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## AN EFFECT OF LOCAL TAXES, REGIONAL RETRIBUTION AND TAX SHARING FUNDS OF CAPITAL EXPENDITURES.

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### ABSTRACT

This papers described an effect of local taxes, regional retribution and partial revenue sharing on capital expenditure in Medan. Population of sample in this study are Report on the Realization of the Medan City Government Regional Revenue and Expenditure Budget for 2013-2016. Data analysis techniques in this study used the classic assumption test, hypothesis test, multiple linear regression, and the coefficient of determination. This study uses SPSS 21 software to process existing data. The results of this study indicate partially local taxes have a significant positive effect on capital expenditure, regional retribution does not have a significant and negative effect on capital expenditure and tax sharing funds have a significant and negative value on capital expenditure.

**Keywords:** Regional Taxes, Regional Retribution, Tax Revenue Sharing Funds, and Capital Expenditures

### I. INTRODUCTIONS.

A government in supporting the improvement of service quality to the community, allocates funds in the form of capital expenditure budget in the Regional Budget (APBD). According to Government Accounting Standards, the definition of capital expenditure is expenditures made in the context of capital formation which in nature adds to fixed assets / inventory that provide benefits over one accounting period, including expenses for maintenance costs that are to maintain or increase the useful life, and increase asset capacity and quality.

Based on the Law of the Republic of Indonesia Number 28 Year 2009 regarding local taxes and regional levies, local taxes in Indonesia are divided into two, namely taxes based on the division, it can be seen that there is a limited mastery of the regional tax base where taxes with large revenues such as PPh are still the authority of the central government. These limitations cause regions to

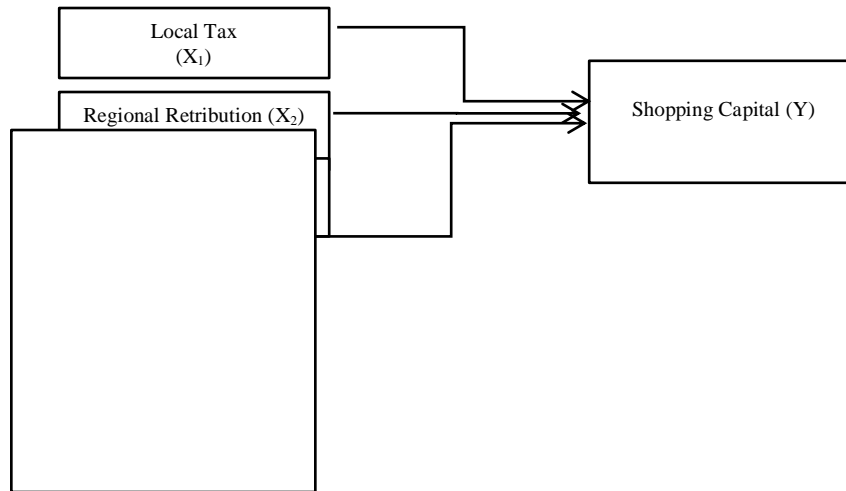


experience difficulties in fulfilling their needs so that regions have a very high dependency on equalization funds from the center (APBN). It is important for the regions to maximize local taxes, levies and other sources of regional income to reduce fiscal aid from the central government.

Regional taxes and regional levies are one of the regional revenues that reflects the level of regional independence. The greater the amount of regional taxes and levies shows that the region is able to carry out fiscal decentralization and dependence on the central government is reduced. Medan City is one of the cities that has a high level of regional tax and levies compared to other cities in North Sumatra.

Based on Regional Regulation No. 9 of 2010, the source of regional financing does not only come from the PAD but there are other sources of financing, one of which is the regional tax revenue sharing fund which is currently regulated in Law No. 28 of 2009. The intended regional revenue-sharing funds are provincial taxes which include Motorized Vehicle Tax, Motorized Vehicle Transfer Fee Tax, Motorized Vehicle Fuel Tax, Surface Water Tax, and Cigarette Tax. Medan City's tax-sharing revenue must be sought because its income will have an impact on the region's financial capacity in relation to the functions of implementing the administration and regional development.

Several previous researchers have examined the effect on capital expenditure. On the basis of the inconsistencies of the findings of some of the previous researchers, the researchers are interested in doing a re-study of the effect of local taxes, regional levies, and DBH on capital expenditure.



**Figure 1.** Conceptual Framework

## II. METHOD OF RESEARCH.

This type of research is quantitative, according to (Kuncoro, 2013: 145) quantitative research is data measured in numerical scale units (numbers), scores, and analysis using statistics to analyze a hypothesis and require several analytical tools. Quantitative research can be used to help solve problems with tools related to statistics and mathematics so that the decisions made can be justified.

A population of this research is the 2013-2016 Regional Realization and Expenditure Budget Realization Report of Medan City Government. While the sample is part of the population. The technique used is Non Probability Sampling with the Purposive Sampling approach, which is a sample determination technique with certain considerations in accordance with the research object.

The type of data used is quantitative funds sourced from secondary data. This secondary data is in the form of Realization Report of Medan City Government's APBD from 2013-2016 regarding the amount of the local tax budget, regional retribution, tax revenue sharing fund, and capital expenditure.

