

## **E-Government in The Implementation of T-Tax System in Palembang City**

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### **Abstract**

Electronic Government, an essential aspect of contemporary governance, harnesses information technology and the internet to optimize governmental activities, fostering enhanced public services and heightened government efficiency and transparency. This research investigates Palembang City's foray into e-government, specifically in regional tax collection, utilizing an online tax application initiated in 2018. Employing a descriptive qualitative research methodology encompassing interviews, observation, documentation, and literature review, the research reveals Palembang City's strategic move to simplify local tax collection through online taxes. Third-party service providers, in collaboration with Bank Sumsel Babel, play a pivotal role in monitoring and facilitating e-tax implementation. Success factors include robust policy support via Mayor Regulations, alongside effective communication strategies utilizing social and electronic media. Challenges persist, such as uneven distribution of tax payment kiosks and low taxpayer compliance with voluntary e-tax adoption. This research offers comprehensive insights into the complexities and opportunities of regional e-government, illuminating the nuanced landscape of digital governance at the local level.

### **Keywords:**

electronic government; electronic tax; Palembang city; taxpayers

### **Introduction**

Information and Communication Technology (ICT) has become indispensable in today's world. In the midst of the ongoing pandemic and the era of disruption, various aspects of life, along with their processes and activities, have transitioned from manual operations to digital platforms. This transformation is evident not only in the private sector but also in government and public administration processes. The adoption of information technology serves as a crucial indicator of a nation's progress (Ngafifi, 2014). Consequently, governments worldwide are actively promoting the integration of information and communication technology into their bureaucratic practices. Specifically, at the regional government level, the focus is on implementing public services that leverage digital technology, enhancing administrative processes, and fostering proficiency in information technology. This shift allows for more efficient and technology-driven governance, bringing services closer to the public while embracing the advancements of the digital age.

In Indonesia, government policies have actively promoted the integration of technology in administrative processes since the issuance of Presidential Instruction Number 3 of 2003. This instruction, often abbreviated as e-Gov or E-Government, underscores the government's commitment to embracing electronic systems in its operations. The emphasis on the term "electronic" signifies the directive for incorporating electronic platforms in government activities (Hasibuan, 2007). This policy reflects the government's dedication to administering governance through advanced technological infrastructure. The adoption of information technology in government processes holds immense significance, particularly in enhancing public services and making them more accessible. The shift towards electronic-based services is crucial for expediting and simplifying services for the public, spanning from central government operations to regional and even village-level administrations (Pratama, 2015). Today, the utilization of Information and Communication Technology (ICT) in government, also known as e-government, serves not only as a measure of the nation's progress but also as a pivotal indicator for evaluating the effectiveness of government administration (Ngafifi, 2014), (Govindaraju et al., 2016).

In the realm of assessing government performance, Indonesia has spurred several cities to embrace the principle of connectedness. This initiative involves integrating information technology with urban elements to support ICT-based urban living, a concept commonly known as Smart City (Nur, 2020). A Smart City, or Intelligent City, embodies a transformative approach, emphasizing flexibility, synergy, and individuality. The goal is to seamlessly integrate all aspects of urban life into a technological system accessible to the entire community. This integration aims to provide transparent, efficient, and equitable public services for all residents (Utomo & Hariadi, 2016). The Smart City concept has been implemented to enhance public services in regional governments, including crucial tasks like collecting regional taxes, a responsibility outlined in the Regional Government law. This strategic adoption of Smart City principles reflects Indonesia's commitment to leveraging technology for the betterment of urban life and governance.

Effective management of regional taxes is crucial both conceptually and practically, given that regional taxes constitute a significant portion of Original Regional Income (PAD) in comparison to other sources such as regional levies and revenue from wealth management (Pamuji, 2014). For instance, data from Palembang City reveals that in 2017, regional taxes accounted for 62.29% of PAD realization, whereas other PAD income constituted only 26.57%. Meanwhile, Regional Company profit sharing contributed 5.67%, and regional levies, the smallest contributor, only accounted for 5.47% of the regional tax realization amounting to 680 billion. Although the increase in regional tax management income indicates effective management, this assessment is based solely on the percentage of targets achieved in the APBD. In 2018, following recommendations from Korsupgah KPK, the Palembang City Government was advised to raise

the PAD target, particularly from regional tax revenues, from 1.3 trillion in 2017 to 1.5 trillion. Despite a smaller percentage of realization, this adjustment aimed to yield higher revenue due to the elevated target. Korsupgah KPK also proposed the implementation of electronic tax (e-tax) to enhance tax management and transparency, underlining the benefits of improved financial oversight through technology.

