

Analysis of Factors Affecting the Original Income of North Sumatra Province

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ABSTRACT

This study aims to analyze the factors that influence the original regional income of North Sumatra province. This study uses quantitative methodology to determine, calculate, and provide quantitative estimates of PAD and regional taxes and regional levies using the SPSS 25 multiple linear regression analysis program. The results of the study indicate that regional taxes have an effect on the Original Regional Income of North Sumatra Province and regional levies have an effect on the Original Regional Income of North Sumatra Province.

INTRODUCTION

The goal of national development is to create a fair, prosperous, and equitable society. There are many national development projects that aim to achieve development equality across the country, especially in areas that still experience income disparities. Local governments can better manage resources and respond to communities when they have a certain amount of autonomy at the local level. This is in accordance with Law Number 32 of 2004 concerning Regional Autonomy. Autonomous regions are entrusted with the responsibility to supervise and control the interests of the community and the operation of local governments in accordance with the existing legal framework, as stated in Law Number 32 of 2004.

One way that regions can support themselves is through Regional Original Revenue (PAD), which is partly financed by local taxes. Regulation Number 28 of 2009 concerning Regional Taxes and Land and Building Taxes amends the restrictions on tax types in accordance with Law Number 28 of 2009 concerning Regional Taxes and Land and Building Taxes. Each region is subject to a total of sixteen different types of taxes: five provincial taxes, eleven district/city taxes, groundwater taxes, tap water, parking, swallow's nests, non-metallic mineral rock taxes, street lighting taxes, earth and building taxes, and eleven more taxes on entertainment, advertising, catering, and hotel operations. Based on Law Number 33 of 2004, regional revenue received in accordance with regional regulations is called Regional Original Revenue (PAD). With the existence of Regional Original Revenue, decentralized regional authority can be used to finance decentralization according to its needs.

However, based on Article 2 of the State Finance Law of 2004, one of the subsystems of state finance is the financial balance between the central government and local governments as a result of the division of duties between the central government and local governments, as specified in Law Number 11 of 2004 concerning State Finance. The central government also provides a Balance Fund to states and territories to manage their budgets. Based on the Balance Fund Regulation of 2004 Number 3, the purpose of the balance fund is to narrow the gap in tax rates between the central government and the states and the states themselves. This balance fund consists of the Revenue Sharing Fund, the General Allocation Fund, and the Special Allocation Fund. Regional Original Revenue (PAD) is defined as regional revenue sourced from taxes, levies, management of certain regional assets, and other legitimate sources according to Law Number 33 of 2004.

Successful regional autonomy occurs when the income of one region exceeds the income of other regions. PAD is a metric that can be used to show the proximity of a region to the central government. Generally, the relationship between a region and the central government is weaker when compared to the amount of money that comes from PAD. Nevertheless, the balance fund – or central government assistance – remains the mainstay of local governments. Overall, local original revenue (PAD) should be used for finance development management and governance. However, overall the percentage of PAD to TPD is still low due to its inadequate condition. The government's development

efforts aim to provide welfare for the community. As a result, those involved in development will reap benefits, including an increase in regional income. The following is a table of North Sumatra regional revenues in 2018–2022.

Table 1.1 PAD of North Sumatra Province

Year	PAD
2018	Rp. 5,638,960,579
2019	Rp. 5,761,270,412
2020	Rp. 5,531,237,378
2021	Rp. 6,402,714,087
2022	Rp. 6,819,012,313

Sumatra Province's Regional Original Revenue fluctuated from 2018 to 2020. Notably, in 2020, the Covid-19 pandemic caused a decline, but then increased rapidly from 2021 to 2022. One of the sources of income that must continue to grow is PAD. For this reason, it is necessary to follow up with related components. For example, by improving public infrastructure and providing excellent service, the public can also enjoy the benefits of taxes. The North Sumatra Regional Original Revenue is mostly financed by local taxes. The increase in PAD, Balance Fund, and Legitimate Regional Original Revenue, as well as government independence, will be greatly facilitated by this PAD. Therefore, local and state governments no longer have to rely solely on federal funds. However, the information collected shows that the local revenue of the North Sumatra government still depends on the balance fund to finance all government operations.

