

THE INFLUENCE OF LOCAL TAXES AND LEVIES TOWARDS EXPENDITURE ALLOCATION IN KOTA GORONTALO, INDONESIA

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ABSTRACT

The objective of this research is to measure the effect of local taxes and levies toward the local expenditure allocation either partially or simultaneously in Kota Gorontalo, Indonesia.

Descriptive method is used to analyze the data by using multiple regression analysis. The data of this research are mainly in the form of the attainment of both local taxes and levies as well as its expenses during 2009-2011 taken from DPPKAD (Dinas Pendapatan Pengelolaan Keuangan dan Aset Daerah / Local Finance, Assets, and Revenues Office).

The results show that local taxes and levies are significantly and positively affect the local expenditure allocation either partially or simultaneously in Kota Gorontalo.

Keywords: *tax, levy, and expenditure.*

1. INTRODUCTION

Every local government in Indonesia, particularly in the level of District Government in this case Kota Gorontalo is doing all attempts to increase its financial capacity to implement regional autonomy. One of the efforts is by setting Law No. 28 year 2009, which concern about local tax and levies. Granting authority in the area of taxation and levies, is to encourage local governments continually strive to optimize revenue, particularly from regional taxes and levies. By implementing this, it is hoped that every local government will be easily to get more sources of budget to increase its PAD (Pendapatan Asli Daerah/ regional revenue).

However, local taxes and levies, as the sources of regional revenue, are still not effectively endowed as major sector in APBD (Anggaran Pendapatan dan Belanja Daerah/ The Estimate Income of Regional Expense). The regional revenue is still fully supported by central government subsidy for autonomous region, so-called DAU (Dana Alokasi Umum/ General Allocation Fund) and DAK (Dana Alokasi Khusus/ Specific Allocation Fund). This happens because of the discrepancies between varied tax-based and its distribution in each district. Demography and geographical features also become the major problems faced by local autonomy, along with economical background of population, result in the variation of provided services. As Halim (2009: 58) stated that every region has different tax and levies, based on regional policy, where the well-economic district has high taxes, while the poor one, the local government can only collect minimum sum of taxes. This is also happens to levies matter.

According to World Bank (cited in Komala, 2003:5), good governance is solid development of management and responsibility in line with the principles of democracy and the market efficient, avoiding the wrong allocation of investment funds, and the prevention of corruption both politically and administratively, and run budget discipline. Allocation of investment fund is a financing activity, where the income is used to fund local government a number of activities that benefits can be felt in the long term. One form of the allocation of investment funds in the system of local government is expenditure.

Furthermore, Darise (2009) stated that local expenditure can be classified based on the local government concerns, organizations, programs, activities, groups, types, objects and the classification of each expense. Local expenditure is spent based on the law to support government programs in both obligated and optional concerns in either district or provincial level. Spending on the obligated expense is prioritized to protect and to improve the quality of life and welfare of the community in terms of providing good and basic services such as education, health, public, social facilities and developing social insurance system.

Local Government of Kota Gorontalo expenditure is sustained by local revenue derived from local taxes and levies. However, they are slightly fluctuate. Local tax was increased and on the other hand, local levies was dropped from 40 billion to 11 billion. Complete data are presented in the table 1 (see appendix). From the table, it can be concluded that there is still big differences between the local revenue namely tax and levies and local expenditure allocation. One of the problems is a huge development in terms of population and community needs require a relatively high cost to provide good services to the community. Therefore, local expenditure is getting higher every year. In contrast, local revenues derived from taxes and levies are still smaller. Normally, these two variables should be balance because local revenue is the main source of funding for local expenditure allocation. In other words, local revenue should be the main element of local expenditure.

The more fund is needed for spending; the more revenue should be gained. In addition, recent studies conducted by Edison (2009) and Sulistiowati (2011) indicated that local tax and levies, DAU and DAK are interdependence and have positive impacts towards expenditure allocation.

1.1 Problem Statement

Based on the explanation above, it is important to know to what extent local tax and Levies contribute partially and simultaneously towards Local Expenditure Allocation in Kota Gorontalo.

2. THEORETICAL REVIEW AND HYPOTHESIS

2.1 Local Tax and Levies as the Pillars of Local Revenue in APBD

APBD is the annual financial plan of the local government, which is discussed and agreed by both local government and the member of house of representative (DPRD) and then legalized as local regulation. The local government obligations and rights are clearly described in APBD in order to support all government's program where all spending should be responsibly and accountably reported during a year (Sumarsono, 2010). Furthermore, Darise (2009) stated that APBD is an instrument that will ensure the creation of self-restraints in the decision-making process relating to revenue and expenditure policy areas. In addition, administrative rules are set up to ensure that APBD is made and implemented properly in conjunction with the management of local revenue in terms of budgetary procedural and technical process to be followed in an orderly and consistently.

