

ANALYSIS OF THE EFFECTIVENESS AND CONTRIBUTION OF ENTERTAINMENT TAX REVENUE TO REGIONAL REVENUE

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Abstract

Entertainment tax is a significant source of Local Own Revenue (PAD), yet its effectiveness in enhancing PAD varies across different regions. This study aims to analyze the factors influencing entertainment tax revenue and taxpayer compliance, as well as to evaluate the role of tax administration in improving the effectiveness of tax collection. The methodology employed is a literature review, involving an in-depth analysis of theories and previous research findings related to entertainment taxation, taxpayer compliance, and tax administration. The results indicate that taxpayer awareness, transparent tax policies, and efficient tax administration are crucial for optimizing entertainment tax revenue. However, challenges such as low taxpayer compliance and inconsistent policies across regions hinder its potential. The study recommends enhancing taxpayer education and outreach, improving tax administration through digitalization and stricter oversight, and harmonizing tax policies across regions. By implementing these recommendations, it is expected that entertainment tax can contribute more significantly to PAD and support sustainable regional development.

Keywords: Entertainment Tax, Regional Original Revenue (PAD), Taxpayer Compliance

Abstrak

Pajak hiburan merupakan salah satu sumber Pendapatan Asli Daerah (PAD) yang penting, namun efektivitasnya dalam meningkatkan PAD bervariasi di berbagai daerah. Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi penerimaan pajak hiburan dan kepatuhan wajib pajak, serta mengevaluasi peran administrasi perpajakan dalam meningkatkan efektivitas pemungutan pajak. Metode yang digunakan adalah kajian literatur dengan analisis mendalam terhadap teori dan temuan penelitian sebelumnya. Hasil penelitian menunjukkan bahwa efektivitas penerimaan pajak hiburan dipengaruhi oleh kebijakan perpajakan yang jelas, kesadaran wajib pajak, dan sistem administrasi perpajakan yang efisien. Meskipun pajak hiburan memiliki potensi besar, tantangan seperti rendahnya kepatuhan wajib pajak dan ketidakseragaman kebijakan antar daerah menghambat optimalisasinya. Oleh karena itu, rekomendasi kebijakan yang diusulkan meliputi peningkatan sosialisasi dan edukasi kepada wajib pajak, digitalisasi sistem administrasi perpajakan, serta harmonisasi kebijakan perpajakan antar daerah. Dengan menerapkan langkah-langkah ini, diharapkan penerimaan pajak hiburan dapat meningkat secara signifikan, memberikan kontribusi yang lebih besar terhadap PAD, dan mendukung pembangunan daerah yang berkelanjutan.

Kata Kunci: Pajak Hiburan, Pendapatan Asli Daerah (PAD), Kepatuhan Wajib Pajak

1. Introduction

Regional Original Revenue (PAD) has an important role in regional development, and one of the sources is the entertainment tax. Entertainment taxes contribute to increasing the fiscal capacity of local governments to support various public services (Judijanto, 2024; Mas'udin, 2017). Entertainment tax revenue is influenced

by various factors, including economic conditions, tax policies, taxpayer awareness levels, and the effectiveness of tax administration (Haabazoka & Chiti, 2024; Singgih et al., 2022). In stable economic conditions and positive growth, public consumption of entertainment services tends to increase, which has an impact on increasing entertainment tax revenues (Judijanto, 2024). On the contrary, inefficient tax policies and suboptimal administration can hinder tax revenues and reduce taxpayer compliance (Firdaus, 2021; Mansur et al., 2021). Therefore, a comprehensive study is needed to understand the effectiveness of the entertainment tax collection system and its contribution to PAD in order to formulate more effective policies.

Although entertainment tax has the potential to be a significant source of regional revenue, there are various obstacles that hinder its optimization. One of the main challenges is the low compliance of taxpayers due to a lack of understanding of tax benefits for regional development (Mansur et al., 2021). In addition, non-uniform tax policies in various regions create uncertainty for entertainment business actors and can have an impact on their non-compliance in fulfilling tax obligations (Haabazoka & Chiti, 2024). Economic factors such as people's fluctuating purchasing power also affect the level of entertainment service consumption, which has an impact on the amount of entertainment tax revenue (Mas'udin, 2017). Meanwhile, the effectiveness of tax administration, especially in the application of technology and information systems, is still a major challenge in improving the efficiency and transparency of entertainment tax collection (Kipilimba, 2018).