Regional revenues can be the main source of funding for development initiatives in the region when regional autonomy is implemented. First, regional revenue; second, regional loans; third, balanced funds; and fourth, legitimate additional revenue is a component of regional revenue that constitutes decentralization. However, there are four components of regional revenue: regional taxes, regional levies, revenues from independent management of regional assets, and legitimate additional revenue.

As a significant source of regional revenue, regional taxes play a role in funding regional governance and development by increasing the ability to collect regional revenue and encouraging the rate of regional economic growth. Taxes finance various development programs and employee expenses. Public works projects such as roads, bridges, hospitals, clinics, schools, and police stations are financed by tax money.

For certain services or approvals, local governments may charge a fee from a person or organization. Only entities with special permits or services to supervise regional assets are subject to local taxes. This is clearly different from the public tax which is controlled by the state.

Both the Law on Regional Government and the Law on Inter-Regional Financial Balance provide a strong legal basis for the establishment of regional taxes and levies as a means of obtaining regional revenue. The power held by the regions provides broad responsibilities and privileges in the fields of

management, development, and governance of public services. One of the reasons for decentralization is that the public can see and track the use of APBD funds, which in turn makes government services more accessible and closer to the community. It is hoped that with regional autonomy, regional financial resources or regional original revenues can be explored and managed in accordance with regional needs and development. Therefore, local governments must play an active role in identifying sources of income, especially in areas that have high potential for economic development. The Regional Original Revenue Fund (PAD) is sourced from the regional budget and is collected legally. PAD comes from legitimate sources of local revenue, such as regional taxes, regional levies, and the management of certain regional assets. Regional levies are very important because they help expand the eligibility to obtain PAD. To reduce dependence on the federal government, regions use PAD and the rate of economic growth—which is their main source of income—to implement policies and development. Here, the level of autonomy of a region is positively related to PAD. The low PAD shows that the area is still heavily dependent on its center. This may be due to the lack of efforts to collect regional taxes and levies or the lack of regional potential in general. Almost 70% of the money received by the government comes from taxes. State revenues will increase along with the budget as rising living standards lead to more spending. Here, levies and regional taxes are regulated by Law No. 28 of 2009.

Funds for the formation of local governments come from various legitimate sources, including regional loans, balance funds, and local original revenue (PAD). To promote and equalize the welfare of the community, local government and development projects are anticipated to be partially funded by Regional Original Revenue (PAD), which comes from local taxes. Thus, the region can exercise its autonomy, which means it can manage its own affairs. There is a positive correlation between PAD and the total amount of taxes and levies received by the regions.

According to (Ramadan, 2019), regional taxes affect the Regional Original Revenue (PAD) of districts and cities in North Sumatra. PAD of districts and cities in North Sumatra is also affected by local taxes. The Regional Original Revenue (PAD) of districts and cities in North Sumatra is influenced by regional taxes and regional levies. Regional taxes and regional levies have a significant effect on Regional Original Revenue, according to (Jambak, 2016). Considering that more than 90% of North Sumatra's original revenue comes from regional taxes, the increase in regional taxes has an impact on the province's original revenue from 2016 to 2021, according to (Simbolon et al., 2022). However, because the regional levy only contributed 1% of the original income of the North Sumatra region from 2016 to 2021, the impact on the original income of the province was small. The author examines the factors that affect the PAD of North Sumatra Province based on the description above in order to better understand. The North Sumatra Provincial Government can make the best use of this research to maximize local revenue. In addition, future studies that examine the factors that affect PAD can use this study as a reference.

Problem Formulation

Based on the above background, the formulation of the problem is:

1. How does regional tax affect PAD in North Sumatra Province?
2. How does the levy affect PAD in North Sumatra Province?
3. How do regional taxes and levies affect PAD in North Sumatra Province?

Research Objectives

1. To find out the influence of regional taxes on PAD in North Sumatra Province
2. To find out the effect of levies on PAD in Sumatra Province
3. To find out the influence of regional taxes and levies on PAD in North Sumatra Province
- 4.

THEORETICAL REVIEW

Agency Theory

In public accountability, the agent (trustee) is accountable to the principal (trustee) for all actions for which he or she is responsible and must show, report and disclose relevant information upon request. Public accountability can be broadly divided into two types: Someone who is higher up in the chain of command is now in charge of handling money. Accountability to the community as a whole. An agreement between an agent and one or more principals is known as agency theory. According to (Amidu et al., 2016), Agency theory is an agreement that determines the proportion of rights and responsibilities of each party. In real life, agency theory suggests that there is a difference in interests between principals and agents. As a result, in the event of a conflict of interest, the auditor is used to minimize it with a third party (Artana, 2017). Thus, agency theory studies the relationship between agents and principals. In realizing accountability to the wider community, the government as an agent is responsible for providing information to the wider community. According to agency theory, there are different interests between agents and principals. If the government wants to reduce conflict, financial statements are one way to do so.