In the context of regional tax services, the tax reporting process commonly operates under the Self Assessment System. This system encourages active participation from taxpayers, who are expected to independently and honestly provide information about the taxes they owe. Under this concept, taxpayers are entrusted with the responsibility of calculating their own tax liabilities and reporting this information to tax authorities (Rachdianti et.al 2016). Successful implementation of this tax system hinges on taxpayer participation, honesty, awareness, and discipline to ensure accurate and compliant reporting with tax regulations (Safitra, 2019). To facilitate the Self Assessment System, Palembang City has introduced Mayor Regulation Number 84 of 2018, outlining the procedures for online payment and reporting of taxes related to hotels, restaurants, entertainment, and parking. This online payment system, often referred to as e-tax or electronic tax, reflects the regional government's commitment to providing electronic-based services that simplify tax-related interactions for regional taxpayers. Given these circumstances, researchers are keen to explore the practical application of E-Government in the context of online tax collection (E-Tax) in Palembang City.

## **Methods**

Research is systematically conducted as a scientific effort aimed at understanding and providing a detailed description of the studied object. To achieve this, research methods are employed as scientific techniques utilized to gather data for specific purposes (Sugiyono, 2014). This research adopted a descriptive qualitative research approach. According to Arikunto (in Asmendri, 2020), descriptive research was non-hypothetical, eliminating the need to formulate hypotheses during the research process. Sugiyono (2014) concurred, emphasizing that this kind of research aimed to develop concepts and gather facts without involving hypotheses. Data for this research were collected through interviews, observations, documentation, and a comprehensive review of pertinent literature sources. The research focused on employees at the Palembang City Regional Tax Management Agency, vendors or online tax service providers (e-Tax), and local taxpayers in the hotel tax, restaurant tax, entertainment tax, and parking tax sectors. Data analysis followed a descriptive qualitative approach utilizing the interactive model developed by Miles and Huberman (in Moleong, 2013). This model involved four interconnected

components: data collection, data reduction, data presentation, and drawing conclusions and verification. These components constituted a continuous cycle, ensuring a rigorous and comprehensive analysis of the gathered information.

## Results and Discussion

### E-Government and E-Tax in Palembang City

The adoption of electronic government practices in Palembang City's public services commenced in 2003 following the issuance of a Presidential Instruction emphasizing the implementation of electronic government. The term "electronic" in the Instruction signified the government's directive to incorporate electronic systems in its operations. This initiative underscored the government's dedication to modernizing governance through technological infrastructure utilization (Hasibuan, 2007). This legal foundation served as a catalyst, guiding and motivating local authorities, notably in Palembang City, to integrate electronic government practices into their public services.

The purpose of implementing e-government services is to enhance the convenience and assurance for the public using government services. The e-government practices facilitate seamless information delivery and technical improvements, making services simpler and more accessible. Crucially, the success of e-government relies on support in various aspects: participation, human resources, infrastructure, and government backing (Noviyanti et al., 2021). In Palembang, particularly in the realm of local tax collection, e-government practices have been implemented in just four regional tax sectors, as outlined in the following table:

