

GOVERNMENT STRATEGY FOR INCREASING LOCALLY-GENERATED REVENUE (PAD) FROM THE ENTERTAINMENT TAX SECTOR IN SOUTH TANGERANG CITY

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ABSTRACT

Government Strategy for Increasing Locally-Generated Revenue (PAD) from the Entertainment Tax Sector in South Tangerang City. Locally-Generated Revenue (PAD) serves as the primary pillar of regional fiscal autonomy. South Tangerang City possesses significant potential in the service and entertainment sectors, however, the realization of fiscal revenue from these areas remains volatile due to challenges in oversight and taxpayer compliance. This study aims to analyze the strategies employed by the South Tangerang City Government to increase PAD from the entertainment tax sector, as well as the obstacles encountered during their implementation. A qualitative descriptive research method with a case study approach was utilized. The findings indicate that the local government has implemented a two-pillared strategy: intensification through the digitalization of tax collection (e-tax), the installation of transaction-recording devices, and more frequent field audits and extensification through area canvassing and the identification of new taxable objects, such as emerging commercial sports and premium recreational activities. While these strategies have positively contributed to regional fiscal stability, their implementation remains hindered by low voluntary taxpayer compliance (under-reporting), a shortage of supervisory personnel, technical issues with digital equipment, and resistance from business owners regarding adjustments to the Tax on Certain Goods and Services (PBJT) following the enactment of the Law on Financial Relations between the Central Government and Regional Governments (UU HKPD). The study concludes that the sustainable optimization of PAD from the entertainment sector requires consistent law enforcement, stronger integration of digital systems across government agencies, and the harmonization of fiscal policies to maintain a favorable regional investment climate.

Keywords: Government Strategy, Locally-Generated Revenue (PAD), Entertainment Tax, South Tangerang City.

INTRODUCTION

Regional autonomy, as implemented in Indonesia, grants local governments extensive authority to manage their own internal affairs. A crucial aspect of this autonomy is fiscal independence, which requires regions to finance development and public services without relying entirely on balancing funds from the central government (Afandi, 2025). Fiscal independence is measured by the contribution of Locally-Generated Revenue (PAD) to the total Regional Budget (APBD). A higher proportion of PAD signifies a greater degree of independence and flexibility for a region to execute strategic programs that directly impact public welfare (Yuningtiyas, 2026).

Within the structure of PAD, local taxes play a vital and strategic role as a sustainable source of revenue. Unlike levies which require a direct quid pro quo or income from the

management of regional assets (which is often limited), local taxes possess a broader and more dynamic collection base that evolves alongside the economic growth of the community (Rahma et al., 2026). Consequently, a local government's capacity to manage, explore, and optimize its local tax potential serves as a key indicator of successful public financial governance at the local level (Kamala et al., 2025).

As global and national economic structures shift toward the tertiary sector, the service and tourism industries have emerged as powerful economic drivers in many urban areas. One segment of the service sector that has experienced massive growth is the entertainment industry (Manggiasih, 2024). The dynamics of modern lifestyles, which demand the fulfillment of recreational needs ranging from cinema screenings and music concerts to fitness centers and family recreation venues have transformed the entertainment industry from a mere supporting sector into a major, promising contributor to urban economies (Puspita & Dewanti, 2024).

The rapid growth of the entertainment industry naturally creates significant opportunities for increasing local tax revenue through the entertainment tax sector. Because entertainment taxes are based on public consumption levels, this sector is highly sensitive and responsive to macroeconomic trends and the public's purchasing power (Rizkiansyah, 2026). When a region succeeds in attracting investment in the entertainment sector and fostering a conducive business climate, the potential for fiscal revenue from this sector multiplies; this, in turn, can be reinvested for the benefit of the public through improved infrastructure (Lumentah, 2013).

