



Potential and Contribution of Hotel Tax and Restaurant Tax to PAD (City of Surabaya)

Suparman¹, Aris Sunarya², Sarwani*³, Sri Kamariyah⁴

¹⁻⁴ Fakultas Ilmu Administrasi, Universitas Dr. Soetomo, Surabaya, Indonesia

Koresponden Autor : sarwani@unitomo.ac.id

Abstract. *This study explores the potential and contribution of hotel and restaurant taxes to Regional Original Revenue (PAD) in Surabaya, Indonesia. Using a qualitative descriptive approach, data were obtained from both primary and secondary sources. Primary data came from the Regional Government of Surabaya and the Regional Revenue Agency, while secondary data included academic literature, statistical reports, and regulatory documents. Data analysis employed McNabb's (2002) framework, which consists of grouping information by relevant constructs, identifying interpretive bases, generating generalizations, testing alternative interpretations, and refining theory from case evidence. The findings reveal that the hotel and restaurant sectors in Surabaya possess considerable growth potential, supported by increasing investment, a steady rise in tourist arrivals, and the growing public interest in the property and culinary industries. Hotel taxes have contributed an average of 4.96% of PAD annually, while restaurant taxes contributed 8.06%, reflecting their critical role in strengthening local fiscal capacity. Revenue performance has been further enhanced by the implementation of a self-assessment tax system, improvements in taxpayer compliance, and supportive local economic infrastructure. Despite these positive contributions, several challenges remain. These include unregistered lodging facilities, limited enforcement mechanisms, and a shift in consumer demand toward smaller-scale hospitality businesses, which can reduce taxable capacity. Addressing these challenges requires optimizing the hospitality tax base, expanding tourism promotion, strengthening compliance monitoring, and advancing digital-based tax management systems to ensure efficiency and transparency. In conclusion, hotel and restaurant taxes play a vital role in ensuring Surabaya's fiscal independence and financing public welfare initiatives. Strengthening governance and adopting adaptive policies are essential for maximizing their potential contribution to sustainable local development.*

Keywords: *Hotels, Regional Original Revenue, Restaurants, Taxes, Tourism Development*

1. INTRODUCTION

The national government has established policies aimed at enhancing and expanding the functions and competencies of regional governments in financial, economic, and other relevant sectors. Strengthening the authority and capacity of local administrations is grounded in the financial interconnections between central and regional governments, which arise as an outcome of the principles guiding governance: decentralization, deconcentration, and co-administration.

Efficiency has emerged as a significant consideration influencing the decision-making processes of the central government in the distribution of administrative and developmental responsibilities. This focus on efficiency has encouraged the central government to increase the delegation of various governmental tasks and functions to local governments. These delegated responsibilities are supported financially either through the Regional Revenue and Expenditure Budget (APBD) or through the State Revenue and Expenditure Budget (APBN). The financing arrangements often take the form of subsidies, financial assistance programs, or government loans, which collectively ensure that local administrations have sufficient fiscal resources to perform the functions assigned to them.

Over time, the scope of governmental and developmental functions transferred from the central government to local governments has expanded substantially. This shift is not only a response to the need for greater administrative efficiency but also an acknowledgment of the importance of addressing diverse local demands and aspirations that arise within different regions. The decentralization process is intended to bring decision-making closer to the people, enabling local governments to respond more effectively to the unique economic, social, and developmental challenges faced by their communities.

To provide a strong legal foundation for this evolving relationship between the central and local governments, the central government has enacted several key legislative measures. Among these, Law Number 23 of 2014 on Regional Government establishes the framework for regional governance, while Law Number 1 of 2022 concerning the Fiscal Balance between the Central and Regional Governments regulates the financial arrangements that support this delegation of authority. These legal instruments collectively serve to clarify the distribution of responsibilities and financial resources, ensuring a more balanced and responsive governance structure.

In an effort to enhance overall efficiency in the administration of government functions, the central government has adopted a progressive approach by expanding the delegation of responsibilities to local governments. This decentralization initiative has resulted in a broader scope of functions being entrusted to regional administrations, thereby allowing for more localized decision-making and governance. The transfer of such responsibilities necessitates adequate financial support to ensure successful implementation. Accordingly, the funding for these delegated functions is derived from two main financial sources: the Regional Revenue and Expenditure Budget (APBD) and the State Revenue and Expenditure Budget (APBN). The financial resources allocated for this purpose are often channeled through various fiscal instruments, including subsidies designed to reduce local financial burdens, grants intended to stimulate specific development initiatives, and government loans aimed at facilitating long-term investments in public services and infrastructure.