**Table 1.**

#### **Types of Tax and Regional Tax Collection in Palembang City**

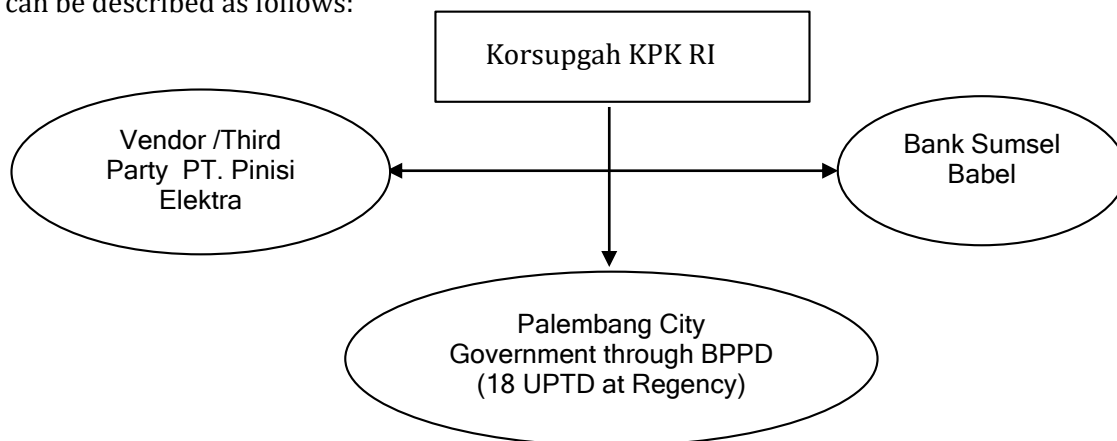
<b>No</b>	<b>Regional Tax Items</b>	<b>Collection System</b>
1	Hotel Tax	E-Tax
2	Restaurant Tax	E-Tax
3	Entertainment Tax	E-Tax
4	Parking Tax	E-Tax
5	Advertisement Tax	Manual
6	Street Lighting Tax	Manual
7	Groundwater Tax	Manual
8	Swallow's Nest Tax	Manual
9	Non-Metallic Minerals and Rocks Tax	Manual
10	Land and Building Tax	Manual
11	Land and Building Acquisition Fee	Manual

*Source: Palembang City Regulation No 2 of 2018*

Out of the 11 types of regional taxes stipulated in the City of Palembang's Regional Regulations Number 2 of 2018, only 4 have been incorporated into the electronic transaction system using online tax applications (e-Tax). This indicates a low percentage of online tax usage. According to information gathered from interviews, the decision to implement online tax services in the hotel, restaurant, entertainment, and parking tax sectors is primarily because these sectors are significant contributors to tax revenue. Moreover, they are easily monitored by the government due to their sizeable taxpayer base. These four sectors serve as the backbone of Palembang City's local revenue (PAD).

### The Implementation of E-Tax Application in Palembang City

In practice, the e-tax application in Palembang City operates as a collaborative initiative involving vendors and service providers, specifically PT. Pinisi Elektra. This company operates in the electronics sector and partners with Bank Sumsel Babel and the Palembang City Government, specifically through the Regional Tax Management Agency (BPPD) of Palembang City. Structurally, Palembang City's BPPD functions as a Regional Apparatus Organization, directly accountable to the Mayor of Palembang. With a broad coverage across the city and a substantial taxpayer base, the BPPD has established a Service Technical Implementation Unit (UPTD) in each of the 18 sub-districts throughout Palembang City. The cooperation model in this e-tax initiative can be described as follows:



**Figure 1. The Cooperation Scheme and E-TAX Implementation**

This Figure illustrates the Palembang City government's role as a beneficiary of a program. The initiative was initially launched by the Indonesian Corruption Eradication Committee in 2018, spurred by findings from the Supervision and Prevention Coordinator of the Indonesian Corruption Eradication Commission (Korsupgah KPK RI). These findings highlighted the untapped potential of regional taxes that had not been fully realized. This led to the urgent

need for the development of a real-time tax reporting system utilizing a transparent online application known as electronic-tax. To achieve this, a third party was enlisted as a service provider. The decision to involve this external entity was driven by the manifold advantages it offered, benefiting both the Palembang City government in its quest to boost regional tax revenue and Bank Sumsel Babel, the institution responsible for managing Palembang City's regional tax funds.

Through a collaborative effort initiated by Korsupgah, the Corruption Eradication Commission (KPK), three key entities—PT. Pinisi Elektra, Bank Sumsel Babel, and BPPD Palembang City—have streamlined the distribution of tax funds, ensuring targeted allocation and preventing potential leaks in the PAD funds. PT. Pinisi Elektra, acting as the vendor, serves as the executor and data collector from taxpayers. The collected data is then transmitted to taxpayers for payment to Bank Sumsel Babel. Subsequently, BPPD conducts thorough audits and monitoring of taxpayer data collected by PT. Pinisi Elektra. This process helps identify compliant taxpayers and those in violation. Individuals failing to comply receive warning letters I, II, and III. If these warnings go unheeded, the case is forwarded to the accounts receivable section for further action on the outstanding tax payments. Should there be no genuine effort to settle tax dues, the Palembang City government escalates the matter, referring the arrears to the Prosecutor's Office for further legal processing.