Nevertheless, optimizing entertainment tax revenue is often hindered by various operational and structural challenges. A recurring issue is the low level of voluntary compliance among taxpayers, frequently manifesting as the under-reporting of business turnover where reported figures do not reflect the actual situation on the ground (Ameta & Santoso, 2026). Furthermore, limitations in tax administration and oversight systems which are not yet fully integrated digitally weaken the local government's ability to monitor and detect potential revenue leakage (Minan et al., 2026).

To bridge the gap between potential and actual revenue, the formulation and implementation of adaptive strategies by local governments have become essential. Local authorities can no longer rely on conventional, passive methods for tax collection (Supriadi et al., 2026). A comprehensive strategic framework is required encompassing intensification through the use of tax-related information technology, extensification through the periodic mapping of new tax objects, and the reform of local regulations—to ensure responsiveness to market dynamics without stifling the investment climate within the entertainment industry itself (Goeyardi et al., 2026).

Given the urgency of this phenomenon, this study aims to conduct an in-depth examination of the concrete measures taken, the obstacles encountered, and the effectiveness of the regulations adopted by local authorities. Specifically, this research focuses on South Tangerang City, analyzing the local government's strategies for increasing Locally-Generated Revenue (PAD) from the entertainment tax sector. The objective is to provide an empirical overview and strategic recommendations for the governance of local revenue optimization.

METHOD

This study employs a qualitative approach with a descriptive method to provide an in-depth, contextual understanding of local government strategies. A case study design is utilized to comprehensively explore the policies, implementation processes, and real-world challenges faced by local fiscal authorities in optimizing regional revenue (Fiantika et al., 2022). Research data are categorized into primary and secondary data. Primary data were obtained directly through in-depth interviews with key informants from the South Tangerang City Regional Revenue Agency (Bapenda) and representatives from the entertainment industry, who serve as taxpayers. Meanwhile, secondary data were collected through a documentary study of reports on the realization of Locally-Generated Revenue (PAD) targets, regional regulations concerning entertainment taxes, and scientific literature relevant to the research setting.

Informants were selected using purposive sampling to ensure that the data obtained came from individuals with the necessary authority and an in-depth understanding of the subject under study. To guarantee the authenticity and validity of the collected data, this research employed both source and method triangulation cross-referencing interview findings with field observations and official local government documents (Miles et al., 2014). Subsequently, all validated data were analyzed using an interactive model consisting of three simultaneous stages: data reduction (filtering for relevant information), data display (presenting information in a systematic, narrative format), and conclusion drawing or verification. This analytical approach ensures that the interpretation of local government strategies is grounded in objective, empirical facts from the field.

RESULTS AND DISCUSSION

Optimization Strategy for the Tax on Certain Goods and Services (PBJT) in the Entertainment Sector

Based on empirical data analysis, the strategy employed by the South Tangerang City Government through its Regional Revenue Agency (Bapenda) to increase Locally-Generated Revenue (PAD) relies on a calibrated mix of regional fiscal policies. Local authorities recognize that urban economic growth, driven by the service sector, necessitates a paradigm shift: moving away from passive, conventional tax collection toward a proactive, structural approach to fiscal

management. This approach is implemented through two core pillars of regional tax administration theory intensification and extensification tailored to the specific characteristics of the South Tangerang metropolitan area.

The first pillar, the intensification strategy, focuses on optimizing the potential of entertainment-related tax objects already registered in the local government's database. As an initial step, the administration has reorganized its tax processes to ensure the accuracy of taxpayer data. Bapenda has conducted re-verifications of business profiles, covering factors such as venue capacity, operating hours, and estimated monthly cash flow. This updated baseline database serves as a vital foundation, ensuring that the annual revenue targets assigned to the entertainment sector are not merely theoretical projections, but are instead grounded in realistic market potential.