The continuous expansion of governmental and developmental functions at the local level also reflects the need to address region-specific demands and the aspirations of local communities. These needs encompass economic growth, improved public services, equitable resource distribution, and greater public participation in governance. Recognizing the importance of establishing a strong legal foundation to govern this evolving relationship between central and local authorities, the central government enacted significant legislative instruments. Among them, Law Number 23 of 2014 concerning Regional Government

provides the structural and administrative framework for regional autonomy, while Law Number 1 of 2022 concerning the Fiscal Balance between the Central and Regional Governments regulates the financial mechanisms necessary to support these delegated responsibilities. Collectively, these laws ensure a clearer delineation of authority, improved fiscal management, and enhanced regional capacity to meet the diverse and dynamic challenges of governance and development.

Regional Original Revenue (PAD) serves as a critical source of regional income and plays a pivotal role in supporting development initiatives. Within the framework of regional autonomy, PAD is expected to become the primary pillar for financing local development programs. Consequently, local governments must make continuous efforts to increase their own-source revenues, thereby expanding financial capacity to independently fund diverse development activities. In fulfilling financial needs for governance and development, funding may be derived from both internal regional revenues and external sources.

Regional Original Revenue (PAD) constitutes a source of local income that provides flexibility for regions to manage governance and development independently (Kobandaha & Wokas, 2016). PAD is derived from regional taxes, levies, proceeds from regionally owned enterprises, and other lawful sources. An increase in PAD enhances a region's capacity to implement development programs, and a higher proportion of PAD within total revenue signifies greater fiscal independence for the region (Pangestuti & Aminuddin, 2017).

Regional Original Revenue (PAD) constitutes a critical component of regional financial management, with local taxes—particularly hotel and restaurant taxes—serving as major contributors to its growth. Following the implementation of regional autonomy, local governments have gained greater authority to manage revenue sources, including regional taxation. Empirical audits indicate that hotel and restaurant taxes hold significant potential to enhance the efficiency and effectiveness of tax collection, thereby supporting regional financing needs (Mukhtar, 2020; Virnawati et al., 2017; Rahayu et al., 2022).

Efforts to enhance regional tax revenue must be implemented through a variety of strategic approaches, including the improvement of tax collection management systems and the exploration of new revenue sources with significant potential. Empirical studies demonstrate that the growth in tourist arrivals contributes not only to the expansion of the tourism sector but also exerts a direct positive effect on hotel and restaurant tax revenues. An increase in the number of tourists leads to higher consumption of services within hotels and restaurants, which are subject to local taxation, thereby strengthening the capacity of regional

governments to generate additional revenue from this sector (Widyastuti & Irvansyah, 2023; Alexandro et al., 2022).

Moreover, empirical evidence indicates that the effectiveness of hotel and restaurant tax collection varies across regions. For instance, in Jember Regency, hotel and restaurant tax collection is categorized as highly effective; however, its contribution to Regional Original Revenue (PAD) remains relatively low, at less than 20% (Basyarahil & Irmadariyani, 2019). This finding suggests that, while the mechanisms for collecting hotel and restaurant taxes are performing well, there is considerable potential to increase their share in overall PAD through the implementation of more strategic policies and revenue optimization efforts.

In the context of the City of Surabaya, hotel and restaurant tax collection plays a crucial role, where efforts to optimize tax collection must be carried out taking into account local potential and existing economic conditions (Aprilia, 2019). Therefore, understanding and developing tax collection methods as well as identifying new areas for tax extraction are important steps to increase the contribution of this tax sector to PAD, especially amid the challenges faced by the COVID-19 pandemic that has changed consumption patterns and tourist visits (Dahlan et al., 2022).

In conclusion, hotel and restaurant taxes are one of the promising sources of PAD for local governments, including in the city of Surabaya. Maximizing this potential requires an integrated approach to local tax management, improved facilities to support the tourism sector, and a better destination marketing strategy to attract more visitors, which in turn has a positive impact on tax revenue (Nurmala & Kosasih, 2021; Iskandar et al., 2021).

Regional taxes are defined as mandatory contributions imposed by law on individuals or entities within a region, characterized by their coercive nature and the absence of direct compensatory benefits. These taxes are collected to meet regional needs and are ultimately aimed at promoting the greatest possible prosperity for the public. The principal provisions governing regional taxation are stipulated through statutory regulations. Similarly, regional levies represent charges imposed by local governments as payment for specific services or permits that are expressly provided for the benefit of individuals or entities (Halim, 2005).