### **Factor Affecting and Hindering the Success of E-Tax Implementation**

Based on the findings from interviews and observations conducted by researchers, several factors were identified that can significantly impact the success of implementing online taxes in Palembang City. In addition to these success factors, there are also obstacles faced during the implementation of online tax. The key factors influencing the success of online tax implementation include:

#### **a. Support from Palembang City Government**

Palembang City government's commitment to implementing online taxes is evident through its political will, demonstrated by regulatory backing such as the issuance of Palembang Mayor Regulation Number 84 of 2018. This regulation outlines the procedures for online payment and reporting of business transactions related to hotel tax, restaurant tax, entertainment tax, and parking tax. In practical terms, effective governance necessitates the establishment of a legal framework for program implementation. This action showcases the Palembang City government's adherence to the principles of good governance, specifically emphasizing legal certainty and legality.

### **b. Support from External Parties**

External support plays a pivotal role in the successful implementation of electronic taxes in Palembang City. The Corruption Eradication Commission (KPK), functioning as an anti-corruption agency, has conducted comprehensive assessments. These evaluations revealed the unreliability of manual tax collection methods and emphasized the potential benefits of utilizing technology to streamline government processes. Bank Sumsel Babel also plays a crucial role by supporting electronic tax implementation. Their objective is to simplify the monitoring of monthly tax payments made by taxpayers, ultimately augmenting the bank's financial transactions and turnover.

### **c. Participant from Taxpayers**

Taxes represent obligatory contributions that citizens must pay regularly. Taxpayers are required to fulfill their financial obligations by remitting the specified amount to the government every month. Unlike other fees where payment is made in exchange for immediate services, the advantages of tax payments are not immediately apparent to the public. Tax funds are channeled into protecting citizens, providing essential services, and constructing public infrastructure, all funded through the government's budget, which primarily relies on tax collections. Despite its mandatory nature, tax compliance is often lacking among taxpayers. Some individuals attempt to evade taxes, misreport their income to pay less, or engage in other forms of non-compliance. This behavior is largely due to a lack of awareness among the public about the importance of their active participation in the taxation system. To address this issue, it is imperative for the government to take proactive measures. Public awareness campaigns and educational outreach programs are essential. By explaining the purpose and benefits of taxes, the government can bridge the understanding gap. Tax revenues not only bolster government finances but also serve the broader community by funding essential services and projects. Therefore, a collective understanding and active participation in taxation are crucial for the well-being of both the government and the public.

### **d. Information and Communication**

The integration of Information and Communication Technology (ICT) has significantly streamlined the tax collection process from taxpayers. The collaboration, particularly with the support of PT. Pinisi Elektra as a vendor, has not only simplified the operations of the Palembang City government but has also made the outcomes more optimal and efficient. The implementation of e-tax is a complex task that demands expertise in technology. PT. Pinisi Elektra's support has been invaluable in creating an electronic-based tax system, facilitating easier and more transparent tax payments. Their expertise in developing applications, integrated software systems, databases, and professional-grade servers has played a pivotal role in ensuring the

seamless and successful implementation of e-tax in Palembang City.

## Conclusion

In summary, the implementation of electronic tax or online tax in the City of Palembang serves as a government initiative to streamline public services, particularly in the collection of regional taxes such as restaurant tax, hotel tax, entertainment tax, and parking tax. The Regional Government, through the Management Service Palembang City Regional Tax (BPPD), is the beneficiary of this system, with third-party service providers collaborating with Bank Sumsel Babel, the overseeing bank for collected taxes, under the direct supervision of the Corruption Eradication Commission. Several key factors contribute to the success of Palembang City's online tax practices. These include policy support through Mayor's Regulations, well-equipped facilities and infrastructure, effective cooperation and communication with taxpayers facilitated through social media and electronic platforms, and positive relationships with the three online tax application service providers. However, challenges persist, notably the insufficient availability of tapping box equipment in comparison to the city's taxpayer population and the low voluntary compliance of taxpayers in using e-tax. These factors reflect the ongoing efforts and hurdles faced in enhancing the efficiency and adoption of online tax systems in Palembang City.

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