Regional Original Income

The term "regional revenue" which is often abbreviated as "PAD" refers to funds that a region receives from its own borders and that are collected in accordance with regional regulations and legislation. An important indicator of a region's ability to fund regional development and government operations is the regional revenue sector. The term "regional revenue" (PAD) refers to funds that come from within the region. More funding for development initiatives is available to areas where PAD plays a greater role in local budgets (Firdausy, 2017).

Regional revenue (PAD) can come from a variety of places, including levies and local taxes, the proceeds of segregated wealth management, and other legitimate additional income. Regional money can cover the cost of

regional development if the percentage of achievement is more than 70% of the overall PAD income (Firdausy, 2017).

While there are various tactics to increase PAD to close to or even match anticipated revenue, intensification and extensification are two of the most popular strategies to achieve this goal. Levies are the main object of intensification, with an emphasis on calculating the right potential to bring revenue goals closer to their actual potential. Meanwhile, finding new taxpayers or investigating potential sources of tax objects is how the extensification approach is carried out.

To better meet the demands of each region in terms of governance and development, regional financial policies work to increase local revenue. Regions' reliance on cash and federal subsidies will be reduced as a result. As such, it is important to look at initiatives to increase regional original income not only from a regional point of view but also from an economic point of view, taking into account their relationship with Indonesia's economy as a whole. The source of additional funding for regionally determined expenditures, particularly routine expenditures, is the region's original revenue.

Currently, there is not enough support for regional growth from regional revenue, which includes regional original revenue as a source of development financing. Therefore, local governments need to review and increase regional revenue, especially those sourced from regional primary sources of income. What is meant by Regional Original Revenue (PAD) is money that goes to the region that is sourced from legitimate sources, such as taxes, levies, management of separated regional wealth, and so on. As one of the components of decentralization, PAD aims to provide a means for regions to earn income in order to realize regional autonomy. (Basis of Law Number 33 of 2004).

The remaining budget of the previous year can be used to support the implementation of local government, in addition to balance funds, regional loans, and other legitimate revenues. Part of the state budget comes from outside the original regional revenue. Every year, the overall portion of the funds is poured into the regional revenue and expenditure budget. In the context of decentralization and other forms of regional autonomy, there are four groups:

Funding for local governments can be supplemented with additional sources of state financial revenue, such as balance funds, regional loans, and other legitimate revenues, in addition to the original regional revenues. Another possibility is to use the remaining budget from the previous year. Every year, the regional revenue and expenditure budget reflects the entire amount of revenue. Four main sources of funding for local governments allow them to implement decentralization and other forms of regional autonomy:

1. Regional Original Revenue,
2. Balance Fund,
3. Regional Loans,
4. Other Legitimate Revenues.

Regional Taxes

The term "local tax" refers to mandatory financial contributions made by entities or persons to the region that do not directly benefit from these payments. Local government management and regional development operations are financed by these payments, which can be enforced in accordance with the established laws and regulations. Police, fire brigades, schools, hospitals, libraries, road repairs, and other public services are all funded by local taxes. The federal government also provides funding for some of these organizations.

According to (Mardiasmo, 2016), Regional tax is a mandatory payment made by a person or business entity to a region that does not obtain proportional benefits. This levy can be collected in accordance with applicable regulations and regulations, and contributes to the financing of regional and city development.

Furthermore, if you look at taxes through a legal point of view, it is revealed that taxes are collected because residents are required to deposit certain funds to the state. This money is then used to finance the government. This shows the need for legitimacy in tax spending, which provides peace of mind for taxpayers and tax agents. However, from an economic point of view, taxation is a means of redistributing wealth from the public sector to the private sector. Two countries have been proven to be affected by the tax, namely:

1. Improving the economy so that more public goods and services can be provided.
2. Making it difficult for people to use resources in order to control commodities and services.

According to Article 2 of Law Number 28 of 2009, regional taxes are divided into two parts: provincial taxes and district/city taxes. Here is the explanation.