Among the various forms of local taxation, hotel and restaurant taxes have significant potential to serve as drivers of regional development, particularly in supporting growth in the services and tourism sectors. For example, the city of Surabaya, recognized as Indonesia's second-largest city, possesses dense residential areas and numerous tourist attractions, factors that create favorable conditions for increasing Regional Original Revenue (PAD) through heightened economic activity and expanded tax collection from applicable tax objects. A higher

PAD in a given region typically reduces reliance on financial transfers or assistance from the central government, whereas a lower PAD necessitates greater involvement and fiscal support from the central government. This dynamic reflects the critical importance of PAD as an endogenous source of revenue generated within the region itself (Teguh, 2016).

Law Number 1 of 2022 provides a comprehensive legal framework for the classification of regional taxes in Indonesia, clearly delineating them into two primary categories: provincial taxes and regency or municipal taxes. This classification is designed to reflect the distinct levels of governmental authority and fiscal responsibility within the decentralized administrative structure of the country.

Provincial taxes, which fall under the jurisdiction of provincial governments, include several key revenue instruments. Among these are the Motor Vehicle Tax, which is imposed on the ownership and operation of motor vehicles, and the Motor Vehicle Fuel Tax, levied on fuel consumption associated with vehicle use. Additionally, the Transfer Fee of Motor Vehicle Title represents a tax obligation that arises when ownership of a motor vehicle is transferred from one party to another. Furthermore, the provincial tax category encompasses levies on the extraction and utilization of groundwater and surface water resources, reflecting the importance of sustainable management and regulation of natural resources at the provincial level.

In contrast, regency and municipal governments are responsible for administering a broader and more diverse set of local taxes, which are directly linked to urban development, public services, and local economic activities. These include the Hotel Tax and Restaurant Tax, which are significant contributors to local revenue and are closely tied to the growth of the hospitality and tourism industries. Other taxes within this category include the Entertainment Tax, Billboard Tax, Street Lighting Tax, Swiftlet's Nest Tax, Land and Building Tax, the Duty on the Acquisition of Land and Building Rights, and the Parking Tax. Each of these levies serves a specific purpose in supporting local infrastructure, public amenities, and overall community development. By distinguishing the scope of taxation between provincial and regency or municipal authorities, Law Number 1 of 2022 ensures clarity in fiscal governance and facilitates more efficient allocation of tax revenues to meet both regional and local development priorities.

This classification reflects the division of tax authority between provincial and regency/municipal governments as mandated by law, ensuring a clear delineation of fiscal responsibilities and revenue sources across different levels of regional administration.

The City of Surabaya, as an administrative entity within the sovereign framework of the Republic of Indonesia, holds the status of an autonomous region endowed with the legal

authority to regulate and manage its own governmental functions, including the crucial domain of local taxation. This autonomy is a direct outcome of Indonesia's regional governance framework, which formally delineates and decentralizes authority between the central and regional levels of government. Through this mechanism, local governments such as Surabaya are empowered to administer their internal affairs more independently, including the development and implementation of fiscal policies tailored to their respective regional needs.

The institutionalization of regional autonomy has necessitated a transformative shift in the way local administrations operate, compelling them to improve their capacity and competitiveness in driving regional development. This is particularly significant in the context of optimizing Regional Original Revenue (Pendapatan Asli Daerah, PAD), which serves as a critical financial instrument for supporting both governance and developmental objectives. For Surabaya, efforts to maximize PAD are essential not only to achieve greater fiscal independence from central government transfers but also to enhance the ability to finance diverse public services and infrastructure initiatives that directly benefit the community.

As the largest urban center in East Java Province and a major economic hub in the region, Surabaya plays a pivotal role in the provincial and even national economy. The city actively pursues both short-term programs aimed at addressing immediate administrative and development needs and long-term strategic initiatives designed to promote sustainable urban growth, strengthen economic resilience, and maintain effective governance structures. This dual focus underscores the city's commitment to leveraging its autonomous status to achieve higher standards of public service, inclusive economic development, and improved quality of life for its residents.

An additional strength of Surabaya lies in its well-developed infrastructure and continuous growth in facilities, notably the steady annual increase in hotel and restaurant establishments. This development presents significant potential for generating additional local revenue, particularly through hotel and restaurant taxes. To support governance and development objectives, the Surabaya City Government requires substantial financial resources, which must not only rely on transfers from the central government but also be supported by the city's own fiscal capacity. Hence, optimizing funding sources—especially those derived from Regional Original Revenue (PAD)—is essential for ensuring sustainable local development and governance.