In addition, budget revenue and expenditure is a unit consisting of revenues, expenditures and financing areas. The difference between the budget revenue and expenditure may result in a surplus or a deficit budget. Budget surplus occurs when the APBD is greater than local expenditure. While the budget deficit occurs when the APBD is less than expenditure. Surpluses and deficits are elements of the financing.

According Darise (2006: 43) local revenue (PAD) is a local earned income levied by local regulations in accordance with the legislation. PAD as a source of local revenue should be increased in order to bear some part of the burden of expenditure necessary for governance and development activities which increase every year. In addition, source of PAD consist of local tax, levies, the result of natural resources, and other legally local income (Law No. 33 year 2004, act 6)

2.1.1 Local tax

Tax is a compulsory contribution made by the individual or entity to the local government without direct reward balance that can be imposed by laws and regulations that are used to finance the implementation of the local government and regional development (Government Regulation henceforth called PP. Art. I section 1. No. 65 year 2001) Meanwhile, Soemitro (1990) defines tax as an individual or entity obligatory contribution to the local government treasury under the law (which can be enforced) and received no services as a direct return and used to pay for general expenses.

Besides, according to Law No. 28 of 2009 on regional taxes and levies, tax is a mandatory contribution to the regions that are owed by the individual or entity that is enforceable under the Act, has no directly reward that is used to provide and fulfill the maximum welfare of the people. Moreover, Simanjuntak (2001) states that local taxes are taxes levied by regions such as provinces, cities and districts under the rules of each region and the results are used for each government needs and concerns.

Based on the above explanation, Darise (2009) concludes that the tax has the following elements:

1. Contribution from the people to the country. Country is entitled to levy taxes, the fees is in the form of cash (not goods)
2. Based on the legislation. Taxes levied by or with the provisions of the law and its implementation rules.
3. Without reciprocal services of the country that are directly appointed. The payment of tax has no direct return to the taxpayer.
4. Pay for country necessities, which are beneficial to the public expense. There are two functions of tax, they are as follows: a. Revenue function (Budgeter) b. Function Set (Regular).

Furthermore, tax collection system consists of 3 (three), namely: 1. Official Assessment System, 2. Self Assessment system, 3. With Holding System, Mardiasmo (2004). In addition, principles in tax collection known as the four maxim as pointed out by Adam Smith (1776) should be based on: a. Equality Principle (the principle of individual financial balance), b. Certainty Principle (principle of legal certainty), c. Convenience of Payment Principle (the

principle of taxation at the right time or the pleasure principle), d. Efficiency Principle (principle of efficient or economic principles)

There are some terms related to local taxes as mentioned in Law No. 34 of 2000 as amended by Act No. 28 of 2009 section 1 (6), they are :

1. Regional Autonomy is the legal entity that has the authority to regulate certain boundary and maintain the interests of the public at its own initiative based on the aspirations of the people of the Republic of Indonesia.
2. Local taxes, is compulsory fees is done by the individual or entity to areas with no immediate reward in return, which can be imposed under the laws which is used to finance the implementation of the local government and regional development.
3. Organization is a group of people or capital whether to do or not to do business that includes a limited liability company, limited partnership, the other company, or State or Local Owned Enterprises in any kind and name of firm, partnership, cooperative, funds retirement, alliances, associations, foundations, organizations, socio-political organizations, and organizations like, agency, permanent establishment, or any other entity.
4. Subject to tax, individuals or entities that may be subject to local tax.
5. Taxpayers, is an individual or entity under the provisions of the legislation required to pay local taxes due.