Provincial Taxes

- a. Motor Vehicle Tax, for which all vehicles, whether flying or not, are taxed. Paying vehicle taxes in advance allows for a payback period of 12 months or 1 year.
- b. If a party transfers ownership of a motor vehicle to another party as a result of a purchase, exchange, gift, inheritance, or participation in a corporation, or as a result of a two-party cooperation agreement or unilateral manufacture, the buyer is obliged to pay motor vehicle transfer tax.
- c. All fuels used in motor vehicles, both on land and in the air, are subject to motor vehicle fuel tax.
- d. Surface water taxes refer to any extraction and use of groundwater, such as drilling or creating structures that can be used for other purposes.
- e. To obtain groundwater tax, a discharge recording device is used to record the amount of water used for soil control and to translate the Regional Tax Determination Letter.

The federal government takes a cut of every cigarette sale as an exclusive tax. Overall, cigarette taxes apply to rolled cigarettes, cigars, and leaf cigarettes. People who smoke have paid the non-smoking tax and bought exercise tape.

However, tobacco smokers are the intended beneficiaries of tobacco taxes. Inadequate revenue collection occurs when even a single tax is not met.

Regency/City Tax

- a. Services provided by the hotel are subject to hotel tax. Any person or entity that pays for hotel services is considered a tax subject, even though all services paid for by guests are considered tax objects.
- b. Food and services offered by eateries are subject to tax. All services paid for in a restaurant are considered to be the tax object of the restaurant, whereas the tax subject is the owner of the restaurant business and the tax subject is the person or group who pays for the service. 10 percent tax rate
- c. Organizers of entertainment events are subject to entertainment tax. All entertainment organizers are subject to entertainment tax, but people or organizations who watch or enjoy the show are taxed.
- d. Ad organizers are subject to advertising tax. Any person or entity responsible for planning or purchasing ads is a tax item. A rate of 25% is applied.
- e. Street Lighting Tax—Any power used, whether locally generated or purchased—is subject to this tax.
- f. The extraction of minerals and non-metallic rocks from underground or surface deposits is subject to the Class C Mining Material Extraction Tax.
- g. Off-street parking, both for commercial and residential purposes, is subject to Parking Tax.
- h. Groundwater extraction, distribution, and use are subject to levies. Groundwater refers to water contained in subsurface rocks or soil layers.
- i. The collection and management of swiftlet nests is subject to Swiftlet Nest Tax. All swiftlets, including fuchliaphaga, maxima, esculenta, and linchi, are members of the genus Collocilia.
- j. Except for areas used for agricultural and mining operations, the Land and Building Tax levy taxes all land and buildings that are privately owned, controlled or occupied.
- k. When a person or group acquires ownership of land or buildings as a result of a legitimate transaction, they are required to pay a tax known as the Land and Building Rights Acquisition Fee. Acquisition of land and building rights, whether through grants, inheritance, or land exchange, is also subject to BPHTB. This includes land transactions.

a. Retribution

According to Law Number 18 of 1997 concerning Regional Taxes and Levies as amended by Law Number 34 of 2000 and most recently Law Number 28 of 2009: "Payment of regional levies is made as compensation for services or the granting of special permits granted and/or provided by the Regional Government for the benefit of individuals or business entities." What is meant by a person or business entity who is required to pay levies is a person or business entity who is required to pay levies in accordance with the provisions of laws and regulations governing levies. This includes payment of the levies

themselves and deductions or collections of levies. The following are some characteristics of regional levies:

- a. The local government is responsible for collecting levies.
- b. The compilation of levies includes monetary pressure.
- c. All persons or bodies who use the services offered are subject to a fee.
- d. One can directly determine a counter-performance.

Local revenues, including fees for special services or authorities granted by local governments to citizens or businesses. Government sanctions can be seen as contributions levied on performance contrary to what local governments offer, or as payments based on performance or services provided by local governments and how those services affect the community and surrounding communities. Regulations must be implemented so that implementation can take place.

