

IMPACT OF COVID-19 PANDEMIC ON THE LOCAL TAX

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ABSTRACT

The purpose of government is to proper the community by using fund from the people, one of which is local tax. Covid-19 not only affects health, but also affects local tax conditions. The study was conducted with the aim to analyze whether there are difference local tax before and after covid-19 pandemic. The sample used in this study is the period of 2019 and 2020 in the report on budget realization. There are 34 provincial government in Indonesia as sample. Data were analyzed using IBM SPSS 23.0. Hypothesis testing is performed using paired sample t-test. The result of this study indicates that there are difference in local tax at the time before and after Covid-19 pandemic. The current pandemic situation has a major impact on regional economy, including in the taxation sector. The impact of the Covid-19 pandemic with the decline in local tax revenues was due to the people being affected by being laid off and partial lockdown. How long this pandemic lasts and how much impact it will have on economic activity will determine the future of the regional tax sector in Indonesia.

Keywords: covid-19, local government, local tax

1) INTRODUCTION

Corona Virus Disease 2019 (Covid-19) has spread widely and has caused a lot of harm in various aspects, including making people lose their jobs and become unpaid (Astuti et.al, 2021). Shocks to sectors in the economy due to the economic impact caused by the Covid-19 pandemic are unavoidable by the government (Anderson et al., 2020). The emergence of this disease outbreak has a very broad impact, not only in foreign countries including Indonesia, which has begun to be affected by this virus outbreak, with the spread and danger of this virus causing the government to be required to work extra quickly in tackling this, and of course the policies taken the government will definitely have a certain impact on society and affect several sectors such as local taxes which have decreased (Paramitha, 2021). In dealing with the Covid-19 pandemic, the government did not do a lockdown but used the Large-Scale Social Restriction (PSBB) policy (Soehardi et al., 2020).

The impact of Covid-19 not only disrupts Indonesia's export and import sectors, but also from tax revenues which have also decreased (Nasution et al., 2020). This has a very serious impact because tax revenue has a major contribution in boosting state revenue (Sugarda & Wicaksono, 2017). Covid-19 has implications in terms of social, economic growth, a decrease in state revenue, a decrease in regional revenue and slowing economic growth so that state and regional income does not reach the desired target (Paramitha, 2021). This decline in income is a result of the spread of the Covid-19 outbreak and one of the impacts is income from taxes (Indrawati & Katman, 2021). The decline in household consumption or public purchasing power

causes shocks to sectors in the economy (Kartiko, 2020). To reduce the negative impact, the government can implement economic policy packages such as fiscal, monetary, and financial policies (Gourinchas, 2020). Regional tax revenues have decreased with many restaurants, hotels, entertainment venues, malls, and companies closing due to the PSBB, which is one of the government's efforts to break the chain of the spread of Covid-19 and is affected by local taxes imposed by the government and is the largest contributor in local own-source revenue which is one source of funding for the region (Wahyuningsih & Atmadja, 2021)).

Concerning these research gaps, this study integrates and examines Covid-19 pandemic and local tax. Selecting provincial government in Indonesia as the context of this research because local tax in provincial government has decreased drastically. The sluggish economy due to Covid-19 is the main factor causing the decline in income. This study is organized into four sections. This study begins by reviewing the literature of the two areas of this study, local government and local tax. It then shares the methods approach taken in this study, followed by combined result and discussion section.

2) METHODS

The approach used in this study is to use a quantitative approach with hypothesis testing. Knowledge of study methods and appreciation of the comparative advantages and disadvantages of external and internal teams help government to make decisions on how to approach problems and determine whether internal or external researchers are the appropriate choice to investigate and solve the problem (Sekaran & Bougie, 2016). Research data is processed using IBM SPSS 23.0. Hypothesis testing is done by performing a paired sample t-test. A paired-samples t-test compares the mean of two matched groups of people or cases, or compares the mean of a single group, examined at two different points in time (Ross & Willson, 2017; Samuels & Gilchrist, 2014). This test compared local taxes in the years before and after the Covid-19 pandemic. The data analysis technique used is descriptive statistical test which aims to determine the level of local tax at provincial governments in Indonesia. The measurements used in this study are the mean, maximum, minimum, standard deviation, and variance of the provincial government regional tax indicators before and after the Covid-19 pandemic and determine the difference in the mean of local tax indicators between before and after Covid-19 pandemic. Previously, the existing data will be tested for normality to detect the normality of the data using the Kolmogorov-Smirnov test method. After the normality test was carried out, the data was analyzed using a paired sample t-test. The type of data used in this research is secondary data, namely reports on budget realization from provincial governments in Indonesia which are taken directly from the website <http://www.djpk.kemenkeu.go.id/portal/data/apbd>.

3) RESULTS

In table 1. Paired Samples based on the results of the normality test that all the data that has been tested are normally distributed because asymptotic sig .124 > = 5%. Therefore, the paired sample t-test will be used to test the hypothesis of the local tax of provincial government in Indonesia data in this study. In table 1. also the mean local tax pre and post Covid-19 3678430846568.68 < 4235173625771.47, which means that descriptively there is a difference in the mean local tax between the pre-Covid-19 pandemic and the post-Covid-19 pandemic.

Table 1. Paired Samples

	Mean	N	Asymptotic Sig	t	Sig. (2-tailed)
Pair Pre	3678430846568.68	34	.124	2.188	.036
Post	4235173625771.47	34			

Based on the output of table 1. Paired samples is known the value of Sig. (2-tailed) is $.036 < .05$ and the t value is $2.188 > t$ table 2,042 so it can be concluded that there is a difference between the local tax results for pre Covid-19 pandemic and post Covid-19 pandemic.

4. DISCUSSION

First, this study found that there were differences in local tax revenues before and after the Covid-19 pandemic. This provides an explanation that the Covid-19 pandemic suppresses government revenues. These results coherent past study (Soehardi et al., 2020) has found that the longer the Covid-19 pandemic, the more it will affect the decline in income and the object being studied is one of the components of the local tax, namely the income of tourist attractions. Second, theoretically, this finding is important as it enlarges our understanding on regional financial independence. The main characteristic of a region's ability is that it lies in the regional financial capacity, meaning that an autonomous region must have the authority and ability to explore its own financial sources. The provincial government not only explores financial sources but is also able to manage and use value for money in the context of administering local government. Allocation of local taxes for the development of facilities, infrastructure and improving the quality of human resources and others, so that local taxes play an important role in community economic activities (Fery, 2021)). Last, this study is one of very few undertaken in the local tax during the Covid-19 pandemic. The Covid-19 pandemic has had a considerable impact on the economy of people around the world, including the provincial government in Indonesia, so that regional financial managers must proactively seek innovations to obtain new tax objects in overcoming additional funds for handling this pandemic (Harjo, 2021). This study provides information for the provincial government to increase local taxes such as increasing the taxation database, increasing human resources, and modernization by utilizing information technology. However, the study that involves local tax and covid-19 is limited, therefore this research adds to this literature. Future research by adding capital expenditure and adding sample regency or city governments.

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