## III. METHOD ANALYZE DATA.

Hypothesis testing is done by using multiple regression analysis models aimed at predicting the strength of the influence of independent variables on the



dependent variable. The relationship between these variables can be described by the following equation:  $Y = \alpha +$

$$\beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :

Y = Capital Expenditures

A = Constant

X1 = Regional Tax

X2 = Regional Retribution

X3 = Tax Profit Sharing Fund

B1-β3 = Regression coefficient

e = error

Hypothesis testing will be carried out using a significance level of 0.05 ( $\alpha = 0.05$ ) or a confidence level of 0.95 because the significance level is commonly used in social science research and is considered appropriate enough to represent the relationship between the variables studied.

For testing each hypothesis the following steps are taken:

1. Coefficient of Determination
2. Partial Test (t Test)

#### IV. RESULTS.

##### A. Analyzed data.

**Table 1.** Medan City Regional Budget LR 2013-2016 In Thousands of Rupiah.

Research variable	Years			
	2013	2014	2015	2016
Local tax	881.346.719	962.728.267	996.019.809	1.125.638.763
Regional Retribution	188.459.795	171.006.302	200.156.479	115.597.958
Tax Profit Sharing Funds	172.440.053	146.798.094	121.401.841	222.056.417
Capital Expenditures	630.802.595	783.833.178	916.888.038	936.599.132



### B. Multiple Regression Analysis

Multiple regression analysis is a method used to determine the pattern of relationships between two or more variables, as well as obtain a model for estimating and estimating the value of certain variables. Following are the results of data processing with multiple regression analysis in table 2 coefficient:

**Tables 2.** Multiple Regression Test Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-17859465,023	6658952,737		-2,682	,010
	Local tax	Local tax	Local tax	Local tax	Local tax	Local tax
	Area_distribution	Area_distribution	Area_distribution	Area_distribution	Area_distribution	Area_distribution
	Share_Results_Read_Taxes	Share_Results_Read_Taxes	Share_Results_Read_Taxes	Share_Results_Read_Taxes	Share_Results_Read_Taxes	Share_Results_Read_Taxes
a. Dependent Variabel : Belanja_Modal						

Based the

on

coefficient table above we get the following regression equation:

$$Y = -17859465,023 + 1,234X_1 + (-,203)X_2 + (-,954)X_3 + e$$

Where :

Y = Capital Expenditures

X1 = Regional Tax



X2 = Regional Retribution

X3 = Tax Profit Sharing Fund

**C. Classic assumption test**

**1. Normality Test**

Based on the results of the normality test using the Kolmogorov-Smirnov (K-S) test, in table 3 shows that the Asymp.Sig value. (2-tailed) of 0.816. These results indicate that the regression equation model is normally distributed because the significance value is  $0.816 > 0.05$ .

**Tables 3.** Normality Test Results.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		48
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	5725090,80021288
	Most Extreme Difference	
	Absolute	,092
	Positive	,092
	Negative	-,088
Kolmogorov-Smirnov Z		,634
Asymp. Sig. (2-tailed)		,816

**2. Multicollinearity Test**

Based on the multicollinearity test results (table 4), it can be concluded that the regression equation model is free from multicollinearity symptoms. It is proven by that the tolerance value for each variable is greater than 10% and the VIF value is smaller than 10. The tolerance value is greater than 0.10, namely the Local Tax of 0.266; the value of tolerance Regional contribution 0,6,39; the value of the Profit Sharing Fund 0.256. And the value of VIF is less than 10, that is the Regional Tax VIF value 3,764; VIF value of Regional Retribution 1,565; and VIF Value of Profit Sharing Funds 3.908.



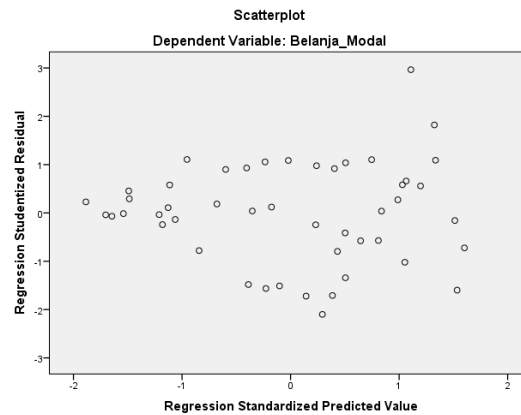
**Tables 4.** Multicollinearity Test Results.

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistic	
	B	Std. Error	Beta			Tolerance	VIF
3.  1	(Constant)	-178,59465,023	665,8952,737	-	2,682	,010	
	Local tax	1,234	,111	1,344	11,119	,000	,266,376
	Area_tribution	-,203	,174	-,091	1,162	,252	,639,1,565
	Share_Results_Read_Taxes	-,954	,234	-,503	4,084	,000	,256,3,908
a. Dependent Variable: Shopping_Modal							

**Heteroskeasticity Test**

From Figure 1 the results of heteroscedasticity test with scatterplot showed points that spread randomly above and below the number 0 on the Y axis. Thus it

can be concluded that there is no heteroscedasticity in the regression model, so that the regression model is feasible



**Figures 2.** Heteroscedasticity Test Results.

## V. CONCLUSION.

Based on the results of research and discussion, it can be concluded as follows:

1. Partially local taxes have a significant positive effect on capital expenditure.
2. Partially local levies have no significant effect and have a negative value on capital expenditure.
3. Partially, tax-sharing funds have a significant and negative effect on capital expenditure.

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