To fund services or grant special licenses, local governments use levies, which are taxes levied at the local level. To pay for services or special permits granted by the local government for a specific purpose, people or organizations are required to pay local levies.(Sudaryo & Yoyo, 2017).(Siahaan, 2016)states that regional levies are fees charged by local governments to individuals or organizations for the use of certain services or permits. Given the above, it is reasonable to assume that the wealth of a province, district, or city in natural resources is the source of money used to pay regional taxes. Typically, the rates of various levies are determined by relevant regulations in each location. Regional levies have the following characteristics:

1. Collected by local governments.
2. There is economic coercion in its collection.
3. There are birth control methods that can be specifically mentioned.
4. Imposed on business entities that utilize publicly funded services.

The objectives of collecting regional levies include:

1. that state and regional treasuries are adequately funded to cover all demands and costs.
2. Monitoring the welfare of local communities through publicly funded services that can be directly used and enjoyed by the community.

The following are the functions of regional levies, namely:

- a. Sources of Regional Income
- b. Regional Economic Activity Regulator
- c. Regional Economic Stability
- d. Distribution and Development of Community Income

b. Conceptual Framework

The conceptual framework is described by the author based on the background of the problem. One of the requirements for increasing PAD is increasing regional taxes and levies. PAD will increase due to increasing regional taxes and levies. This is a picture of the thinking scheme:

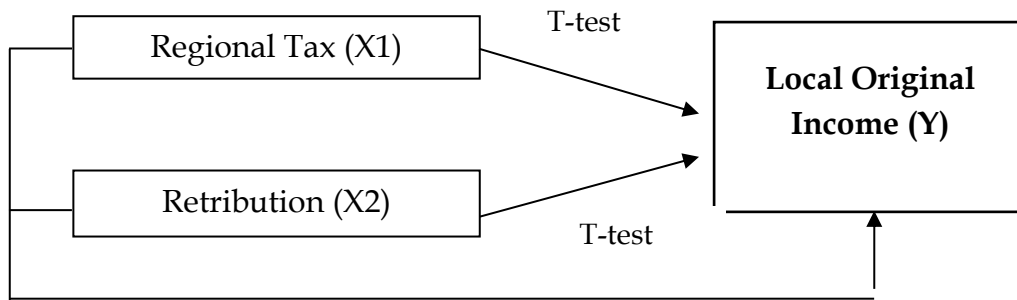


Figure 2.1 Framework

Taxes paid by individuals and businesses provide tax revenue to the state. For the government, this is the main source of income. In addition, the government seeks to improve the welfare of the community by building a number of main buildings and imposing levies to encourage equitable development in cities and regions, which will enable economic activities among economic actors.

c. Research Hypothesis

After the author conducted a temporary analysis of the presentation, the research hypothesis can be formulated as follows:

1. H1 : Regional Taxes have a significant impact on Regional Original Income. This is in line with research(Mariyanto, 2015), which found that PAD decreased due to regional taxes. In the same way, a study conducted by(Anggraeni, 2012)found that PAD was influenced by regional taxes. Rosalina (2014) conducted a similar study and found that PAD was influenced by regional taxes.
2. H2 : Retribution has a significant impact on PAD. Study(Mariyanto, 2015)found that regional levies have an impact on PAD. In their research,(Anggraeni, 2012)also found that PAD is influenced by regional levies. The same thing also applies to the study(Rosalina, 2014), where PAD is influenced by regional levies.
3. H3 : The Influence of Regional Taxes and Levies on PAD(Mariyanto, 2015)found in his research that regional taxes and levies have an impact on PAD. In addition,(Anggraeni, 2012)found that PAD is influenced by regional taxes and regional levies. In addition, the study(Rosalina, 2014)shows that PAD is influenced by regional taxes and regional levies.

METHODOLOGY

Data Types and Sources

This study applies quantitative methodology. Primary data is used in this study. Panel data, a combination of time series information and cross-sector information, is the data used. The Central Statistics Agency (BPS) of North Sumatra Province provides serial data used in this study, covering the years 2018–2022, from regional taxes and levies and regional income.

Population and Sample

This study involved 33 districts and cities in North Sumatra that have audited financial reports. The focus of the study is the financial reports for 2018–2022.

The portion of the population or representation to be studied is called a sample. The process of sampling involves selecting a small portion of the population from the whole. What we are doing here is also known as saturation sampling, where every member of the population is taken as a sample.