Previous research has identified various factors that affect entertainment tax revenue, but there is still a gap in understanding the specific contribution of entertainment tax to PAD and how the effectiveness of the tax collection system can be improved (Kipilimba, 2018). Studies on the impact of tax policies on taxpayer compliance and how more efficient administrative approaches can be implemented are still limited (Singgih et al., 2022). Therefore, this study is focused on analyzing the effectiveness of entertainment tax revenues and their contribution to PAD in order to formulate more strategic and evidence-based policy solutions.

This study uses the theory of Tax Compliance Theory and the theory of Tax Administration as the main analysis framework. Tax Compliance Theory explains that taxpayer compliance is influenced by economic, psychological, and tax policy factors (Mansur et al., 2021). This theory highlights how tax awareness, perception of fairness in taxation, and the level of understanding of tax obligations can affect taxpayers' compliance in paying entertainment taxes (Haabazoka & Chiti, 2024). Meanwhile, the theory of Tax Administration is used to understand the effectiveness of the tax system in increasing entertainment tax revenues, especially through technological innovations in tax collection (Kipilimba, 2018). This theory explains that a transparent and efficient administrative system can improve the accuracy and effectiveness of tax collection, as well as reduce the potential for tax leakage due to errors or abuse of authority (Firdaus, 2021).

Using these two theories, this study provides insight into how to increase the effectiveness of entertainment tax revenue through increasing taxpayer compliance and improving the tax administration system. Previous studies have shown that a combination of clear tax policies, taxpayer education, and the use of technology can significantly increase tax revenues. Based on the problems that have been identified, this study aims to 1) Analyze the effectiveness of entertainment tax revenue in supporting PAD; 2) Identify factors that affect taxpayers' compliance in paying entertainment tax; and 3) Evaluate the role of tax administration in increasing entertainment tax revenues.

2. Research Methods

This study uses a qualitative approach with a literature review method to analyze the effectiveness of entertainment tax revenue and its contribution to Regional Original Revenue (PAD). The literature review was chosen because this study relies on an in-depth analysis of the theories, policies, and findings of previous research without collecting primary data. The data sources used are in the form of secondary data, including scientific journals, academic books, government reports, and laws and regulations relevant to the entertainment tax system, taxpayer compliance, and tax administration. Using Tax Compliance Theory and Tax Administration Theory as the framework of analysis, this study explores how taxpayer compliance and the effectiveness of tax administration systems affect entertainment tax revenues.

The research procedure is carried out through several stages, starting from the identification and selection of literature with specific keywords on academic databases, such as Google Scholar and Scopus, to

ensure the relevance and up-to-date of the sources. The selected literature is then analyzed using content analysis by categorizing information into three main aspects, namely the effectiveness of entertainment tax revenue, taxpayer compliance, and tax administration. Furthermore, the results of the analysis are compared and synthesized to identify patterns or trends that can provide insights into strategies to increase entertainment tax revenues. Critical interpretation is carried out by connecting the research findings with the theory used, so as to obtain a deeper understanding of the factors that affect entertainment tax revenue.

In terms of research ethics, even though it does not involve human participants, this research still pays attention to academic principles by using credible sources, including appropriate citations, and avoiding plagiarism. In addition, the interpretation of the data is carried out in a transparent and objective manner so that the research results can be scientifically accounted for. With this method, the research is expected to provide comprehensive insight into the effectiveness of entertainment tax revenue and offer evidence-based policy recommendations to increase the contribution of entertainment tax to PAD.

3. Results And Discussion

3.1 Results

3.1.1 Effectiveness of Entertainment Tax Revenue in Supporting Regional Original Revenue (PAD)

The results of the study show that the effectiveness of entertainment tax revenue in supporting Regional Original Revenue (PAD) is greatly influenced by tax policies, taxpayer awareness, the effectiveness of tax administration, and the economic condition of the community. Entertainment tax is one of the main instruments in the regional tax system, especially in the context of regional autonomy which gives authority to local governments to manage their own revenues (Muktar, 2020; Ramadhan, 2019). Although the entertainment tax has great potential, the effectiveness of its collection varies between regions. In East Java, entertainment taxes have been shown to contribute positively to PAD, along with restaurant and hotel taxes in the period 2011–2018 (Olga & Andayani, 2021). However, in DKI Jakarta, the contribution of entertainment tax to PAD has decreased drastically from 0.427% to 0.082% in a certain period of time, showing that entertainment tax is still classified as less than optimal in increasing PAD (Inggur & Curry, 2022).

