



# THE ROLE OF ADVERTISING TAX THROUGH MEASURING THEIR EFFECTIVENESS, GROWTH AND CONTRIBUTION TO LOCAL TAXES IN LUMAJANG REGENCY

**Galih Wicaksono**

Taxation Department, University of Jember, Jl Kalimantan No. 37 Kampus Tegalboto, Jember, East Java, 68121, Indonesia

E-mail: [galih.fisip@unej.ac.id](mailto:galih.fisip@unej.ac.id)

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## ABSTRACT

Advertising tax is one type of local tax that is well known by the public, given its reach at several strategic points that can be seen by the public. The purpose of this study was to determine the effectiveness, growth, and contribution of the advertisement tax to local taxes in Lumajang Regency for the 2018-2020 period. The type of research is descriptive quantitative, the source of data is from the Regional Tax and Retribution Agency of Lumajang Regency, previous research and the internet, as well as data analysis techniques using the calculation of the effectiveness, growth, and contribution of advertisement tax to local taxes. The results of this study are the effectiveness is in the very effective position, the growth is in a volatile position, and the contribution to local taxes is in the very less category.

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## 1. Introduction

Advertising Tax is one type of tax that exists in Indonesia, whose authority is in the central government and district / city governments. Advertising tax becomes the authority of the district / city government, namely in the form of advertisement tax. The billboard tax is part of the local tax, and is expected to contribute to local revenue through local taxes, and as one of the local revenue sources. As stated by (Asmandani et al., 2020) that taxes are the largest revenue for the state.

Advertising tax as part of local taxes, where local taxes are divided into two, namely provincial taxes and district / city taxes. Provincial taxes are taxes that the provincial government has the authority to collect, such as motor vehicle taxes and transfer fees for motorized vehicles. Meanwhile, there are many types of district/city taxes, including hotel, restaurant, billboards, parking, and PBB-P2 taxes {Formatting Citation}.

The advertisement tax is a type of tax that is quite popular in the community, given that this tax reaches several areas that are visible to all levels of society, for example in urban centers, city and village streets, as well as some densely populated areas. The collection and payment of advertisement tax is carried out in several ways, if the advertisement is incidental, it is collected before the advertisement is installed. Meanwhile, if the advertisement is fixed, then it is carried out once every period in the sense of one collection for a certain period. The nature of the billboard tax collection is an official assessment system, namely the tax rate is determined by the tax officer, so that the taxpayer only pays taxes.

One area that focuses on collecting billboard taxes is Lumajang Regency. Lumajang Regency is one of the regencies in East Java. The implementation of local taxes in Lumajang Regency is carried out by the Regional Tax and Retribution Agency (BPRD). BPRD has the task of assisting the Regent in carrying out government affairs that are the authority of the region, especially in the financial sector, one of which is handling regional taxes and regional levies. BPRD has the authority to formulate regional tax policies, coordinate local tax collection, and foster the implementation of local tax collection and regional levies.



As stated by (Boedijono et al., 2019) that the government has the authority to determine financial policies, from the central to the regional and even village levels.

In implementing the billboard tax, BPRD realizes that the billboard tax contributes to generating local tax revenue and local revenue in Lumajang Regency. So that its implementation must be carried out as well as possible and is expected to be able to provide the maximum contribution to advertisement tax revenues in particular and local taxes in general. It can also be used as a strategic reference for determining local tax policies, as well as an objective performance assessment regarding the effectiveness of local tax collection, especially regarding the implementation of the advertisement tax.

Advertising tax collection in each year needs to be set targets and compare the target with the realization, so that it can be seen how much effectiveness the collection is. Effectiveness is a comparison between revenue realization and revenue target, so that a certain percentage figure will be obtained which illustrates whether the implementation has been effective or not.

In addition to assessing effectiveness, it is also necessary to assess the growth of the advertisement tax for each year. Growth is used to determine how much the rate of increase or decrease in advertising tax in a certain period. Furthermore, it is necessary to know how much advertising tax revenue contributes to local taxes. Regional taxes are a source of regional revenue whose original authority is in the regional government, which comes from several types of regional taxes, one of which comes from the advertisement tax. The contribution of the advertisement tax to the local tax is considered important, namely to measure how much the contribution of an advertisement tax is, in this case the advertisement tax to local taxes. So that later a certain percentage will be generated, what is the value of the advertising tax revenue on local taxes, whether the contribution is low, relative, or already large.