Among the various types of taxes with considerable potential in Surabaya, the Hotel and Restaurant Tax stands out as particularly significant. This is attributable to Surabaya's status as a metropolitan city that continues to experience rapid development across multiple

sectors, including tourism and commerce. Such growth has stimulated an increase in tourist arrivals and business activities, which, in turn, has led to a steady rise in the number of hotels and restaurants in operation. These sectors present promising prospects for generating regional tax revenue, as the expansion of hotels and restaurants directly translates into greater tax collection potential.

Hotel and restaurant taxes have emerged as a significant component of Regional Original Revenue (PAD) in the City of Surabaya. Accordingly, this study aims to conduct an in-depth analysis and provide a descriptive account of the potential associated with hotel and restaurant tax revenues in Surabaya. Furthermore, it seeks to evaluate the extent of their contribution to the overall PAD of the city.

2. THEORETICAL STUDIES

Regional Original Revenue (PAD) represents income derived from sources within the jurisdiction of a region and is collected in accordance with prevailing legal provisions. This framework places an obligation on regional governments to continuously enhance their capacity to identify, optimize, and manage local revenue sources, particularly those classified as PAD. Efforts to increase PAD are crucial for enabling regional governments to finance their operational and developmental needs independently. Strengthening PAD not only reduces regional dependence on central government transfers but also promotes greater fiscal autonomy, ultimately supporting the goal of regional self-sufficiency and sustainable local governance.

Regional Original Revenue (PAD) represents income sourced from within a specific region and collected in accordance with applicable legal provisions (Halim, 2005). In this regard, local governments are mandated to enhance their capacity to identify, explore, and manage potential resources to increase regional income, especially those originating from PAD and regional levies. Within the framework of regional autonomy, an autonomous region is defined as a legal community unit with clearly delineated territorial boundaries, possessing the authority to regulate and manage public affairs based on its own initiatives and in line with the aspirations of its population, while remaining within the structure of the Unitary State of the Republic of Indonesia. As stipulated in Law Number 33 of 2004 on Financial Balance Between the Central Government and Regional Governments, PAD consists of revenues from regional taxes, regional levies, income from regionally owned enterprises, and other legitimate sources.

Herlina (2005) conceptualizes Regional Original Revenue (PAD) as income derived from regional tax collections, returns generated from the management of regionally separated

assets, and other legitimate PAD sources. This revenue functions as a crucial financial instrument for supporting the implementation of regional autonomy (otoda), which represents the practical realization of decentralization principles. In a similar vein, Warsito (2001) defines PAD as revenue originating from and directly collected by local governments. According to Warsito, the components of PAD include regional taxes, regional levies, profits earned by regionally owned enterprises (BUMD), and other legally recognized forms of local income.

Law Number 28 of 2009, Article 1, Paragraph 10, defines Regional Tax—hereafter referred to as “Tax”—as a compulsory contribution owed to the region by individuals or entities, established under statutory provisions and collected without any direct reciprocal benefit to the payer. The revenue generated from these taxes is allocated to address regional needs, with the ultimate objective of achieving the highest possible level of public welfare. As a fundamental component of Regional Original Revenue (PAD), regional taxes are expected to function as a vital financial resource to support governmental administration and regional development, thereby enhancing social welfare and ensuring its equitable distribution across the population.

Regional taxes are characterized as compulsory contributions payable to the regional government by individuals or entities, mandated by statutory regulations, collected without direct compensation, and allocated to fulfill regional needs in pursuit of the highest possible public welfare. The fundamental principles governing the administration of regional taxation are established by legislation. In contrast, regional levies refer to charges imposed as remuneration for specific services or permits explicitly provided or granted by local governments for the benefit of individuals or entities.

The Regional Government comprises governors, regents, or mayors, along with their respective administrative apparatus, serving as the primary executors of local governance. The implementation of regional government functions involves managing governmental affairs through collaboration between local authorities and the regional legislative council, guided by economic principles and administrative accountability, all within the framework of the Unitary State of the Republic of Indonesia as mandated by the 1945 Constitution. Moreover, the definitions of individuals or entities subject to regional taxes and levies are consistent with those outlined in the UUKUP (Priantara, 2012).