In addition, the effectiveness of the entertainment tax is highly dependent on economic factors, especially people's purchasing power. As the economy grows, people are more likely to allocate funds to entertainment, which increases entertainment tax revenues. However, during the COVID-19 pandemic, entertainment tax revenues experienced a significant decline due to a decline in entertainment and tourism activities (Nabila & Jannah, 2022). Therefore, the effectiveness of entertainment tax revenue must consider economic factors that affect people's purchasing power as well as policies that can adjust to dynamic economic conditions.

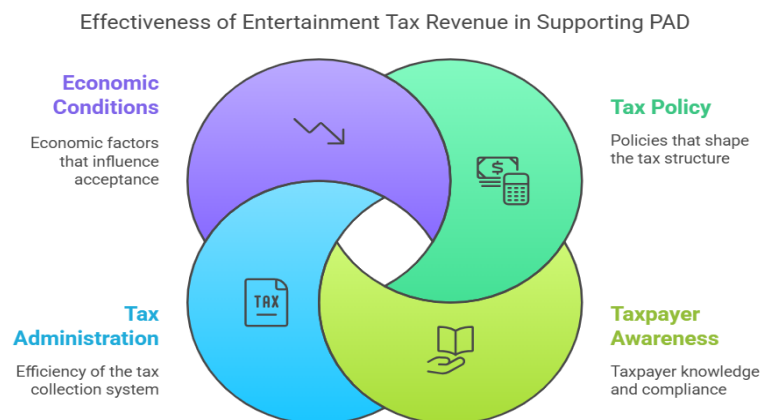


Figure 1. Effectiveness of Entertainment Tax Revenue in Supporting PAD

3.1.2 Factors Affecting Taxpayers' Compliance in Paying Entertainment Tax

The level of taxpayer compliance is an important aspect in optimizing entertainment tax revenue. One of the main factors that affect taxpayer compliance is awareness and understanding of tax obligations. A study conducted by Mansur et al. (2021) shows that a high level of understanding of entertainment taxes and their benefits for the public can improve taxpayer compliance. However, many entertainment business actors still do not understand their tax obligations, which leads to a low level of compliance (Imtiyazari et al., 2023). Therefore, socialization and education are important strategies that must be implemented by local governments to increase awareness and compliance with entertainment taxes (Nurhajizah & Tipa, 2021).

In addition to the awareness factor, tax policies also affect taxpayer compliance. Clear policies, transparent tax rates, and simple administrative processes can increase taxpayer compliance (Singgih et al., 2022). Research in DKI Jakarta shows that the implementation of effective policies in the collection of entertainment taxes contributes significantly to PAD (Singgih et al., 2022). On the other hand, policies that are not uniform between regions can cause confusion and uncertainty for entertainment business actors, which ultimately negatively impacts their tax compliance (Haabazoka & Chiti, 2024). Therefore, it is necessary to harmonize tax policies between regions to increase compliance and effectiveness of entertainment tax revenues.