Operational Definition of Variables

In this study, two independent variables and one dependent variable are used. The explanation of each variable is explained as follows:

Operational Definition Table of Variables

No.	Variables	Definition of Variable	Variable Indicator	Scale
1.	Locally-generated revenue	The term "regional income" or abbreviated as "PAD" refers to money obtained by a region from various things that occur within its own territory and which is collected based on regional regulations and laws. Because this indicates the amount of money a region must spend on various things such as government operations and regional development, the regional income sector becomes very important (Baldrice, 2017).	a. Local taxes. b. Regional retribution results. c. Results of management of separated regional assets. d. Other legitimate local income.	Ratio
2.	Regional Tax (X1)	All activities and expenditures of the regional government, as well as all forms of counter-performance, are	1. Provincial Tax 2. District/City Tax	Ratio

		financed by regional taxes, namely taxes which are mandatory contributions from individuals or bodies to the regional government as stipulated in laws and regulations. (Layyu, 2013)		
3.	Retribution (X2)	To fund services or special permits granted by the regional government for certain purposes, individuals or bodies are required to pay regional levies (Yoyo, 2017).	1. Public service fees 2. Business service fees 3. Certain licensing fees	Ratio

Data Analysis Techniques

This study uses quantitative methodology to determine, calculate, and provide quantitative estimates of PAD and regional levies and taxes. The SPSS 25 multiple linear regression analysis program is used for data analysis.

Multiple linear regression analysis describes a regression model that uses more than one independent variable. (Ghozali, 2018) states that to find out in which direction the independent factors affect the dependent variable, researchers use multiple linear regression analysis. The relationship between the dependent variable and the independent variable is the subject of regression analysis. The purpose of this analysis is to use the known or fixed values of the explanatory variables to estimate or predict the population mean or the mean value of the dependent variable. This is done by repeated sampling.

Data analysis is a technique to continue data calculations to find solutions to problem formulations. For the purpose of this study, classical assumption tests and hypothesis tests are used. Where classical assumption tests consist of:

1. Normality Test, To find out whether the dependent and independent variables in our study have a normal distribution, we run a normality test. If the probability value is more than 0.05, then the data used to draw conclusions can be considered to have a normal distribution.
2. Multicollinearity Test, To check whether the regression model detects a relationship between independent variables, the Multicollinearity Test looks for it. A good regression model should not identify any correlation. If the variable inflation factor (VIF) is less than 10, then the test result is clear.

3. Autocorrelation Test The autocorrelation test aims to determine whether the disturbance error in period-t is related to the disturbance error in period-1. If the rectangle probability value is more than 0.05, then the research findings can be seen.
4. Heteroscedasticity Test, When evaluating a regression model for heteroscedasticity, one looks for signs of unequal variances between the residuals. The test result can only be known if the chi-square probability value is higher than 0.05.
5. Meanwhile, hypothesis testing consists of:
 - a. Simultaneous Test (F Test), The purpose of this test is to identify any potential interactions between the dependent and independent variables.
 - b. Partial Test (t-Test) To find out how much influence each independent variable has on the dependent variable, we use the t-test.
 - c. Test of Determination Coefficient (R2), The test of determination coefficient (R2) aims to determine how much of the observed variance in the dependent variable can be explained by the regression model. The purpose of this calculation is to find the size of the determination coefficient, which indicates the correctness of a competent analysis.

RESULTS

Normality Test

The purpose of this test is to determine whether the independent and dependent variables included in this study have a normal distribution. Checking the probability value—which should be more than 0.05—is one approach to determining whether the data used follows a normal distribution. The data in this study were found to have a normal distribution, as indicated by the Normality Test finding of 0.707.

Multicollinearity Test

Table 1 Multicollinearity Test
 Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tax	,994	1,006
	Retribution	,994	1,006

The multicollinearity test aims to determine whether the regression model detects a relationship between independent variables. Independent variables in a good regression model should not be correlated with each other. According to the test results, the Variation Inflation Factor (VIF) is less than 10. The VIF in this study is 1.006. Therefore, the possibility of multicollinearity cannot be ruled out.

Autocorrelation Test

The purpose of the autocorrelation test is to find out whether the disturbance error in period-t and the disturbance error in period-1 are correlated. According to this study, the value is 0.997. This shows that there is no evidence of autocorrelation in the data collected from this investigation.

Heteroscedasticity Test

Based on the results shown by the scatterplot, the resulting points are randomly distributed and do not follow a particular pattern. The variables studied in this study are homoscedastic, and the data distribution is centered on zero, so it can be said that this regression model does not face heteroscedasticity problems.