The classification of regional taxes is governed by Government Regulation Number 55 of 2016, which implements the mandate of Law Number 28 of 2009 concerning Regional Taxes and Regional Levies. This regulation stipulates that regional taxes are categorized according to their collection mechanism, either through direct determination by the regional head or

voluntary payment by taxpayers. Furthermore, regional taxes are classified into two main categories: provincial taxes and regency/municipal taxes

Provincial taxes encompass levies such as the Motor Vehicle Tax, Motor Vehicle Title Transfer Fee, Surface Water Tax, Motor Vehicle Fuel Tax, and Cigarette Tax. In contrast, regency and municipal taxes cover a wider array of levies, including the Billboard Tax, Groundwater Tax, Rural and Urban Land and Building Tax, Hotel Tax, Restaurant Tax, Entertainment Tax, Street Lighting Tax, Non-Metallic Minerals and Rocks Tax, Parking Tax, Swiftlet's Nest Tax, and the Duty on the Acquisition of Land and Building Rights. This categorization delineates a clear division of tax collection responsibilities between provincial and regency/municipal governments.

The hotel tax is a levy imposed by local governments at the regency and municipal levels (Yun, 2021). According to Surabaya City Regional Regulation No. 4 of 2011, the hotel tax is defined as a tax collected from hotel operations. In this context, a hotel refers to any building that provides accommodation and leisure services, along with additional supporting services, for a fee. The definition encompasses establishments with more than ten rooms, including motels, inns, tourist cottages, boarding houses, and hostels, all of which fall within the scope of hotel tax obligations under local regulatory frameworks.

According to Siahaan (2013), the restaurant tax is a levy collected from consumers for utilizing restaurant services and facilities. A restaurant, in this context, refers to an establishment that provides food and beverage services for a fee and encompasses various types of businesses, including cafes, food stalls, canteens, bars, and other similar outlets offering food and catering services. Asrofi (2019) further explains that the restaurant tax applies to all services provided by such establishments for compensation.

In line with this, Surabaya City Regional Regulation Number 4 of 2011 defines the restaurant tax as a tax imposed on the services rendered by restaurants. For regulatory purposes, a restaurant is described as a facility equipped to provide food and beverage services, either for direct consumption or through catering, and includes restaurants, cafeterias, canteens, stalls, bars, and similar establishments.

3. RESEARCH METHODS

This research employs a descriptive analytical approach, which involves systematically managing, describing, and interpreting the collected data to develop a clear understanding of the phenomena under study. The research design is field-based, with primary data obtained directly from the Regional Government of Surabaya, particularly from the Regional Revenue

Agency. Secondary data sources include literature on Regional Original Revenue (PAD), regional governance, and relevant regulatory documents.

The key informants in this study comprise authorized officials, including the Regional Secretary of the Surabaya City Government, the Head of the Surabaya City Regional Revenue Agency, and representatives from the Surabaya Branch of the Indonesian Hotel and Restaurant Association. Data analysis adopts the approach outlined by McNabb (2002), which entails organizing data based on key constructs, establishing interpretative frameworks, generating generalizations, examining alternative interpretations, and ultimately formulating and refining theoretical insights that can be generalized from the case study findings.

4. RESULTS AND DISCUSSION

Potential and Prospects of hotel and restaurant taxes in the city of Surabaya

The potential and future outlook of Regional Original Revenue (PAD) sourced from hotel and restaurant taxes in Surabaya appear highly promising. These taxes represent one of the primary revenue streams that significantly contribute to financing regional development programs. The effectiveness of tax collection and the consistent growth in revenue from this sector highlight its strong potential for continued expansion. Although external factors, such as the COVID-19 pandemic, have caused fluctuations in revenue, the overall trajectory indicates a sustained capacity for growth and a valuable contribution to local fiscal stability.

Tax Potential greatly determines the amount of Regional Tax that can be collected, thus the amount of Tax Potential needs to be known to determine the amount of tax revenue in a period. This will facilitate planning and control the implementation of tax collection itself (Prakosa, 2005). The potential and prospects of Hotel and Restaurant Taxes are influenced by the dynamics of the development of the business sector.

In 2022, this sector will be one of the investment prima donnas with a total value of IDR 3.98 trillion, occupying second place after the housing, industrial estate, and office sectors. At that time, the number of businesses recorded was 379, indicating that incoming investments tended to focus on the construction of large-scale hotels and restaurants. Investor interest in this business sector is driven by the post-pandemic economic recovery, increased community mobility, and the growth of the tourism and business sectors in Surabaya. However, in 2023 there will be an interesting phenomenon, the number of hotel and restaurant businesses has increased significantly to 699. The availability of cultivable land and easy business permits have increased the number of hotel and restaurant businesses in Surabaya, but the investment that comes in is more spread in small and medium-scale businesses compared to large-scale

businesses. This can be due to a shift in trend where more small restaurants, cafes, and boutique hotels are popping up, while the business of star-rated hotels and large restaurants is slowing down. In addition, changes in people's consumption patterns that are increasingly shifting to online services and digital-based culinary businesses also affect investment strategies in this sector. In 2024, the hotel and restaurant sector will no longer be included in the top five sectors with the largest investment in Surabaya, there have been 858 hotel and restaurant businesses established, this number continues to increase from 2022 – 2024.

