage: https://scientificprovisioner.com/index.php/ttp

1(1) 28-35 (2025)

https://doi.org/10.64463/ttp.v1i1.5

Research/Review Article

Building Local Revenue from the Tourism Sector: The Effectiveness of Hotel and Restaurant Taxes

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Received: 18-08-2025; Accepted: 24-08-2025

Abstract

DKI Jakarta, as a metropolitan city, is a center of tourism and business activities, driving the development of the hotel and restaurant industry. This sector has significant potential as a source of regional tax revenue, but its realization is still not fully optimal in supporting Regional Original Income (PAD). This study aims to analyze the effectiveness and contribution of hotel and restaurant taxes to PAD, using a qualitative descriptive approach, using primary and secondary data. The results show that although the level of effectiveness of hotel and restaurant tax collection is relatively good, its contribution to PAD is still low. From an Islamic economic perspective, tax optimization must be directed towards the principles of justice and public welfare. The managerial implications of these findings emphasize the importance of improving the tax collection system through digitalization, increasing taxpayer compliance through education, and synergizing tourism policies with strategies to increase PAD. Thus, hotel and restaurant taxes are not only fiscal instruments but also strategic means to strengthen tourism competitiveness and sustainable development in DKI Jakarta.

Keywords: Effectiveness, Contribution, Hotel Tax, Restaurant Tax, Local Original Income.

JEL Classification:H71, H27, R58

How to cite: Arfiyanti, A., Madjid, S., (2025). Building Local Revenue from the Tourism Sector: The Effectiveness of Hotel and Restaurant Taxes, *Tax and Transfer Pricing (TTP) 1(1)*, 28-35

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1. Introduction

Based on the Republic of Indonesia Law Number 23 of 2014, an amendment to Law Number 32 of 2004 concerning Regional Government, regional autonomy has the aim of improving services, empowerment and the role of the community, developing a democratic life, national justice, regional territorial equality, and paying attention to regional diversity.

Jakarta is the capital of Indonesia and a major metropolitan city. This means it must play an active role in maximizing its development and advancement, ensuring greater independence than other cities. In Indonesia, there are both facilities and infrastructure, as well as governance. One effort to advance the DKI Jakarta region is to increase its regional original revenue. A higher Regional Original Revenue indicates the region's ability or success in implementing routine financing and development financing.

From 2014 to 2016, DKI Jakarta's Regional Original Revenue (PAD) did not reach the set target. Still, in 2013 and 2017, the DKI Jakarta Regional Original Revenue (PAD) reached the set target. According to news from the online site reported by harnas.com on Thursday, 20 July 2017, DKI Jakarta's PAD realization in 2016 did not reach the target.

This was then stated by Djarot Saiful Hidayat, who acknowledged that the Regional Original Revenue (PAD) target had not been achieved. The PAD budget realization only reached 95.81% due to several factors, including the Land and Building Acquisition Tax (BPHTB) of 75.99%. This was due to the implementation of the BPHTB exemption policy for transactions with a Taxable Object Sales Value (NJOP) of just IDR 2 billion. Furthermore, Restaurant Tax revenues fell by 94.36% due to declining purchasing power and economic growth not meeting expectations.

In addition to the factors mentioned above, the unfulfilled PAD revenue was also due to the decline in the number of tourists visiting Jakarta. According to the Central Statistics Agency (BPS), the target number of tourists in 2019 was 20 million, but in 2016, the number of tourists fell short of the target. The target number of tourists in 2016 was 12 million, but only 11.52 million visited. Only 30% of tourists came to Jakarta, with the rest going to Bali and other regions.

Based on previous research conducted by Suleman (2018), the results of his research showed that the Potential of Hotel Tax on Regional Original Income in 2015 experienced a Decrease from the previous year, namely 2014. In 2016, Hotel Tax also experienced an increase again from the prior year. Furthermore, in increasing Regional Original Income, there is not only Hotel Tax, but there are several other factors that can increase Regional Original Income, namely: Restaurant Tax, Advertising Tax, Entertainment Tax, Parking Tax, Groundwater Tax, BPHTB Tax and Land and Building Tax.

The increasing number of tourists coming to DKI Jakarta will also increase the amount of regional taxes generated, because DKI Jakarta, as the nation's capital, is a city of government, business, culture, and tourism, so that the tourism sector and several other sectors can be explored and continuously developed. The number of hotels in DKI Jakarta continues to increase every year. In 2013, the number of hotels in DKI Jakarta was 1,173 units. In 2014, there were 1,317 units. In 2015, there were 1,683 units. In 2016, there were 2,155 units, and in 2017, the number of hotels in DKI Jakarta was 2,417 units.