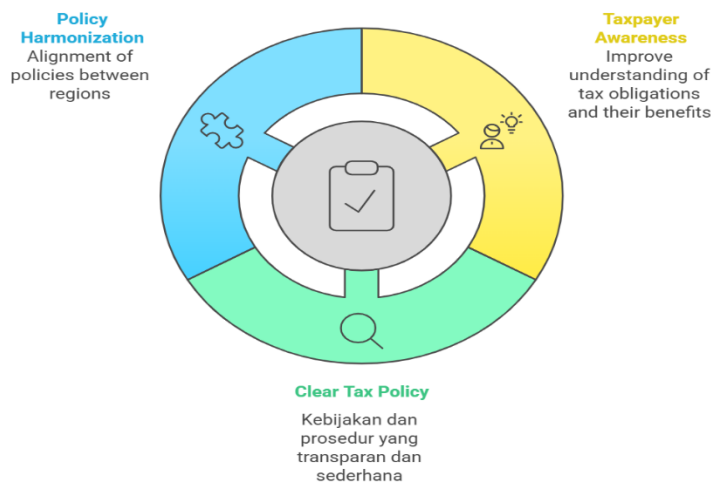


Figure 2. Factors Affecting Entertainment Tax Compliance

3.1.3 The Role of Tax Administration in Increasing Entertainment Tax Revenue

The effectiveness of tax administration is a key factor in optimizing entertainment tax revenue. Research shows that a good administrative system, including the use of information technology in the management of taxpayer data, can improve the efficiency of tax collection (Kipilimba, 2018). The use of computerized systems in tax management has been proven to be able to increase tax revenue by minimizing errors and improving data accuracy (Kipilimba, 2018).

However, challenges in the implementation of tax administration are still found in various regions. Research in West Manggarai Regency found that the effectiveness of entertainment taxes in the 2018–2021 period was in the category of less effective, with an average effectiveness of 73.30% (Etem & Wahyudi, 2023). This shows that although the entertainment tax has the potential to contribute to PAD, its implementation and collection still need to be improved. One of the main obstacles in tax administration is the lack of supervision and control in the tax collection system (Refkah & Shaleh, 2023). Therefore,

strengthening the supervision system, both through tax audits and transparent digital systems, is an important solution in increasing the effectiveness of entertainment tax administration.



Figure 3. Increasing Entertainment Tax Revenue

3.1.4 Entertainment Tax Contribution to Regional Revenue

Although entertainment tax has a strategic role in the regional financial system, its contribution to PAD is still relatively low in many regions. Research in Lebong Regency shows that the contribution of local taxes, including entertainment taxes, is still volatile and relatively low, although there is great potential from several types of taxes to increase PAD (Mawaddah & Nazir, 2023). The same thing also happened in Batam City, where the contribution of entertainment tax in the 2014–2018 period only reached 2.91% of the total PAD, showing that the entertainment tax has not made an optimal contribution (Putra, 2019).

On the other hand, research in West Manggarai Regency shows that entertainment taxes have a significant contribution to PAD, although the effectiveness of its collection still needs to be improved (Etem & Wahyudi, 2023). An analysis in East Java also shows that entertainment taxes contribute positively to PAD, but still lag behind other types of taxes, such as restaurant and hotel taxes (Olga & Andayani, 2021). Thus, a more effective strategy is needed to increase the contribution of entertainment tax to PAD.

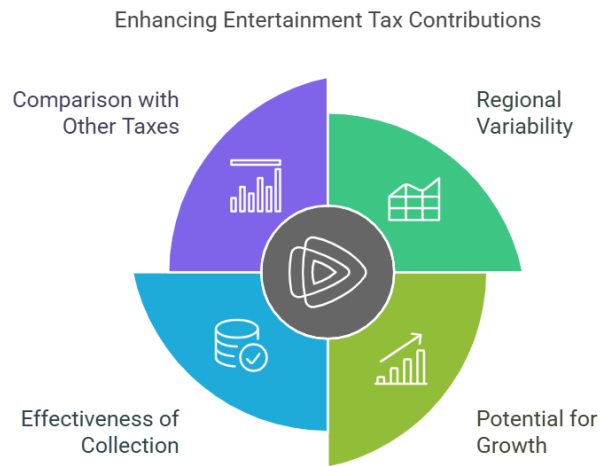


Figure 4. Enhancing Entertainment Tax Contributions

3.1.5 Policy Implications and Recommendations

Based on the results of the research, there are several policy recommendations that can be applied to increase the effectiveness of entertainment tax revenue and its contribution to PAD. First, local governments need to increase socialization and education about entertainment taxes to taxpayers. Many entertainment business actors still do not understand their tax obligations, so a more intensive socialization program is needed to improve tax compliance (Kinanti et al., 2023).

Second, local governments must improve the tax administration system through digitalization and stricter supervision. Research shows that the use of digital taxation systems can increase the effectiveness of tax collection by reducing recording errors and increasing transparency (Kipilimba, 2018). Therefore, investment in tax technology and training for tax officers is a very important step. Third, harmonization of tax policies between regions is needed to reduce uncertainty for entertainment business actors. Differences in regulations in various regions can cause confusion and uncertainty in the implementation of tax obligations (Haabazoka & Chiti, 2024). With more uniform and transparent policies, taxpayer compliance can increase, which ultimately contributes to the increase in PAD.