The observed growth in regional revenue is largely driven by taxes imposed on hotel and restaurant activities. In addition to their direct fiscal contribution, these sectors generate multiplier effects that foster the development of related industries such as transportation, communications, and financial services, thereby indirectly boosting Regional Original Revenue (PAD). The expansion of the hotel and restaurant sector has been shown to positively influence regional tax receipts, particularly those derived from hotel and restaurant taxes. Increased activity within this sector enhances the potential for regional tax revenue, underscoring its strategic role in strengthening local fiscal capacity.

As the capital city of East Java Province, Surabaya benefits significantly from the presence of supporting economic infrastructure, including the Purabaya Bus Terminal, Tanjung Perak Port, Juanda International Airport, and Gubeng Railway Station. These facilities play a strategic role in facilitating mobility and logistics, thereby influencing the formulation of economic development policies. The city's geographically strategic position, particularly for trade as well as export and import activities, contributes to creating an economic environment that is both relatively stable and highly dynamic, fostering sustained growth and investment enthusiasm. In terms of supply, the sectoral contribution to Surabaya's GDP for 5 years (2021-2025) is dominated by the tertiary sector (trade, hotel and restaurant sectors, transportation and communication sectors, financial sector, rental and corporate services, services sector) while the primary sector (agricultural sector and mining sector) has the lowest contribution when compared to the secondary and tertiary sectors. (Source: RPJMD 2019-2024)

This condition reflects the economy of the city of Surabaya developing towards an economy driven by the trade and service sector, as happened in other cities in the world. In the economic structure of the city, Surabaya in the last 10 years, the trade and services sector or those who are members of the tertiary sector have played a big role in shaping the economy in this region. For the tertiary sector, market share is rampant. Almost the entire area of Surabaya is used as a commercial area, in accordance with the development planning map above.

Perdagangan yang menimbulkan permintaan fasilitas perdagangan baru. Such as malls, shops, offices and new shophouses have sprung up. In the last 5 years, several new trade centers have started operating, thus having an impact on increasing the output of the trade, hotel and restaurant sectors, which ultimately increases the role of these sectors in Surabaya's economic structure. The increase in the trade, hotel and restaurant sectors certainly has a multiplier effect on others, namely the transportation and communication sectors as well as the financial, rental and corporate services sectors which have been supporting the trade sector.

Surabaya is projected to become a key destination for both domestic and international tourists. The city is geographically divided into East, West, Central, South, and North Surabaya, a spatial planning strategy designed to ensure balanced development and prevent growth from being concentrated solely in the city center. The development of new hotels in Surabaya has the potential to increase municipal revenue through enhanced income from development permits and levies. For the community, these developments create employment opportunities, particularly within the hospitality sector, while also providing visitors with a wider selection of accommodation options. This aligns with insights from an interview conducted by the researchers with the Chairman of the Indonesian Hotel and Restaurant Association (PHRI), who emphasized that the proliferation of new hotels benefits multiple stakeholders: the government through increased revenue from permits and levies, local residents through improved access to job opportunities, and consumers through the availability of diverse lodging options. According to Ibrahim and Supadmi (2022), the length of tourist stays directly correlates with higher expenditures at destinations, particularly on food, beverages, and accommodation. The variety of needs tourists seek to fulfill during their visits stimulates local consumption patterns, which, in turn, contributes to increased revenue from hotel and restaurant taxes.

Junior (2018) posits that one of the theoretical determinants of Hotel and Restaurant Tax revenue growth is the volume of tourist arrivals. In a similar vein, Ibrahim and Supadmi (2022) highlight the number of hotels as a critical variable influencing hotel tax receipts, with empirical findings demonstrating a strong positive correlation between the availability of hotel infrastructure and the magnitude of Hotel and Restaurant Tax revenue. The existence of accommodation facilities, such as hotels, alongside food service establishments, such as restaurants, provides direct fiscal benefits to local governments through the collection of hotel and restaurant taxes.