In this case, it is important to determine the level of effectiveness of hotel and restaurant tax revenue as a source of Regional Original Income (PAD). According to Mahmudi (2015:86), effectiveness is defined as the relationship between the results implemented and the results achieved. Therefore, an effectiveness analysis is needed to measure the ability of local governments to collect the targeted amount of tax and the amount of tax obtained. Previous research conducted by Yuliartini and Supadmi (2015) found that the average effectiveness of hotel and restaurant tax collection in Denpasar City from 2009 to 2013 was 113.54%, categorized as very effective.

2. Literature Review and Hypothesis

Tax

In Official (2016), Tax is a contribution from the people to the state treasury based on the law (which can be enforced) without receiving any direct reciprocal services (counter-performance) and which is used to pay for general expenses. Tax is a performance to the government which is owed through general norms, and which can be enforced, without any counter-performance, which can be demonstrated in individual matters. The aim is to finance government expenditure.

Regional Tax

Siahaan (2013) states that regional taxes are mandatory contributions made by regions to individuals or bodies without equal direct compensation. These taxes cannot be enforced based on applicable laws and regulations, which are used to finance the implementation of the regional government and regional development. According to Law Number 28 of 2009, Article 2, Regional Taxes are mandatory contributions to regions to finance regional development. Law stipulates Regional Taxes, the implementation of which for regions is further regulated by regional regulations.

Locally-generated revenue

Siahaan (2013) stated that Regional Original Income (PAD) is the income obtained by a region from sources within its territory, collected under regional regulations and applicable laws. Regional Original Income in Law No. 33 of 2004 is income obtained by a region that is collected based on regional regulations under generally applicable laws. Since the existence of regional autonomy, each area must utilize its finances to explore regional potential to support regional development and administration optimally.

Hotel Tax

According to DKI Jakarta Regional Regulation Number 11 of 2010, Hotel Tax is a tax on services provided by hotels. A hotel is defined as a facility providing lodging and other related services for a fee, which also includes motels, inns, tourist huts, tourist guesthouses, guest houses, and the like, as well as boarding houses with more than ten rooms.

Restaurant Tax

Restaurant tax, according to DKI Jakarta Regional Regulation No. 11 of 2011 concerning Restaurant Tax, is a tax on services provided by restaurants. In comparison, the restaurant in question is a facility that provides food or drinks for a fee, which also includes eateries, cafeterias, canteens, stalls, bars, and the like, including catering services. The basis for imposing the restaurant tax, according to DKI Jakarta Regional Regulation No. 11 of 2011 concerning Restaurant Tax, is the amount of payment received by the restaurant or the amount that the restaurant should accept. Meanwhile, the restaurant tax rate for the DKI Jakarta area is set at 10%.

Contribution

Mahmudi (2015) explains that contributions are used to determine the extent to which regional taxes contribute to local revenue (PAD). This is done by comparing regional tax revenue for a given period with local revenue for a given period. A higher contribution means a greater contribution of regional taxes to local revenue. Conversely, a minor contribution means a smaller contribution of regional taxes to local revenue.

Research Conceptual Framework

The conceptual framework of the research in the figure shows that the effectiveness and contribution of hotel and restaurant taxes influence the Regional Gross Product (GDP). Effectiveness is measured by comparing tax realization with the target, where revenue is considered adequate if it reaches 90%–100%. Meanwhile, the contribution of hotel and restaurant taxes is measured based on the comparison of realized tax revenue with realized PAD. It is considered to contribute if the percentage is greater than 50%. Therefore, the more effective the collection and the greater the contribution, the greater the ability of hotel and restaurant taxes to increase PAD.