Research on the urgency of the importance of advertising tax has been done a lot, because it is an interesting and important thing. Several studies related to the effectiveness, contribution, and growth of billboard taxes include (Yuniati & Yuliandi, 2021) in Bogor City and (Primandari & Dahlia, 2020) in Ogan Komering Regency, which found that the effectiveness of collection was very effective, but the contribution to local revenue was still very low. not enough. Furthermore, (Hanis & Saputra, 2019) in Pontianak City, found that the effectiveness in the fluctuating category is between quite effective and very effective, while its contribution is also in the very poor category. Another study by (Atteng et al., 2016) in Manado City resulted in a fluctuating effectiveness category from less effective and very effective, and the contribution to local revenue is the same as the results of previous studies, namely in the very poor category. Another study, namely by (Mulatsih et al., 2021) in DKI Jakarta, which found that the average effectiveness was classified as effective, the growth of advertisement tax was very varied every year, but its contribution was still very low.

Meanwhile, for other similar studies but with different research objects, namely on Land and Building Taxes, it produces fluctuating categories, namely from (Al-Mukhlisin et al., 2021) and (Putri & Wicaksono, 2021). (Al-Mukhlisin et al., 2021) in Situbondo Regency, found that the effectiveness in the ineffective and ineffective categories was due to fluctuations between realization and revenue. While the contribution to local revenue is in the less category. For (Putri & Wicaksono, 2021) research in Probolinggo Regency, the results are in the category of ineffective to effective, so that it fluctuates every year. As for the contribution to regional original income in the very poor and good category, so it is still fluctuating as well.

Policies related to local taxes, according to (Susilo et al., 2018), require the role of local governments in the aspect of service to the public, as stated by (Kusumaningrum et al., 2020) that an innovation in services is needed, for example electronically. So that later the tax apparatus needs to know its performance well in order to increase compliance (Marandu, Edward E., Christian J, Mbekomize, 2015).

Based on the inconsistent results in several previous studies, as well as the importance of evaluating the performance of billboard tax collection in Lumajang Regency, it is deemed necessary to re-raise the research theme regarding the effectiveness and contribution of advertisement tax to local taxes, as well as calculating the growth of advertisement tax in Lumajang Regency. Some of these things are novelty that distinguishes this research from several previous studies, which in this study will try to link the advertisement tax with local taxes, in contrast to previous research which mostly relates to local revenue. With this research, it is expected to know the performance of billboard tax collection and its contribution to local taxes. As revealed by (Feldstein, 2008) that tax performance and optimization need to pay attention to behavior in people's business. So that later taxpayers will comply without any coercive efforts in creating taxpayer compliance

(James, S., and Alley, 2004). With this research, as stated by (Richardson & Gilligan, 2002) that there needs to be a policy and/or regulation regarding administration, as well as a transparency. So that local governments need to know well the performance of local tax collection, especially advertisement tax. This will create a good local tax policy, and will not interfere with the working capital of taxpayers, given that working capital is very important for taxpayers, because it is related to business financing (Wicaksono & Puspita, 2020).

## 2. Research Methods

This research is a type of quantitative research, more precisely is a quantitative descriptive. This study analyzes the amount of advertisement tax target and realization, the growth rate of advertisement tax revenue, as well as its contribution to local taxes, for the period 2018-2020 in Lumajang Regency. Data in the form of secondary data or data obtained from third parties, namely from BPRD Lumajang Regency, and strengthened by previous research articles related to this research and references from the internet. The data analysis technique is in the form of a comparison of the target and realization of the advertisement tax which is used to measure the effectiveness of advertisement tax revenues, as well as the comparison between the realization of the advertisement tax and the local tax to measure the contribution of the advertisement tax to local taxes. The following are the steps of data analysis techniques in this study:

### 2.1 Effectiveness

Effectiveness is used to calculate how big the level of effectiveness of advertising tax revenue in a period. This ratio is a comparison between realization and target, then after being calculated it will be translated into certain criteria starting from ineffective to very effective. The following is the formula and criteria for calculating the effectiveness of the advertisement tax:

$$\text{Advertising Tax Effectiveness} = \frac{\text{Realization of Advertising Tax}}{\text{Target Advertising Tax}} \times 100\% \quad (1)$$

TABLE 1  
EFFECTIVENESS CRITERIA

Score	Criteria
>100%	Very effective
90%-100%	Effective
80%-90%	Effective enough
60%-80%	Less effective
<60%	Ineffective

Source : (Departemen Dalam Negeri, 1996)