Based on the Law No. 34 of 2000 on Tax and Levies, as amended by Act No. 28 of 2009, the types of taxes in local regencies / cities are as follows:

a. Hotel Tax

Tax subject is an individual or entity making the payment to the hotel. Taxable income is the service provided by the hotel with the payments, including: 1. lodging facilities or short-term stay facility; 2. supporting services as completeness or short-term stay lodging facilities to provide convenience and comfort; 3. sports facilities and entertainment provided exclusively for hotel guests, not for the public; 4. space rent service for events or meetings at the hotel.

b. Restaurant Tax

Tax subject is an individual or entity making the payment to the restaurant. Taxable income is any services provided by restaurant including cafes, bars, where the payment is made by restaurant owner.

c. Entertainment Tax

Tax subject is an individual or entity who watch and /enjoy the entertainment. Taxable income is any chargeable event of entertainment include film, art, music performances, and dance, karaoke bars, nightclubs, billiard games, arcade game, massage parlors, steam baths, and sporting events. Entertainment taxpayer is an individual or entity that organizes entertainment.

d. Advertising Tax

Tax subject is an individual or entity that organizes or books advertisement. Taxpayer is an individual or entity that organizes advertisement. Object of the Tax is any form of advertisement such as : 1) advertising board / billboard / video, 2) advertising fabrics, 3) advertising attached (sticker); 4) advertising flyers; 5) advertising of vehicles, 6) billboards air; 7) advertising votes; 8) advertising film / slide; 9) advertising of product demonstration.

e. Street Lighting Tax

Tax subject is an individual or entity who uses electricity. Taxable income is the use of electricity, whether or not distributed by PLN (National enterprise of Electrical Supplier). Street Lighting taxpayer is an individual or entity to electric customers. If the electricity is paid by PLN, so the tax is collected by PLN.

f. Tax Collection of Natural Resources Group C

Tax subject of class C mineral is an individual or entity that takes minerals group C. Taxpayer is an individual or entity that organizes retrieve minerals group C. Taxable income is mineral extraction category C of natural resources in and / or the earth's surface to be used.

g. Parking Tax

Subject to tax is the person or entity making a payment to the parking area. Tax object is those who provide / implement parking space for business purposes including the provision of day care vehicles that charge a fee.

h. Water and Land Tax

Water and land object tax is taking and / or utilizing water and land. The exception of this kind of tax is 1) the use of water and land for basic household needs, irrigation farming and fishing as well as worshiping purposes, 2) utilizing water and land that are regulated by other regulations. Water and land subject to tax is individual or entity performs retrieval and / or utilization of water and land. The taxpayer is an individual or entity that utilize water and land.

i. Tax of Bird Nest (burungwalet)

Bird's nest object tax is the exploitation of birds' nests. The excluding of this tax object is the making of bird's nest that has been charged to a non-tax state revenue (non-tax revenues), the use of birds' nests established by local regulation. Subject tax bird's nest is an individual or entity that who take and commercialize bird's nest.

j. Urban and Rural Land and Building Tax

Object of this tax is land and / or buildings which are owned, controlled, and / or used by an individual or entity, unless the area used for plantation, forestry, and mining. Included in this definition of the building is street located in a complex of buildings such as hotels, factories, which become the integral part of the building complex.

k. Land and Buildings Right Acquisition

This tax is a tax on the acquisition of land and / or buildings. The acquisition of land and / or buildings is an act or event that resulted in obtaining the legal rights to land and / or buildings by certain persons or entities. Examples : right of ownership, the right of property, the right to cultivate, right to build, right to use, ownership of the apartment units, and, management rights.

2.1.2 Levies

According to Halim (2007: 115), levies can be defined as levies charged as a return for any services provided by the local government or the payments based on the achievement or services provided by local government that is directly utilized by the each individual where the implementation based on certain local regulation. Furthermore, Sutedi (2008: 7) defines levies is as payment for certain services or special permits provided and / or administered by the local government for the benefit of the individual or entity.

Paying attention to the opinion above, it can be concluded that levies is the collection of levies by the government to the people as a direct return for any serviced being provided. Based on the Law No. 34 of 2000 as amended by Act No. 28 of 2009 levy or retribution is divided into three categories, they are as follows:

1. Public services retribution is a retribution paid on the services provided by local governments for the purpose of general interest and can be used and beneficial for any persons or entities. The subject of public service levy is an individual or entity that uses / enjoys public services. While the public service levy objects are services provided by the government for the purpose and benefit of the public interest and can be used and enjoyed by private persons or entities. The public service retribution is collected by local Government of the district level. Examples: health care, cleaning services, funeral services, roadside parking services, public market services, vehicle testing services, fire extinguishers services, and other public services, replacement cost of printing maps, fecal suction levy, wastewater treatment, re-calibration service fees, educational services, and telecommunications tower control.
2. Retribution of business services is charged on services provided by local governments to adopt commercial principles because these services provided by the private sector. The object of this retribution is charged for services provided by local governments to adopt commercial principles include service using regional assets that have not been used optimally. The charges for services are collected by Regency / City Government include the use of regional assets, levy wholesale markets, fish auction fees, terminal fees, parking levy on a special place, the inn charges, levies suction toilet, slaughterhouse levy, levy of harbor service, the water transportation levy, levy of recreation and sports, sales charges and retribution of wastewater treatment.