The most critical transformation within this intensification effort is the modernization of the collection system through the implementation of an integrated, online e-tax platform. The local government is progressively phasing out manual reporting systems which previously relied entirely on the taxpayer's own declarations (a pure, unsupervised self-assessment model) as such models have proven highly susceptible to manipulation. Through a newly developed digital platform, taxpayers in the entertainment sector are now required to submit their monthly turnover reports and payments via an electronic system accessible at any time. This streamlines complex bureaucratic processes and eliminates opportunities for illicit levies by unscrupulous officials.

To further strengthen this e-tax system, the South Tangerang City Regional Revenue Agency (Bapenda) has been extensively installing transaction-recording devices known as tapping boxes onto the point-of-sale (POS) systems at entertainment venues. These devices automatically capture data from every receipt or admission ticket issued by the venue operators and transmit it directly to the Bapenda central data server. This hardware-based oversight provides the local government with an independent control mechanism, allowing them to cross-reference the monthly turnover reports submitted by taxpayers against the actual transaction data recorded by the system.

The implementation of these tapping boxes is complemented by a strategy of periodic data monitoring conducted by an internal team of fiscal data analysts at Bapenda. Staff perform routine weekly data reconciliations to detect any anomalies such as a sharp, unexplained drop in transaction volume during weekends or indications that a recording device has been intentionally switched off by the venue operator. This regular digital evaluation enables the local government to act swiftly, seeking clarification from taxpayers suspected of irregularities before the tax payment deadline for the current month expires.

In addition to digital oversight, the intensification strategy is bolstered by more frequent, unannounced field compliance audits. Bapenda has established a dedicated task force that conducts regular, direct inspections of entertainment venues particularly during peak hours or during special events likely to attract large crowds. The physical presence of officers in the field serves a dual purpose: it acts as a psychological law-enforcement instrument creating a deterrent effect that discourages business owners from concealing their transactions while simultaneously providing a means to directly validate the actual operational conditions of entertainment venues.

Meanwhile, the second pillar in optimizing regional revenue is implemented through an extensification strategy focused on expanding the local tax base. As South Tangerang City develops rapidly serving as a buffer zone for the capital there has been an exponential growth in shopping centers, integrated commercial districts, and modern shophouse complexes. This dynamic has spurred the proliferation of various creative industries and new recreational venues that were not previously accounted for in the existing tax-targeting framework, necessitating proactive measures by the local government to incorporate these emerging revenue potentials into the tax system.

This concrete extensification effort begins with a massive data-collection initiative, employing periodic canvassing across the seven districts of South Tangerang City. Field officers are deployed to identify newly operational entertainment businesses ranging from large-scale establishments within malls to small-to-medium enterprises located in strategic shophouse areas. Through this process, the local government not only issues new Regional Taxpayer Identification Numbers (NPWPD) but also provides initial guidance on local tax obligations to business owners, who are often unfamiliar with local fiscal regulations.

Furthermore, this extensification strategy reflects the local government's keen ability to respond to shifting lifestyle trends among an increasingly dynamic urban population. The emergence of various lifestyle-oriented entertainment options such as premium fitness centers, virtual reality-based gaming venues, and new commercial sports trends like padel courts has been identified by the local government as a highly promising revenue niche. Through an adaptive interpretation of regulations, the Regional Revenue Agency (Bapenda) classifies these modern recreational businesses under the category of Tax on Certain Goods and Services (PBJT) specifically for arts and entertainment services, thereby broadening and diversifying the local fiscal revenue base.

In the context of strengthening the legal framework, both aforementioned strategies are fully supported by regulatory reform at the local level, involving the drafting and adjustment of Regional Regulations (Perda) to ensure alignment with higher-level legislation. Local governments are actively formulating implementing regulations that provide legal certainty

regarding collection procedures, reporting deadlines, and the detailed classification of entertainment objects subject to taxation. These adaptive local regulations serve as a legal umbrella, granting field officers the necessary legitimacy to execute policies whether through active tax collection or the imposition of administrative sanctions on non-compliant taxpayers.