### 2.2 Advertising Tax Growth

Advertising Tax Growth explains how much the rate of increase or decrease in advertising tax revenue each year, the formula is obtained as follows:

$$\frac{\text{Realization Advertising Tax for the Current Year} - \text{Realization of Previous Year's Advertising Tax}}{\text{Realization of Previous Year's Advertising Tax}} \times 100\% \quad (2)$$

### 2.3 Contribution Advertising Tax to Local Taxes

Contribution is used to measure how much advertising tax contributes to local taxes in an area within a certain period. This ratio is a comparison between the realization of the advertisement tax and the realization of the regional tax, in order to obtain the amount and criteria for a certain number that describes the contribution of the advertisement tax to the regional tax, starting with very less to very good criteria. The following is the formula and criteria for calculating the contribution of the advertisement tax to local taxes:

$$\text{Advertising Tax Contribution} = \frac{\text{Realization of Advertising Tax}}{\text{Realization of Local Taxes}} \times 100\% \quad (3)$$



TABLE 2  
CONTRIBUTION CRITERIA

Score	Criteria
0,00%-10%	Very less
10,10%-20%	Not enough
20,10%-30%	Currently
30,10%-40%	Pretty good
40,10%-50%	Good
>50%	Very good

Source : (Tim Litbang Depdagri-Fisipol UGM, 1991)

### 3. Result and Discussion

#### 3.1 Target and Realization Advertising Tax and Local Taxes

Before discussing effectiveness and contributions, in the first step, data regarding the target and realization of the advertisement tax and regional tax for the 2018-2020 period will be presented which will be displayed as follows:

TABLE 3  
TARGET AND REALIZATION ADVERTISING TAX AND LOCAL TAXES 2018-2020

Year	Target Advertising Tax	Realization of Advertising Tax	Target Local Taxes	Realization of Local Taxes
2018	1.255.000.000	1.611.428.122	64.340.000.000	66.738.332.790
2019	1.820.000.000	1.869.228.257	101.550.000.000	74.233.709.552
2020	1.500.000.000	1.789.379.587	70.000.000.000	68.659.995.181

Source : (Badan Pajak dan Retribusi Daerah Kabupaten Lumajang, 2021)

Based on table 3, it can be seen that the advertising tax revenue target still fluctuates every year, as well as the local tax revenue target which also fluctuates. The realization of advertisement tax revenue every year is also still fluctuating or up and down according to the specified target, where in 2019 the realization was greater than in 2018 and 2020, while in 2018 the realization of advertisement tax revenue was the lowest compared to the following year. The target and realization of local tax revenue each year also shows a fluctuating amount. The target and realization of local tax revenue in 2019 is the highest compared to 2018 and 2020, while the target and realization of local tax revenue in 2018 is the lowest compared to 2019 and 2020. This is a tendency that the target and realization of local taxes is not optimal .

#### 3.2 Advertising Tax Growth

A description of advertising tax growth, namely the comparison of tax revenue growth for each year can be seen in the following table:

TABLE 4  
ADVERTISING TAX GROWTH 2018-2020

Year	Realization of Advertising Tax	Tax Growth
2018	1.611.428.122	-
2019	1.869.228.257	16 %
2020	1.789.379.587	- 4,27 %

Source : Processed Data, 2022

Based on Table 4, it can be seen that the growth of advertisement tax revenue is fluctuating, where in 2019 it grew by 16%, but in 2020 it decreased by 4.27%. This decline is most likely due to the impact of the Covid-19 Pandemic that hit most parts of Indonesia, especially in Lumajang Regency, thus causing a decrease in advertisement tax revenues.

### 3.3 Effectiveness Advertising Tax

The display of the effectiveness of the advertising tax for the period 2018-2020 will be shown in table 5, which consists of the target, realization, percentage of effectiveness, and effectiveness criteria. The following data and explanations regarding the effectiveness of the advertisement tax:

TABLE 5  
ADVERTISING TAX EFFECTIVENESS 2018-2020

Year	Target Advertising Tax	Realization of Advertising Tax	Effectiveness(%)	Criteria
2018	1.255.000.000	1.611.428.122	128,40	Very Effective
2019	1.820.000.000	1.869.228.257	102,70	Very Effective
2020	1.500.000.000	1.789.379.587	119,29	Very Effective

Source : Processed Data, 2022

Based on table 5, it can be seen that the revenue target and realization of advertisement tax in Lumajang Regency tends to fluctuate, which is up and down every year. In 2018 the expected target is Rp. 1,255,000,000, - then the realization is Rp. 1,611,428,122, -. The comparison of these numbers results in an effectiveness of 128.40%, namely in the very effective category and the effectiveness ratio in 2018 is greater than in 2019 and 2020.