3. Specific Licensing Retribution is the government levies on certain activities in order to award the license to an individual or entity that is intended for guidance, control, and monitoring of the utilization of space, the use of natural resources, goods, or facilities to protect the public interest and preserve the environment. Certain licensing fees subject to individual or entity who obtained certain permits from the local government. Object of certain permission levies are certain activities of local governments in order to award the license to an individual or entity that is intended for guidance, regulation, control and supervision of its use of space, use of natural resources, goods, infrastructure, facilities or certain facilities in order to protect the public interest and protecting the environment. Regency / City Government collect the specific licensing retribution such as building permits, the sale of alcoholic beverages levy, levy disturbance permits, levy route permit and fishing license fees.

2.1.3 Local expenditure

Local expenditure include all obligatory expenditures from the general treasury account of the region in a budget year that will not be earned back by the local payment (Darise, 2009). In line with this statement, Halim (2007) said that APBD consists of three main components, namely:

1. Elements of revenue got from the Income Tax, Value Added Tax, Land and Building Tax, Customs Acquisition Rights to Land and Buildings, and other taxes such as trade taxes.
2. Routine expenditure is expenditure incurred by the government for the maintenance of government daily needs, personnel expenditures are comprised of salaries, spending on goods that government purchases for the daily administration such as paper and ink. Subsidies for an autonomous region got from central government to support the implementation of autonomous survival include maintenance.
3. Development expenditures are expenditures for infrastructure development such as roads, bridges, buildings and other components. Although these elements are composed almost simultaneously, but the overall budget process is the responsibility of the regional secretary for coordinating all activities of budgeting. While the process of making routine expense is made by the local finance government, the process of preparation of the admission made by the revenue department and the preparation of the development budget prepared by the Local Planning Agency.

Moreover, Darise (2009:131) classifies expenditures into three categories, they are: a. according to the main functions of local government in providing services to the community, b. according to the local government organizations such as the Regional Head and Deputy Head, Regional Secretariat, Parliament Secretariat, Department, Agency, Regional Technical Institute, District and Village adapted to the organizational structure of local government, c. according to the programs and activities based on the affairs of the authority of the local government by government organizations.

2.2 Hypothesis

Based on the above framework, the hypothesis to be tested in this study is there is an influence of local taxes and levies, both partial and simultaneously to the allocation of expenditures in Kota Gorontalo.

3. RESEARCH METHODOLOGY

3.1 Research Design

The method used in this study is a quantitative method, which analyzes the influence of the independent variable (X) on the dependent variable (Y). Associative research is a statement about the relationship between two or more variables (Sugiyono, 2011). Through this method, it can be specified into a multiple regression research design. The study is designed to describe the procedures that may be able to test hypotheses in order to reach conclusions about the relationship and influence of independent variables to the dependent variable.

3.2 Definitions of Operational Variables

This study used two independent variables: local taxes (X1) and levies (X2) and one dependent variable, namely the allocation of expenditure (Y). The operational definition of variables and dissemination of indicators can be clearly seen in the table2 (see appendix).

3.3 Technique of Collecting the Data

This research uses local government (Kota Gorontalo of Indonesia) documentation as source of data.

3.4 Types and Sources of Data

3.4.1 Types of data

According Kuncoro, 2003 secondary data is data that has been collected and published for the community purposes. The data used in this study is a report of the attainment of APBD of Kota Gorontalo from 2007 to 2011 in quarter period observation. Since the data is obtained from various sources in the annual, so it needs to be interpolated into quarterly data (Insukindro, 2000) by using the following formula:

$$Q_1 = \frac{1}{4} \{ Y_t - 4.5/12(Y_t - Y_{t-1}) \}$$

$$Q_2 = \frac{1}{4} \{ Y_t - 1.5/12(Y_t - Y_{t-1}) \}$$

$$Q_3 = \frac{1}{4} \{ Y_t + 1.5/12(Y_t - Y_{t-1}) \}$$

$$Q_4 = \frac{1}{4} \{ Y_t + 4.5/12(Y_t - Y_{t-1}) \}$$

3.4.2 Source of data

Sources of data in this study is the secondary data obtained from local government agencies namely DPPKAD (the Department of Finance, Revenue and Local Asset Management).