This study is anchored in contribution theory, which asserts that the taxation of hotel and restaurant service users, as stipulated by regional tax regulations, establishes a structured

mechanism for revenue generation. Accordingly, growth in the number of hotels and restaurants within a given city is anticipated to result in increased hotel and restaurant tax revenues, thereby enhancing local fiscal capacity.

The contribution of hotel and restaurant taxes to the original income of the city of Surabaya.

The growth in revenue from hotel and restaurant taxes is largely influenced by the rising public awareness regarding compliance with tax obligations. This trend aligns with the implementation of the Self-Assessment System, a mechanism that grants taxpayers the autonomy to calculate and determine their own tax liabilities. By promoting a sense of responsibility and trust among taxpayers, this system has contributed to improved compliance levels and, consequently, to the increased collection of hotel and restaurant tax revenues. In this system, the entire tax process is fully the responsibility of the taxpayer, starting from registering themselves, calculating taxes payable, to making deposits independently. The government does not interfere in the process, but only acts as a supervisor. If indications of violations are found, such as hotels that do not report their tax obligations, the government has the authority to issue a reprimand or action in accordance with applicable provisions.

The growth of hotel taxes can be driven by the government's active role in attracting guest visits through the organization of various events in the city of Surabaya. When the government holds activities such as performances, exhibitions, or other events, the number of tourists coming to the city will increase. These tourists, both from outside the region and abroad, certainly need accommodation while in Surabaya. This encourages an increase in hotel occupancy, which directly impacts the increase in hotel tax revenue in the area.

During the period 2021 to 2024, hotel taxes contribute an average of 4.96% to the Regional Original Revenue (PAD) of the City of Surabaya every year. This achievement is not optimal, among other things, because there are still hotels that have not been registered as tax objects. This condition occurs because some hotel business operators have not reported their businesses to the Surabaya City Revenue and Financial Management Office. Generally, this unregistered business is in the form of boarding houses with more than 10 rooms or shophouses that have been converted into lodgings. The non-involvement of these objects in the tax system shows that the potential of hotel tax revenue in Surabaya has not been fully utilized, so it is something that needs serious attention.

Regional Original Revenue (PAD) constitutes one of the primary financial resources for regional governments and is derived from regional taxes, levies, returns on separated regional asset management, and other legitimate revenue sources. Among these, hotel taxes

fall under the category of regional taxes and represent a key component within the overall PAD structure. In the case of Surabaya, hotel taxes exhibit considerable potential in supporting regional financing and are anticipated to make a substantial contribution to PAD.

Empirical findings indicate that the optimization of PAD potential reflects the practical implementation of regional autonomy, wherein local governments are vested with the authority to independently manage and allocate their income sources. This autonomy underscores the strategic importance of hotel taxes as a fiscal instrument for strengthening local revenue bases and enhancing financial self-reliance.

Regional Original Revenue (PAD) is generated from various forms of taxation that constitute mandatory obligations for citizens, one of which is the hotel tax. Regional taxes represent a critical component influencing the financial stability of the Surabaya City Government, serving as an essential instrument for managing and guiding the local economy. The revenue obtained from PAD is intended to support the execution of diverse governmental programs, encompassing both physical infrastructure development and non-physical initiatives, thereby enabling the optimal implementation of regional policies.

The collection and realization of regional tax revenues are conducted within an established accountability framework, which includes the preparation and timely submission of Responsibility Reports (Surat Pertanggungjawaban/SPj) to the tax inspectorate. The effective application of these mechanisms demonstrates how regional development efforts are able to meet community needs and reflect the practical enactment of regional autonomy principles within the administrative scope of the City of Surabaya.

In line with the regulatory framework established by the Ministry of Home Affairs, the implementation of hotel tax collection in Surabaya has been carried out in accordance with prescribed standards. While the Surabaya City Regional Financial and Tax Management Agency (BPKPD) has not faced significant challenges in performing its functions, it continues to maintain strict oversight of taxpayers to minimize the potential for tax evasion.

The measures undertaken include conducting field surveys and organizing socialization programs aimed at encouraging hotel business operators—both star-rated and non-star-rated establishments—to promptly register their enterprises with the BPKPD. Moreover, although not representing a direct obstacle, fluctuations in revenue from other tax sectors impact the proportional contribution of hotel taxes to the overall Regional Original Revenue (PAD), thereby illustrating the dynamic and interdependent nature of regional fiscal performance.

On average, the restaurant tax accounts for approximately 8.06% of Surabaya City's annual Regional Original Revenue (PAD). This achievement is strongly influenced by the rapid

growth of the café and restaurant business sector in Surabaya, which has recorded a 20% increase since 2019. As one of the key types of local taxation, the restaurant tax holds substantial potential in supporting regional financing and is therefore expected to serve as a major contributor to PAD.