This strategy is further complemented by a persuasive approach, utilizing a reward system for taxpayers who demonstrate high levels of compliance and transparency in their financial reporting. Local authorities recognize that optimizing locally-generated revenue (PAD) cannot be achieved solely through coercive measures; rather, it requires building a mutually beneficial partnership ecosystem with the business sector. By offering recognition such as exemplary taxpayer awards or streamlined processes for business license renewals local governments have successfully fostered a sense of ownership and moral responsibility among entertainment business operators, encouraging them to contribute to regional development.

Overall, the harmonious integration of an information technology-based intensification strategy and an extensification strategy focused on expanding the tax base reflects the South Tangerang City Government's firm commitment to achieving fiscal self-reliance. Through this comprehensive mix of strategies, the local government not only succeeds in safeguarding existing revenue potential against budgetary leakage but also effectively converts the growth dynamics of the modern entertainment industry into a sustainable source of locally-generated revenue, which in turn funds various public service programs for the broader community.

Obstacles in the Implementation of Local Tax Strategies

Although the South Tangerang City Government has formulated various dynamic local tax strategies that leverage information technology, the implementation process on the ground continues to encounter a number of complex obstacles. These challenges stem not only from internal factors within the local government bureaucracy but are also triggered by external dynamics in the business sector and regulatory transitions at the national level. A conflict of interest between the fiscal authority's efforts to optimize local revenue and business operators' desires to maximize commercial profit creates loopholes that hinder the achievement of revenue targets for the Tax on Certain Goods and Services (PBJT) category covering arts and entertainment services.

The most critical, classic, and systemic obstacle in the field is the low level of voluntary compliance among some business operators in the entertainment industry. Given that the current collection system still allows for a degree of taxpayer autonomy, practices such as under-reporting declaring daily turnover figures that are lower than the actual amounts remain common. Some business operators tend to conceal a portion of their cash transaction data,

reporting only non-cash transactions that are easily tracked, with the aim of reducing the monthly tax liability owed to the local treasury.

This lack of honesty among certain taxpayers is exacerbated by limitations in both the number and quality of field inspectors employed by the Regional Revenue Agency (Bapenda). The vast geographical area of South Tangerang City, combined with a widespread distribution of entertainment hubs, is not matched by the number of available local tax auditors. Consequently, direct monitoring of conventional entertainment venues—particularly during peak periods such as weekends or evenings—cannot be carried out consistently at all times. This limitation in physical oversight creates an opening for certain parties to commit administrative violations without the immediate risk of facing sanctions.

Challenges in the field are further complicated when the digital tax system upon which the authorities rely encounters technical resistance from entertainment venue operators. During the installation of transaction-recording devices (known as tapping boxes), officials from the Regional Revenue Agency (Bapenda) frequently face various technical excuses from taxpayers ranging from claims of internal Point-of-Sale (POS) system malfunctions or internet connectivity issues to the deliberate powering down of the equipment. These technical hurdles create blank spots in the transaction data reaching the central server, forcing officials to resort to time-consuming and labor-intensive manual verification.

Beyond hardware-related obstacles, the integration of local tax software with a diverse array of POS systems has yet to function seamlessly. The modern entertainment industry in South Tangerang utilizes a highly varied ecosystem of POS applications that are frequently updated. A misalignment between the software architecture used by business operators and the data-capture system employed by Bapenda often leads to failures in synchronizing revenue figures. Consequently, discrepancies frequently arise in the recorded data, triggering protracted disputes and complex reconciliation processes when the time comes for tax clarification.

From an external perspective, significant obstacles have emerged due to the regulatory adjustments required following the enactment of the Law on Financial Relations between the Central Government and Regional Governments (UU HKPD). This national policy, which introduces structural reforms by reclassifying entertainment taxes under the framework of the Tax on Goods and Services for Specific Services (PBJT), necessitates that regional governments promptly issue new local ordinances (Perda) to align with the changes. This legal transition period has created temporary uncertainty for officials in the field, particularly regarding the enforcement of existing tax rates before the new local legal instruments are fully ratified and legally binding.