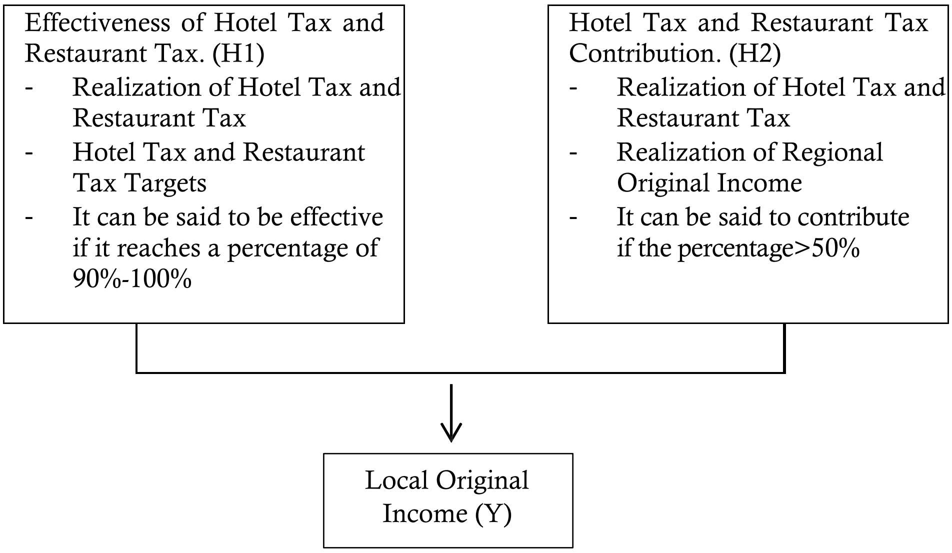

Figure 1. Research Concept Framework

3. Data and Method

Types of research

The type of research used in this study is qualitative with descriptive methods. The purpose of this qualitative research with descriptive methods is to determine the effectiveness and contribution of hotel and restaurant taxes to the Original Regional Income of DKI Jakarta from 2013 to 2017. The data sources in this study are data taken from other parties or are data that have been processed by the DKI Jakarta Regional Tax and Retribution Agency periodically to monitor the development of objects over a specific period.

Method of collecting data

Data collection in a research system is intended to obtain relevant, accurate, and realistic materials. Several data collection methods exist, each with its advantages and disadvantages. Secondary data collected from the DKI Jakarta Regional Tax and Retribution Agency includes data on the target and realization of Hotel Tax and Restaurant Tax revenues for DKI Jakarta during 2013-2017, as well as the target and realization of DKI Jakarta's Regional Original Income (PAD) for 2013-2017.

Data Analysis Methods

Data analysis is part of the data testing process, the results of which are used as sufficient evidence to draw research conclusions. In this study, the data analysis used was descriptive, effectiveness analysis, and contribution analysis.

4. Results

Analysis of the Effectiveness of DKI Jakarta Hotel Taxes in 2013-2017

Table 1. Effectiveness of DKI Jakarta Hotel Tax 2013-2017

Year	Tax Target Hotel	Tax Realization Hotel	Level Hotel Tax Effectiveness	Criteria
2013	Rp. 1,150,000,000,000	Rp1,173,799,319,199	102.07%	Very Effective
2014	Rp. 1,400,000,000,000	Rp1,384,103,823,437	98.86%	Effective
2015	Rp. 1,500,000,000,000	Rp1,276,285,658,514	85.09%	EnoughEffective
2016	Rp. 1,600,000,000,000	Rp1,499,798,259,793	93.74%	Effective
2017	Rp. 1,630,000,000,000	Rp1,550,000,000,000	95.09%	Effective

Source: Processed Data (2019)

The effectiveness of hotel taxes in DKI Jakarta during 2013–2017 was relatively effective, although it fluctuated annually. The highest effectiveness occurred at the beginning of the study period, while the lowest was in 2015 due to weakening public purchasing power and low taxpayer compliance. This situation prompted the government to optimize collection through an online system, which proved to be more effective in 2016–2017. The increase in the number of operating hotels also expanded the tax base, resulting in improved hotel tax revenues.

Analysis of the Effectiveness of DKI Jakarta Restaurant Taxes 2013-2017

Table 2. Effectiveness of DKI Jakarta Restaurant Tax 2013-2017

Year	Tax Target Restaurant	Tax Realization Restaurant	LevelRestaurant Tax Effectiveness	Criteria
2013	Rp. 1,400,000,000,000	Rp1,552,354,508,716	110.88%	VeryEffective
2014	Rp. 2,000,000,000,000	Rp1,822,769,015,911	91.14%	Effective
2015	Rp. 2,100,000,000,000	Rp2,290,255,418,530	109.06%	VeryEffective
2016	Rp. 2,600,000,000,000	Rp2,453,440,079,189	94.36%	Effective
2017	Rp. 2,800,000,000,000	Rp2,700,000,000,000	96.43%	Effective

Source: Processed Data (2019)

The effectiveness of restaurant taxes in DKI Jakarta during the 2013–2017 period was generally considered very effective, although it fluctuated. The highest levels of effectiveness occurred in 2013 and 2015, while declines were seen in 2014 and 2016, before increasing again in 2017.