3.5 Method and Data Analysis Technique

Model and technique of data analysis in this study is using multiple regression. Regression is the primary method of estimation in Econometrics. According to Widarjono (2005) the regression is the study of how the dependent variable is affected by one or more of the independent variables in order to estimate or predict and the average value of the dependent variable based on the value of the known independent variables. Regression analysis is used to explain the relationship between dependent and independent variables that are closely related to statistical relationship rather than the exact relationship. In statistical, the unsure relationships are called a random relationship (random or stochastic). A multiple regression model with only two independent variables of a population in which there is one dependent variable can be expressed as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where

- Y = Dependent Variable
- β_0 = Constant
- β_1, β_2 = Regression Coefficient
- X_1 = Independent Variable 1 (local tax)
- X_2 = Independent Variable 2 (local retribution)
- e = Error

From the multiple linear regression analysis, linear regression coefficient of each variable was found. Each coefficient was tested by using the coefficient of determination R^2 , the Individual regression (t-test) and (f-test)

3.6 Testing Hypothesis

Testing hypothesis is intended to test the effect of the independent variable on the dependent variable. The hypothesis was tested by using multiple regression analysis.

1. Partial test (t test)

Partial test (t test), aims to show the influence of the independent variable on the dependent variable partially. The hypothesis study was partially tested by using the formulated as follow:

H_1 : $\beta_1 X_1, \beta_2 X_2 \neq 0$, means that an independent variable partially affects the dependent variable.

H_0 : $\beta_1 X_1, \beta_2 X_2 = 0$, means that an independent variable partially has no effect on the dependent variable.

Testing criteria used are as follows:

If t count > t table (n-k-1) then H_0 is rejected

If t count < t table (n-k-1) then H_0 is accepted

2. Simultaneous Test (f test)

Simultaneous test is the statistical test for regression coefficients simultaneously or collectively affect Y. Simultaneously overall statistical hypothesis is formulated as follows:

$H_0: \beta_1 X_1, \beta_2 X_2 = 0$, mean local taxes and levies have no effect simultaneously on regional allocations.

$H_1: \beta_1 X_1, \beta_2 X_2 \neq 0$, mean local taxes and levies affect simultaneously on regional allocations

F-test was used to determine whether there are simultaneously effects to the independent variables on the dependent variable. Verification is done by comparing the value **fcount** **ftable** at 5% confidence level and degrees of freedom $df = (n-k-1)$ where **n** is the number of respondents and **k** is the number of variables. Testing criteria used are: If $f \text{ count} > f \text{ table } (n-k-1)$ then H_0 is rejected and H_1 accepted, statistical significance of the data used to prove that all the independent variables (X_1 and X_2) affect the value of the variable (Y).

3. Coefficient of Determination R^2 Test

The coefficient of determination is essentially used to measure the ability of the model in explaining the variation in the independent variable. The coefficient of determination is used because it can explain the goodness of the regression model to predict the dependent variable. The higher the coefficient of determination will be, the better the ability of independent variables in explaining the dependent variable (Ghozali, 2005). Determination coefficient is between zero and one. Small value of R^2 is the ability of independent variables in explaining the variation in the dependent variable is very limited. Value close to one means that the independent variables provide almost all the information needed to predict the variation in the dependent variable

4. FINDINGS AND DISCUSSION

4.1 Research Findings

4.1.1 Description of research sites

The research was conducted at the Department of Revenue, Finance and Local Asset Management (DPPKAD) of Kota Gorontalo. DPPKAD of Kota Gorontalo is founded by the Regional Regulation No. 13 Year 2008 on the organization and functioning of the Regional Technical Body. It is formed in the spirit of changes in the area of financial management where the Regional Head is obligated to prepare the financial statements consist of the consolidated regional budget realization, local control environment, information and communication and monitoring. The logical consequence of the change in the liability is the establishment of this local government body called as DPPKAD to include the integration of financial management and accountability of written recording of cash both in and out and local government assets and goods.

Government efforts to make a reformation in the bureaucracy has been undergone include financial management, but there are still problems faced in the field of financial management especially the government of Kota Gorontalo, for examples: 1) institutional financial management is still not entirely based on the principles of efficient and rational organization, so that organizational structure proportionately less. 2) local financial management system has not been able to encourage increased professionalism and competence, in accordance with the responsibilities and workload, 3) systems and procedures in the management board of finance has not been efficient, effective, and efficient, 4) public service does not meet with the demands and expectations of society; 5) neglect of ethical values and work culture in the bureaucracy to undermine labor discipline, work ethic, and work productivity.