The adjustment in tax rate clustering has triggered a wave of resistance and widespread complaints from associations of entertainment business operators in South Tangerang. A specific policy mandating a minimum floor rate of 40% for certain entertainment categories such as karaoke venues, discotheques, nightclubs, and spas is viewed as overly burdensome by a business sector that is only just recovering from the economic crisis. Protests have been voiced through various forums, with business owners threatening to scale back investments or relocate their operations to other regions should the local government enforce these rates rigidly, without offering any fiscal incentives.

This dilemma places the regional government in a difficult position: it must strike a balance between regional fiscal targets and the stability of the broader investment climate. Local authorities recognize that the aggressive application of legal sanctions during such a sensitive economic period could lead to the closure of entertainment venues, ultimately eliminating the very tax base they seek to tap into. Fearing a wave of layoffs within the tourism and service sector, the Regional Revenue Agency (Bapenda) has, at times, opted for a more conciliatory and flexible approach a strategy that, while pragmatic, has indirectly resulted in less-than-optimal collection of locally-generated revenue (PAD) from this sector.

Another significant obstacle is the persistent lack of coordination between tax authorities, integrated licensing agencies, and local ordinance enforcement units. The data-exchange process among the Regional Revenue Agency (Bapenda), the Investment and One-Stop Integrated Services Agency (DPMPTSP), and the Public Order Agency (Satpol PP) is not yet integrated in a rapid or automated manner. This bureaucratic gap allows entertainment venues whether lacking official operational permits or holding expired ones to continue operating freely without paying local taxes, as their legal status remains outside the reach of formal tax administration.

Collectively, these operational hurdles, technical challenges related to digitalization, resistance to regulations from the business sector, and inter-agency sectoral ego create a tangible structural challenge for the South Tangerang City Government. These obstacles demonstrate that successfully formulating a strategy on paper does not automatically guarantee smooth execution in the field. Addressing these implementation barriers requires strong political commitment, the strengthening of human resource capacity, and comprehensive improvements to bureaucratic governance, all of which are essential for achieving sustainable local fiscal autonomy.

CONCLUSION

Based on the analysis and discussion, it can be concluded that the strategy employed by the South Tangerang City Government through its Regional Revenue Agency (Bapenda) to

increase Locally-Generated Revenue (PAD) from the entertainment tax sector has been implemented comprehensively via two primary approaches: intensification and extensification. Intensification efforts have been realized through the digitalization of the tax system specifically by implementing an e-tax platform and installing transaction-recording devices (tapping boxes) to minimize revenue leakage and strengthen field audits. Meanwhile, the extensification strategy has been carried out responsively through area canvassing and the expansion of the tax base, incorporating commercial sports trends and modern, lifestyle-oriented entertainment—popular among urban residents into the scope of the Tax on Certain Goods and Services (PBJT). This strategic mix has proven to make a positive and significant contribution to strengthening fiscal capacity and the autonomy of the regional development budget.

Nevertheless, the effectiveness of these tax strategies remains hindered by complex structural and operational challenges in the field. Key obstacles include low voluntary compliance among some taxpayers who engage in under-reporting a shortage of fiscal oversight personnel, and technical issues such as the manipulation or connectivity failure of the tapping box devices. Furthermore, the regulatory transition following the enactment of the Law on Financial Relations between the Central Government and Regional Governments (UU HKPD) has triggered resistance from business owners regarding adjustments to specific tax rates for nightlife entertainment. This necessitates an adaptive approach from the local government to maintain a balance between achieving revenue targets and fostering a favorable investment climate. Consequently, the sustainability of revenue from the entertainment sector will depend heavily on the consistent enforcement of legal sanctions, the strengthening of digital system integration across government agencies, and the optimization of transparency in regional tax governance as a whole.

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