Analysis of the Effectiveness of Hotel Tax and Restaurant Tax in DKI Jakarta 2013-2017

Table 3. Effectiveness of Hotel Tax and Restaurant Tax in DKI Jakarta 2013-2017

Year	Hotel Tax Effectiveness Level	Restaurant Tax Effectiveness Level
2013	102.07%	110.88%
2014	98.86%	91.14%
2015	85.09%	109.06%
2016	93.74%	94.36%
2017	95.09%	96.43%

Between 2013 and 2017, the restaurant tax demonstrated a higher level of effectiveness than the hotel tax. The hotel tax was generally considered adequate, while the restaurant tax was categorized as very effective because its average achievement exceeded the established target.

Analysis of DKI Jakarta Hotel Tax Contributions 2013-2017

Table 4. DKI Jakarta Hotel Tax Contribution 2013-2017

Year	Tax Realization Hotel	Realization of PAD	LevelHotel Tax Contribution	Criteria
2013	Rp. 1,173,799,319,199	Rp. 26,852,192,452,636	4.37%	Very less
2014	Rp. 1,384,103,823,437	Rp. 31,274,215,885,720	4.43%	Very less
2015	Rp. 1,276,285,658,514	Rp33,686,176,815,708	3.79%	Very less
2016	Rp. 1,499,798,259,793	Rp37,886,623,633,394	3.96%	Very less
2017	Rp. 1,550,000,000,000	Rp43,648,664,993,445	3.55%	Very less

Based on the data in Table 4, the hotel tax contribution to the Regional Original Revenue (PAD) in DKI Jakarta from 2013 to 2017 was still very low, with the contribution percentage only reaching 0.00% to 10%. In 2013, the hotel tax contribution in DKI Jakarta reached 4.37%, which is considered very low. In 2014, the contribution increased from the previous year to 4.43%, which is regarded as very low.

Analysis of DKI Jakarta Restaurant Tax Contributions 2013-2017

Table 5. DKI Jakarta Restaurant Tax Contribution 2013-2017

Year	Tax Realization Restaurant	Realization of PAD	Level Restaurant Tax Contribution	Criteria
2013	Rp. 1,552,354,508,716	Rp. 26,852,192,452,636	5.78%	Very less
2014	Rp. 1,822,769,015,911	Rp. 31,274,215,885,720	5.83%	Very less
2015	Rp. 2,290,255,418,530	Rp. 33,686,176,815,708	6.80%	Very less
2016	Rp. 2,453,440,079,189	Rp. 37,886,623,633,394	6.48%	Very less
2017	Rp. 2,700,000,000,000	Rp. 43,648,664,993,445	6.19%	Very less

Based on the Table above, the contribution of restaurant taxes to DKI Jakarta's Regional Original Revenue (PAD) from 2013 to 2017 was still very low, although higher than hotel taxes. The highest contribution occurred in 2015, while the lowest was in 2013, with a trend that fluctuates from year to year.

Analysis of Hotel Tax and Restaurant Tax Contributions in DKI Jakarta 2013-2017

Table 6. Contribution of Hotel Tax and Restaurant Tax to DKI Jakarta 2013-2017

Year	Hotel Tax Contribution Rate	Restaurant Tax Contribution Rate
2013	4.37%	5.78%
2014	4.43%	5.83%
2015	3.79%	6.80%
2016	3.96%	6.48%
2017	3.55%	6.19%

Based on the Table above, it can be seen that of the two types of regional taxes, the hotel tax and the restaurant tax, in DKI Jakarta from 2013 to 2017, the restaurant tax revenue contributed a relatively high level of revenue compared to the hotel tax. The restaurant tax contributed an average of 6.22%.

5. Discussion

Analysis of the Effectiveness of DKI Jakarta Hotel Taxes in 2013-2017

Based on Table 1, the effectiveness of hotel taxes at DKI Jakarta over the 2013–2015 timeframe shows a strong correlation between macroeconomic conditions and tax requirements. One of the main reasons for this period's lack of effectiveness is the general public's decreasing purchasing power due to the fuel price increase, which harms hotel occupancy rates. Aside from this, it is generally accepted that mandatory tax does not negate the need to increase the area's revenue capacity. This situation highlights the government's active efforts to increase tax labor productivity through increased oversight and intensified efforts.

Improvements began in 2016 when the local government implemented an online tax payment system. This innovation not only increases transparency and accountability, but it also makes it easier for them to fulfill their obligations. As a result, the number of hotels that are open for business continues to grow, which means that the effectiveness of the revenue resumes in 2016 and 2017. This indicates that improvements to the hotel's infrastructure and the development of the tourism sector can be key factors in ensuring the stability of hotel taxes and reducing the growth of the PAD.