4.1.2 The Result of multiple regression analysis

Having met the requirements of normality of the data, then regression analysis was performed between local taxes and levies to expenditure of Kota Gorontalo during the period 2007-2011. The results of the regression analysis using SPSS can be seen in table 3 (see appendix).

1. Equation of Regression / Regression Model

Based on the analysis above, the regression model between local taxes and levies to the expenditure of Kota Gorontalo during the period 2007-2011 are as follows:

$$\text{Ln}(Y) = 8,287 + 0,408 \text{Ln}(X_1) + 0,367 \text{Ln}(X_2)$$

Interpretation of regression analysis model are as follows:

- a. If the effect of taxes and levies ignored then the average growth of Kota Gorontalo expenditures during the period 2007-2011 is 8.287%.

- b. Each 1% increase in local tax revenues is successfully obtained the allocation of expenditures will increase by 0.408%.
- c. Each 1% increase in revenue levies successfully obtained the allocation of expenditures will increase by 0.367%.

2. Simultaneous Significant Test (F-Test)

Simultaneous test or F-test is used to see if the local taxes and levies affect simultaneously on regional allocations. Stages of testing the regression model are as follows:

a. Determination of Hypothesis

Ho: local taxes and levies have no effect simultaneously on the allocation of expenditures.

H1: Tax levies area and simultaneously influence the allocation of expenditures.

b. Determining the level of significance

The level of trust that will be used in the study is 95% or in other word, level of significance (alpha) is 5%.

c. Determination of Test Statistics. In a simultaneous test F test is used

d. Determination of test

Determination of test criteria is based on the comparison between the value of F-count obtained with F-table. If the value of F-count is greater than F-table then Ho is rejected, and if the value of F-count is less than the value of F-table then Ho is accepted.

e. Conclusion. Test results with SPSS is presented in table 4 (see appendix)

Based on the result, it is clear that F-count is 988.419. The value of F-table at the 5% significance level and degrees of freedom numerator (DF1) $k = 2$ and degrees of freedom denominator (df2) of $N-k-1 = 20-2-1 = 17$ is equal to 3.592. If both F values are compared, then the value of F-count is bigger than F-table so Ho is rejected. Thus, it can be concluded that regional taxes and levies affect simultaneously on regional allocations

3. Significant Partial Test (t-test)

T test was conducted to test whether the partial local tax rate variable (X1), retribution (X2), a partial or each having an influence on the allocation of expenditure. After testing the model, it is found that variable X (taxes and levies) effect to the local expenditure of Kota Gorontalo.

The test was performed as follow:

1. Determination of hypothesis

Hypothesis of Regional Tax Effects Local Expenditure

H_0 : $\beta_1 = 0$ (there is no effect of local tax revenues to expenditures of Kota Gorontalo in the period 2007-2011).

H_1 : $\beta_1 \neq 0$ (there is the influence of local tax revenues to expenditures of Kota Gorontalo in the period 2007-2011).

Hypothesis of Retribution Effects Local Expenditure

H_0 : $\beta_i = 0$ (there is no effect of retribution to expenditures of Kota Gorontalo in the period 2007-2011).

H_1 : $\beta_i \neq 0$ (there is an influence of retribution to expenditures of Kota Gorontalo in the period 2007-2011).

2. Determining the level of significance

The level of trust that used in the study is 95% or the level of significance (α) is 5%.

3. Determination of Test Statistics. In a simultaneous test F test is used

4. Determination of test

Determination of test criteria is based on the comparison between the values of T-count obtained with T-table. If the value of T-count is greater than T-table then H_0 is rejected, and if the value of T-count is less than the value of T-table then H_0 is accepted.

5. Conclusion. Test results with SPSS is presented in table 5 (see appendix)

Based on the table, it is known that the value of t-table obtained by each variable. To get a conclusion whether to accept or reject H_0 , it must first be determined the value of t-table to be used. T-table value is dependent on the magnitude of df (degree of freedom) and the significance level used. Using a significance level of 5% and df values for $n-k-1 = 20-2-1 = 17$. t-table values obtained at 2.110.