In 2019, the advertising tax revenue target is higher than in 2018 and 2020. With the realization of revenue of Rp. 1,869,228,257, - and a revenue target of Rp. 1,820,000,000, - so it is in the very effective category, which is 102.70%. This is a sign that the local government is able to map out the potential for advertisement taxes correctly and optimally, which is marked by the achievement of revenue targets, and the realization of revenues is also higher than in 2018 and 2020.

In 2020, the target and realization of advertisement tax revenue decreased compared to 2019, namely with the realization of revenue of Rp. 1,789,379,587, - and the target of Rp. 1,500,000,000.-. However, the realization is higher than in 2018, although lower than in 2019. This can be influenced by the Covid-19 pandemic that hit in 2020, which of course has the potential to reduce tax revenue. However, this figure is still in the very effective category, with an effectiveness ratio of 119.29%. As according to (Kumala & Bakar, 2022), it is necessary to know the effectiveness of tax incentives.

### 3.4 Advertising Tax Contribution to Local Taxes

The contribution of the advertisement tax to the local tax will be shown in table 6, which consists of the realization of the advertisement tax, the realization of the regional tax, the level of contribution, and the contribution criteria. The following is a complete view of the contribution of Advertising Tax to Regional Taxes for the 2018-2020 period:

TABLE 6  
ADVERTISING TAX CONTRIBUTION TO LOCAL TAXES 2018-2020

Year	Realization of Advertising Tax	Realization of Local Taxes	Contribution (%)	Criteria
2018	1.611.428.122	66.738.332.790	2,41	Very less
2019	1.869.228.257	74.233.709.552	2,52	Very less
2020	1.789.379.587	68.659.995.181	2,61	Very less

Source : Processed Data, 2022

Based on table 6, it can be seen that the realization of the advertisement tax from year to year is fluctuating or fluctuating. Likewise with the realization of local taxes which are also volatile. Therefore, it results in a fluctuating contribution rate as well. In 2018, the realization of advertisement tax and local tax revenues was the lowest among the following years, namely 2019 and 2020. So that in 2018 the contribution of advertising tax to local taxes was the lowest compared to the contribution in 2019 and 2020, namely the contribution rate by 2.41%, so it is in the very less category.

In 2019, the realization of advertisement tax revenues and local taxes tended to increase significantly compared to 2018. This resulted in a higher contribution rate compared to 2018, with a contribution rate of 2.52%, and still in the very less category, same as the previous year.



In 2020, the realization of advertisement tax revenues decreased compared to 2019, although it was greater than 2018. Likewise, the realization of regional tax revenues which decreased compared to 2019, but was greater than in 2018. This was due to the Covid-19 pandemic. 19 that hit in Lumajang Regency, so that it had an impact on local tax revenues. Nevertheless, there is an anomaly, namely that in 2020 it will produce the highest contribution of advertising tax revenue to local taxes, namely with a ratio of 2.61%, even though the ratio is still in the very less category. According to (Rofiyanti et al., 2022) the obstacles and challenges of collecting billboard taxes are in non-compliance and mastery of technology

#### 4. Conclusion

Based on the analysis of the discussion, the conclusions of this study are as follows: For effectiveness analysis, the level of effectiveness of the advertising tax every year is always in the very effective category, because the realization exceeds the set target. The highest effectiveness ratio was in 2018, while the lowest effectiveness was in 2019, For growth analysis, growth in 2019 reached the highest point, while growth in 2020 was the lowest. This is due to the Covid-19 Pandemic, which has the potential to cause a decrease in local tax revenues, For contribution analysis, advertisement tax contributions to local taxes are always in the very less category. In 2020, the contribution of advertising tax to local taxes was at the highest position, while in 2018 it was at the lowest position. Based on the conclusions of the study, the researchers provide the following recommendations: With regard to effectiveness, local governments should maintain accuracy in calculating advertising tax revenue targets, so that the level of effectiveness is always maintained, With regard to growth, local governments should maintain stability in the growth of local taxes in general, and advertisement taxes in particular. So that it can provide an optimal contribution in increasing local revenue, With regard to the contribution of advertising tax to local taxes, local governments should be able to optimize advertising tax revenues, so that they can provide optimal contributions to local taxes, For further researchers, they can replicate this research, but by differentiating the object and location of the research, so that it can enrich the study of measuring local tax performance.

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