Analysis of the Effectiveness of DKI Jakarta Restaurant Taxes 2013-2017

Based on Table 2, the decline in restaurant tax effectiveness in DKI Jakarta in 2016 was inseparable from the dynamics of the tourism industry and changes in business patterns, particularly due to the widespread use of Online Travel Agencies (OTAs). The presence of OTAs has economic consequences for restaurant businesses, as they must bear the additional burden of relatively high commissions, ranging from 20% to 30% of the offering price. This directly suppresses restaurant profitability, which ultimately impacts the ability of entrepreneurs to fulfill their tax obligations optimally.

Furthermore, taxation issues related to foreign OTA activities also pose unique challenges. OTAs originating from countries with which Indonesia has a tax treaty are subject to tax obligations per applicable international agreements. However, for OTAs without such contracts, the tax rate reaches 20%. The problem is that income tax on foreign taxpayers (Article 26 Income Tax) is not paid directly by foreign OTAs but is instead borne by the restaurants they operate with. This situation increases the financial burden on restaurants and contributes to the low effectiveness of meeting tax revenue targets. Therefore, the role of tax regulations and policies that adapt to the development of the digital economy is crucial to ensure optimal tax revenue while creating a fairer business climate for local players.

Analysis of the Effectiveness of Hotel Tax and Restaurant Tax in DKI Jakarta 2013-2017

Based on Table 3, this proves that the effectiveness of hotel and restaurant taxes indicates that the DKI Jakarta government has performed well in collecting regional taxes. It would be even better if hotel and restaurant tax revenues met the established targets each year, as achieving these targets can increase regional tax revenues. Optimal regional tax collection can increase Regional Original Income (ROI).

The results of this study indicate that the effectiveness of hotel tax collection in DKI Jakarta is effective, and the effectiveness of restaurant tax collection in DKI Jakarta is very effective. This research is in line with that conducted by Anggraini, Tinangon, and Walandouw (2018) in Tomohon City, which stated that the effectiveness of hotel tax collection in Tomohon City in 2013-2017 was effective with an average of 90.40%, while the effectiveness of restaurant tax was very effective with an average of 132.94%.

Analysis of DKI Jakarta Hotel Tax Contributions 2013-2017

Based on Table 4, the hotel tax contribution in DKI Jakarta during the 2013–2017 period was very low, influenced by several factors. First, the number of foreign and domestic tourists visiting Jakarta did not reach the target, as most tourists preferred other destinations such as Bali, which offers stronger cultural and natural attractions. This resulted in a relatively low hotel occupancy rate in Jakarta. Second, there are still taxpayers who do not fulfill their tax obligations optimally, thus suppressing potential revenue. Furthermore, the security situation also plays a role, for example, the terrorist incident in Jakarta in 2016, which resulted in a decrease in the number of tourist visits. These factors indicate that the hotel tax contribution is highly dependent on the stability of the tourism sector and taxpayer compliance, thus requiring an integrated strategy to encourage increased regional revenue.

Analysis of DKI Jakarta Restaurant Tax Contributions 2013-2017

Based on Table 5, the reason for the decline in restaurant tax contributions every year is that many taxpayers are still in arrears in paying their restaurant taxes, and data collection on restaurants in the DKI Jakarta area is still not well organized.

Analysis of Hotel Tax and Restaurant Tax Contributions in DKI Jakarta 2013-2017

Based on Table 6, this shows that hotel and restaurant taxes have not yet contributed significantly to Regional Original Income. Regional Original Income is sourced from regional taxes, regional levies, the results of managing separated regional assets, and other legitimate regional original income. Therefore, hotel and restaurant taxes are included in the category of regional tax revenue, which does not yet have greater potential than other sources of Regional Original Income.

6. Conclusion

The effectiveness of hotel and restaurant taxes in DKI Jakarta is relatively good, with restaurant taxes being more optimal than hotel taxes, although both fluctuate. However, their contribution to local revenue (PAD) remains very low due to limited tourist numbers, low taxpayer compliance, and suboptimal tax collection. The managerial implications of these findings emphasize the need to strengthen digital-based collection systems, increase compliance through education and supervision, and synergize with the tourism sector to drive sustainable PAD growth.

Recommendation

The Jakarta government needs to improve its tax collection performance by providing comprehensive outreach to taxpayers about the importance of taxes for regional development, while simultaneously enforcing strict sanctions for non-compliance. Furthermore, re-registration of hotel and restaurant taxable objects should be conducted routinely every year to monitor potential revenue better, along with efforts to develop new tourist destinations to attract more tourists. The government also needs to maintain public trust by managing tax revenues transparently and responsibly. At the same time, taxpayers are expected to be honest and fair in fulfilling their obligations, in line with Islamic values of justice.

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