The results of the influence of taxes and levies testing towards the allocation of expenditure of Kota Gorontalo in the period of 2007-2011 are as follows

1. Effect of Local Taxes on Expenditure

Based on the analysis, it is found that t-count for local taxes variable is 33.887. When compared with the t-table is only 2.110. t-count obtained is greater than the value of t-table. So H_0 is rejected. It can be concluded that the variable of local tax positively effects on expenditures. Any increase in the amount of local tax revenues by 1% would then increase 0.408% of the expenditures of Kota Gorontalo.

2. The Effect of Retribution to Local Expenditure

Based on the analysis, it is known that t-count for levies variable is 6.3. When compared with t-table is only 2.110. Thus, t-count obtained is bigger than the value of t-table. So, H_0 is rejected. It can be concluded that the levies variable has a positive effect on spending. Any increase in the number of levies by 1% would then increase 0.367% of the expenditure of Kota Gorontalo.

3. Interpretation of Determine Coefficient

To determine the effect of taxes and levies to the expenditure of Kota Gorontalo in the period 2007-2011, coefficient determination analysis was used. The value of R^2 ranges between $0 < R^2 < 1$. If the value of R^2 is closer to one then the proposed model categorized good. Because the higher the variation of the dependent variable can be explained by the independent variables. Coefficient of determination for the regression model between the taxes and levies and expenditure of Kota Gorontalo in the period 2007-2011 can be seen in the table 6 (see appendix).

Based on the estimation of regression equation model, it is found that the value of the coefficient of determination R^2 is 0.9915. It means that 99.15% change of Expenditure of Kota Gorontalo in the period 2007-2011 is affected by the amount of tax revenue and levies obtained, while the remaining 0.85% is influenced by other variables.

4.2 Discussion

4.2.1 Simultaneously effect of the regional tax and retribution on regional allocations.

Based on the result above, it is clear that F-count is 988.419. The value of F-table at the 5% significance level and degrees of freedom numerator (DF1) $k = 2$ and degrees of freedom denominator (df2) of $N-k-1 = 20-2-1 = 17$ is equal to 3.592. If both F values are compared, then the value of F-count is bigger than F-table so H_0 is rejected. Thus, it can be concluded that regional taxes and levies affect simultaneously on regional allocations. The results of simultaneous testing showed that the effects of taxes and levies to the expenditure is also very high. This is indicated by the coefficient of determination R^2 is 0.9915. It means that 99.15% change of Expenditure of Kota Gorontalo in the period 2007-2011 is affected by the amount of tax revenue and levies obtained, while the remaining 0.85% is influenced by other variables.

The results of this study prove the theory expressed by Joulfaian & Mokeerje (1990), states that revenue (mainly taxes and charges) will affect the local budget. In this case local government of Kota Gorontalo spending will be adjusted with changes in local government revenue or income before changes in expenditure.

These results are also consistent with the theory or research that suggested by some previous studies by Pratiwi (2007) which examines the impact of revenue and allocation of public funds to the prediction of local expenditure in the districts / cities in Indonesia, the results of this study support the predictive effect of DAU (General Allocation Funds) and Revenue to Local Expenditure. Other studies by Prakosa (2004) in Yogyakarta and Central Java and Halim (2003) in Java and Bali revealed that Revenue and DAU have a significant influence on regional expenditure.

4.2.2 Partially effect of the regional tax and retribution on regional allocations.

Partially based on the analysis, it is found that t-count for local taxes variable is 33.887. When compared with the t-table is only 2.110. t-count obtained is greater than the value of t-table. So H_0 is rejected. It can be concluded that the variable of local tax positively effects on expenditures. Any increase in the amount of local tax revenues by 1% would then increase 0.408% of the expenditures of Kota Gorontalo. Based on the analysis, it is known that t-count for levies variable is 6.3. When compared with t-table is only 2.110. Thus, t-count obtained is bigger than the value of t-table. So, H_0 is rejected. It can be concluded that the levies variable has a positive effect on spending. Any increase in the number of levies by 1% would then increase 0.367% of the expenditure of Kota Gorontalo.