F Test

The following table shows the results of the simultaneous test (F Test) performed:

Table 2 Simultaneous Test
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123223043493 4934020,000	2	616115217467 467010,000	395,539	,003b
	Residual	311531781610 6749,000		2		
	Total	123534575275 1040770,000	4			

a. Dependent Variable: PAD

b. Predictors: (Constant), Retribution, Tax

Local revenue in districts/cities in North Sumatra is significantly influenced by regional taxes and levies, as seen in Table 2. This is indicated by a value of 0.003 which is smaller than 0.05 which is a significant figure.

T-test

Both local taxes and local levies have a significance value below 0.05, as shown in Table 1 below. Local taxes and local levies have a significance value of 0.002 (Sig = 0.002 < 0.05), which indicates that local levies have a slight effect on Local Original Income in regencies and cities in North Sumatra.

Table 3 Partial Test

Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

1	(Constant)	499840401 6,703	56648165,41 3		88,236	,000
	Tax	2,000	,097	,733	20,575	,002
	Retribution	26,786	1,296	,736	20,665	,002

Coefficient of Determination Test

This test is designed to determine what proportion of the overall variance in the dependent variable can be explained by the regression model. Determining a high level of analytical precision is one of the objectives of the calculation, as indicated by the size of the coefficient of determination R². It is determined that the corrected R-squared value is 0.995. This means that the independent factors (Local Taxes and Regional Levies) and 0.5 percent of unaccounted variables can affect 99.50% of the dependent variable (Local Original Income).

DISCUSSION

The Influence of Regional Taxes on Regional Original Income

The research findings show that North Sumatra's PAD is greatly influenced by regional taxation. The provincial government and district/city governments work together to manage regional taxes which then generate regional original income which is then used to fund the APBD. This is in accordance with the PAD concept in theory because regional taxes are one of the components of PAD as stated in Permendagri Number 13 of 2006. Thus, regional original income is related to regional taxes. Regional original income is directly proportional to the level of regional tax collection. Both(Iqbal & Sunardika, 2018)and also(Nugroho, 2020)found that local taxes have an impact on local revenue. I agree with that idea. Consistent with previous studies, our study found the same thing.

The Influence of Regional Retributions on Regional Original Income

Based on the conclusion of the study, regional levies have a significant impact on North Sumatra's PAD. To cover the costs of certain services or permits provided or granted by the regional government to certain individuals or bodies, the regional government imposes regional levies. Regional levies are taxes that must be paid by companies or individuals to the regional government in return for services or permits provided by the regional government. Regional levies do have an impact on regional original income, according to this study(Ramadan, 2019), whereas(Sirry, 2020)disagree. This was found by(Simbolon et al., 2022)And(Mardiani, 2022)that some regional taxes do not have an impact on regional original income.

The Influence of Regional Taxes and Regional Levies on Regional Original Income

Data processing shows that the original regional income of North Sumatra increased due to the independent variables of regional levies and taxes. This is because the regional government is obliged to increase original regional income by increasing aspects of taxes and regional levies in accordance with Law Number 23 of 2014 which is the framework for regional autonomy. In line with other studies, this study found that regional taxes and levies simultaneously have a significant impact on original regional income (Mardiani, 2022; Ramadhan, 2019; Wahyuni & Utara, 2018).

CONCLUSIONS AND RECOMMENDATIONS

From the results of this study, it can be concluded as follows: 1) In 2018 to 2022, the Regional Original Income of North Sumatra Province is affected by the increase in regional taxes, so it will affect the Regional Original Income; 2) In 2018 to 2022, regional levies will affect the Regional Original Income of North Sumatra Province, but its influence on the Regional Original Income is only limited to a contribution of less than 10%.

The study found that local governments can better support local tax increases by coordinating administrative efficiency measures such as unregistered vehicle censuses, increasing community outreach efforts to improve taxpayer compliance, and centralizing tax application programs. Collecting community potential data is just one example of how new taxpayers contribute to growth. This is especially true for corporate actors who are subject to local taxes; they will undergo training and supervision until they are able to pay their fair share. Furthermore, the government must do a better job in local retribution planning, which involves things like retribution service funding, tariff setting, supervision, and more.

FURTHER STUDY

Research the role of local retribution planning in improving revenue contributions. Focus on aspects such as funding, tariff setting, supervision, and community involvement to identify potential improvements in the retribution system.

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