Fourth, providing incentives for compliant taxpayers can be an additional strategy to increase compliance. Incentive programs, such as tax breaks for small businesses or rewards for obedient taxpayers, can encourage more entertainment businesses to meet their tax obligations (Singgih et al., 2022). By implementing this recommendation, it is hoped that entertainment tax revenue can increase optimally and make a greater contribution to PAD. Increasing the effectiveness of the entertainment tax system will not only strengthen the fiscal capacity of local governments, but also support sustainable regional development.



Figure 5. Increasing Entertainment Tax Contribution

3.2 Discussion

The results of this study show the effectiveness of entertainment tax revenues in increasing Regional Original Revenue (PAD) which varies between regions, in line with the findings of Olga & Andayani (2021) in East Java which shows a positive contribution, but in contrast to a significant decrease in DKI Jakarta as reported by Inggur & Curry (2022). Key factors influencing revenue, namely taxpayer awareness (Mansur et al., 2021), transparent tax policies (Singgih et al., 2022), and the effectiveness of tax administration (Kipilimba, 2018), support these findings. However, obstacles such as low taxpayer compliance (Imtiyazari et al., 2023), policy inconsistency between regions (Haabazoka & Chiti, 2024), and lack of supervision (Refkah & Shaleh, 2023) point to the need for more comprehensive policy interventions, in contrast to the assumption of some studies that only focus on one or two factors. A study in West Manggarai Regency (Etem & Wahyudi, 2023), for example, shows suboptimal effectiveness even though the contribution to PAD is quite significant, showing the complexity of factors affecting entertainment tax revenue.

Taxpayer compliance, which is a key factor in revenue optimization, is proven to be influenced by their understanding of tax obligations and benefits (Mansur et al., 2021), so intensive socialization and education are important (Nurhajizah & Tipa, 2021). Effective tax policies, with transparent tax rates and simple administrative processes, also play a crucial role in increasing compliance (Singgih et al., 2022). However, research in Lebong Regency (Mawaddah & Nazir, 2023) shows fluctuations in local tax revenues, including entertainment taxes, showing that factors other than tax awareness and policy also need to be considered. This research also supports the importance of harmonization of policies between regions (Haabazoka & Chiti, 2024) and strengthening tax administration through digitalization and strict supervision (Kipilimba, 2018), in line with findings that show that a good administration system can improve the efficiency and accuracy of tax collection. However, other research shows that even if digital systems are implemented, less stringent supervision is still an obstacle (Refkah & Shaleh, 2023).

Based on these findings, policy recommendations to improve the effectiveness of entertainment tax revenue include: increasing socialization and education (Kinanti et al., 2023); improving the tax administration system through digitalization and stricter supervision, paying attention to the findings of Refkah & Shaleh (2023) on the importance of effective supervision even though digital systems have been implemented; harmonization of tax policies between regions (Haabazoka & Chiti, 2024); and the provision of incentives for compliant taxpayers (Singgih et al., 2022). The implementation of this recommendation is expected to increase entertainment tax revenue optimally, strengthen the fiscal capacity of local governments, and support regional development in a sustainable manner. However, keep in mind that the successful implementation of these policies also depends on external factors such as macroeconomic conditions and the

dynamics of the entertainment sector, something that needs to be considered in future policy planning and evaluation.

4. Conclusions

Entertainment taxes have a significant role in increasing Regional Original Revenue (PAD), but their effectiveness varies between regions and is influenced by various factors, including tax policies, taxpayer awareness, and the effectiveness of tax administration. Although the entertainment tax has great potential, challenges such as low taxpayer compliance and policy inconsistency between regions hinder its optimization. This study shows that to increase entertainment tax revenue, a comprehensive strategy is needed, including increasing socialization and education to taxpayers, improving the tax administration system through digitalization and strict supervision, and harmonizing tax policies between regions. By implementing this recommendation, it is hoped that the entertainment tax can make a greater contribution to PAD and support regional development in a sustainable manner.

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