The data supporting this study were collected through documentation and interviews, ensuring a comprehensive understanding of the dynamics of restaurant tax collection and its fiscal implications. The revenue generated from PAD is intended to finance both physical and non-physical development programs, enabling their effective and optimal implementation. Furthermore, the collection and allocation of regional tax revenues are governed by an accountability mechanism, specifically through the preparation and timely submission of Responsibility Reports (Surat Pertanggungjawaban/SPj) to the tax inspectorate. Overall, the implementation of regional development in Surabaya has proven effective, successfully addressing local community needs and demonstrating the practical application of regional autonomy principles.

The restaurant tax is a levy imposed on services related to the provision of food and beverages by restaurants. Following the enactment of Surabaya City Regional Regulation Number 4 of 2011, the method of restaurant tax collection transitioned from an Official Assessment System to a Self-Assessment System. This reform was designed to build public trust and foster greater awareness and active participation among taxpayers in fulfilling their tax obligations.

Under the Self-Assessment System, taxpayers are responsible for independently comprehending all aspects of tax procedures, including the timing of payments, methods of calculating tax liabilities, and the legal implications associated with noncompliance. The adoption of this system is intended to improve tax compliance levels by encouraging voluntary adherence to applicable tax laws and regulations. Consequently, active community involvement serves as a critical determinant of success in supporting development financing through tax revenue.

Under prevailing government regulations, restaurants are defined as enterprises that offer food and/or beverages in exchange for payment, a definition that extends to catering services and other forms of food service operations. In accordance with Surabaya City Regional Regulation Number 4 of 2011, the taxable base for restaurant tax is determined by the total payment received or anticipated from consumers. This payment includes all monetary transactions or forms of compensation charged in return for the provision of food and beverage services.

The restaurant tax rate is stipulated at 10%, calculated by multiplying the established rate by the taxable base. From these provisions, it can be inferred that the collection of restaurant taxes in Surabaya is supported by a conducive trading environment, facilitated by the city's comprehensive facilities and infrastructure. This conducive regulatory and operational environment has contributed to the steady annual growth in restaurant tax revenues. Moreover, the procedures governing restaurant tax collection in Surabaya adhere to the standards set by the Ministry of Home Affairs, thereby ensuring both regulatory compliance and administrative efficiency.

5. CONCLUSION

The growth trajectory of the hotel and restaurant sector continues to show upward momentum each year, fueled by increasing public interest in property investment and food service enterprises. As the number of hotels and restaurants expands annually, the corresponding potential for generating regional tax revenue from these sectors also increases. The rise in tax receipts contributes substantially to Surabaya's Regional Original Revenue (PAD), thereby strengthening the city government's capacity to finance public services and improve overall community welfare.

The average contribution of hotel taxes to Surabaya's PAD has been recorded at 4.96% annually. Research findings indicate that hotel taxes play an important role in strengthening the city's fiscal capacity. Furthermore, the growth of hotel tax revenue can be stimulated by government initiatives aimed at attracting visitors, such as hosting exhibitions, cultural performances, and other large-scale events. The influx of domestic and international visitors generates demand for accommodation, thereby increasing hospitality service usage and boosting hotel tax revenue.

Similarly, restaurant taxes have demonstrated a significant fiscal impact, contributing an average of 8.06% annually to Surabaya's PAD. This reflects the strong performance of the restaurant industry as a revenue source and highlights its strategic importance in supporting regional financial sustainability.

6. REKOMENDATION

To enhance the contribution of hotel and restaurant taxes to Surabaya's Regional Original Revenue (PAD), it is recommended that the local government strengthen tax management systems and intensify supervision of taxpayers to minimize non-compliance.

Increasing public awareness through continuous education and socialization programs can improve voluntary compliance, particularly under the self-assessment system.

The government should also focus on stimulating tourism and hospitality growth by organizing cultural events, exhibitions, and business activities that attract both domestic and international visitors. This will increase hotel occupancy rates and restaurant patronage, thereby boosting tax revenue.

In addition, integrating technology into tax collection—such as digital reporting and payment platforms—can enhance efficiency and transparency. Monitoring unregistered lodging facilities and small-scale food businesses is also crucial to ensure all potential tax objects are captured in the database.

Finally, investment in supporting infrastructure and the promotion of Surabaya as a tourism and culinary destination should be prioritized, as these efforts will create multiplier effects that strengthen the local economy and sustain PAD growth from the hospitality sector.

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