One of the most important elements of local government finance is the contribution of local revenue (PAD). Because PAD is a clear evidence of local community support for the government to run the autonomous government, in line with regional autonomy through decentralization. Local taxes and levies are the most important elements and the major contributors of revenue. For that reason, the role of local taxes and levies should be increase optimally to enable the local government to hold the government to rely on potential owned areas. Local taxes and levies are expected to meet all expenditure allocation of a local government in one fiscal year. The greater ability to optimize the financial potency as the source of revenue, the smaller the financial aids from central or provincial government.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

Starting from the research and discussion that has been described in the previous chapters the following conclusions can be drawn:

1. Local taxes and levies partially have significance and positive effect on the allocation of government expenditures in Kota Gorontalo. This is proven by it is found that t-count for local taxes variable is 33.887. When compared with the t-table is only 2.110. t-count obtained is greater than the value of t-table. So H_0 is rejected. It can be concluded that the variable of local tax positively effects on expenditures. Any increase in the amount of local tax revenues by 1% would then increase 0.408% of the expenditures of Kota Gorontalo. Based on the analysis, it is known that t-count for levies variable is 6.3. When compared with t-table is only 2.110. Thus, t-count obtained is bigger than the value of t-table. So, H_0 is rejected. It can be concluded that the levies variable has a positive effect on spending. Any increase in the number of levies by 1% would then increase 0.367% of the expenditure of Kota Gorontalo.
2. Local taxes and levies simultaneously have significant and positive effect on the allocation of government expenditures in Kota Gorontalo. This is proven by the value of F-count is 988.419 when compared to the value of F-table is 3592. It is clear that F-count is bigger than the F-table.

5.2 Suggestions

Based on the conclusions above, the suggestions can be stated as follows:

1. Local government should improve and expand the financial revenue from both taxes and levies, such as the collection of parking levies not only in shopping center but also along the street in the City Center.
2. Paying attention to the development of Kota Gorontalo as the capital of Gorontalo Province which shows progress in the infrastructure development and economic growth and trade are growing rapidly in recent years, it is important that the local government should immediately enact the new regulation on the collection of local taxes such as tax on 'bentor' (motorcycle which motorized three-wheeled vehicles to load passenger) as public transportation, dormitory and house-rent tax, food and so on.

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Table 1.

**Local Revenue and Local Expenditure Allocation
2009 s/d 2011 of Kota Gorontalo
In IDR (Indonesian Rupiah)**

Tahun	Variabel	Target APBD	Realisasi	Capaian %
2009		13.885.000.000	9.327.067.162	67.17
2010	Local Tax (X1)	17.405.333.987	11.217.839.669	64.45
2011		18.794.000.000	17.931.672.329	95.41
2009			40.600.000.000	28.602.216.399
2010	Local Levies (X2)	10.801.435.000	6.692.741.966	61.96
2011		11.730.500.000	7.070.722.069	60.20
2009			509.563.606.229	440.009.556.617
2010	Local Expenditure (Y)	406.161.117.340	475.470.205.241	117.06
2011		554.044.755.185	569.023.534.016	102.70

Source: DPPKAD Kota Gorontalo, 2012

Table 2.

Definitions of Operational Variables

Variables	Definitions of Operational Variable	Indicator	Scale
Local Tax (X ₁)	Local Taxes are taxes levied by regions such as provinces, districts based on the rules of each region and the results are used for the expenditure of each regions (Simanjuntak, 2001).	The accomplishment of Local Tax	Ratio
Local Retribution (X ₂)	Retribution is the reward for the use or utilization obtained directly by individual or entity or services, employment, consumption of goods, or permission granted by the local government (Koswara, 2001).	The accomplishment of Local Levies	Ratio
The allocation of local expenditure (Y)	Expenditure is all local government spending in a budget period. Budget consists of three main components, namely the elements of revenue, expenditure, and development expenditure (Halim, 2003)	Total accomplishment of Local Expenditure	Ratio

Table 3.

Table of Regression Model

Coefficients^a

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	8.287	1.202
	Pajak Daerah	.408	.012
	Retribusi Daerah	.367	.058

a. Dependent Variable: Belanja Daerah

Table 4.

Table the Result of F-test

Model		Sum of Squares	df	Mean Square	F
1	Regression	.681	2	.341	988.419
	Residual	.006	17	.000	
	Total	.687	19		

a. Predictors: (Constant), Retribusi Daerah, Pajak Daerah

b. Dependent Variable: Belanja Daerah

Table 5.

Table of Hypothesis Testing Results

Coefficients^a

Model		Unstandardized Coefficients		t
		B	Std. Error	
1	(Constant)	8.287	1.202	6.896
	Pajak Daerah	.408	.012	33.887
	Retribusi Daerah	.367	.058	6.300

a. Dependent Variable: Belanja Daerah

Table 6.

Table of Determination of Test Result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.9957 ^a	.9915	.9905	.01856

a. Predictors: (Constant), Retribusi Daerah, Pajak Daerah