Nomico Journal
E-ISSN : 3046-6318
https://nawalaeducation.com/index.php/NJ/index
Vol.1.No.6 August 2024
DOI : https://doi.org/10.62872/jagdc251

Local Tax Optimization Strategy In Jambi City: A Literature Review

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Entered : July 15,2024 Revised : August 15, 2024
Accepted: August 22, 2024 Published : August 25, 2024

ABSTRACT

This scientific paper seeks to evaluate the ability of local taxation as a source of income, the level of tax participation and the efficiency of the tax collection mechanism in Jambi City budget 2018-2022. The analytical methodology used in this research includes descriptive and qualitative approaches. Descriptive analysis incorporates computational methods that are illustrated in the form of numerical data, tabulations, and graphical representations. In the meantime, the qualitative aspects include conducting intense interviews that are analyzed using SWOT. Based on the findings from the analysis of local tax effectiveness covering from 2011 to 2023, it reveals that the efficiency of local taxation shows variability in different years. Based on existing literature and comparisons between studies that have been conducted, tax optimization can be carried out in Jambi City in line with the principle of fiscal decentralization in regional autonomy by enforcing regulations to ensure the creation of sustainable development and economic growth. Some of the things that can be done are increasing tax compliance, digitalization and simplifying the tax structure. This discussion produces input to the Jambi City Government to explore the potential of local revenue, which influences the growth of Regional Own-Source Revenue (PAD). Therefore, optimal development can lead to positive outcomes for the community, such as the economic growth of people in Jambi City and the optimization of tax revenue.

Keywords: *Economic Growth, Government Expenditure, Literature Review, Tax Optimization, Tax Revenue*

INTRODUCTION

Basically, regional autonomy policies and funding arrangements are a consequence of the inability of the central government to finance regional development needs and also so that local governments are more responsible and creative in financing development needs in their respective regions (Maulana et al., 2022; Undang et al., 2023).

In order to improve readiness for the implementation of regional autonomy, local governments must learn a lot so that they can turn challenges into opportunities because one of the toughest problems in regional development is changing habits from dependence on finances sourced from the central government to multiplying and increasing revenues sourced from the regions, including implementing the authority to regulate and organize local governance. It is understandable that lucky regions are regions that have relatively large economic resources in the form of both natural and human resources. (Syarif, 2023; Amin & Isharyanto, 2022).

On the other hand, the objectives of autonomy include improving equitable development, people's welfare and public services. The fundamental aspects of the practice of regional autonomy are independence of local governments in running the government to improve public services and improve people's welfare. The central government gives its power (decentralization) to regional autonomy with the aim of giving the power to manage and supervise the household functions of its government. The details of the devolved authority are regulated and determined by the central government (Naiggolan, 2020; Moonti, 2019).

In line with this, the regions are empowered to create regional policies for delivering services, boosting participation, promoting initiatives, and empowering communities the well-being of people's welfare. The autonomy given to regencies and cities is implemented by giving rights, authorities and obligations to local governments to regulate their own affairs and the interests of local communities in accordance with applicable regional provisions (Djaenuri, 2015; Muda, 2017; Mendy, 2024; Maulana et al., 2022; Achmad et al., 2022).

Local governments have an obligation to maintain a balance of revenue to ensure the sustainability of development in their regions. Aničić et al. (2016) concluded from their research in Serbia that local tax policy should play an active role in achieving economic and social goals, maintaining revenue balance with a focus on sustainable development. The importance of using incentive instruments rather than temporary tax competition measures was also emphasized. Local governments need to be mindful of the specific challenges and opportunities in managing local tax policy to achieve sustainable development by creating a revenue balance in the exercise of autonomy.

Autonomy for district and city governments has been established by the central government by giving local governments the authority to regulate their regions (Muda, 2017; Tanjung, 2020; Muda et al., 2018). In an effort to implement regional autonomy and financial balance, it is very important for the government to distinguish potential sectors that can serve as pioneers for regional progress, especially through increasing the potential for Regional Original Revenue (PAD). The development of PAD potential can be reflected by an assessment of development capability and the level of community involvement, especially through taxation and retribution.

In relation to development in Jambi City, tax revenue will affect and determine the amount of PAD that will be used as a source of regional finance. The extent to which the financial level of regional autonomy can be investigated through the contribution of regional own-source revenue (PAD) to the APBD budget. An increase in the ratio of PAD relative to regional income in the APBD indicates an increase in the level of financial, so that it can increase the fiscal income of a region to support the implementation of government and development tasks. The following table displays the tax target and realization as well as the financial percentage achievement of Jambi City (Table 1.1).

Table 1.1

Target and Realization of Tax Revenue in Jambi City 2011-2023

Tahun	Realisasi	Target	Persentase
2011	49.623.280.000	59.570.219.207	120,04
2012	73.344.781.706	64.280.581.332	114,10
2013	91.476.549.341	81.317.140.000	112,49
2014	128.824.086.123	112.472.000.000	114,54
2015	147.889.448.423	190.882.000.000	77,48
2016	158.740.884.099	187.252.000.000	84,77
2017	201.429.750.674	198.940.000.000	101,25
2018	215.444.388.499	203.500.000.000	105,87
2019	255.915.037.459	242.090.000.000	105,71
2020	216.961.981.307	232.060.000.000	93,49
2021	244.016.777.518	297.860.000.000	81,92
2022	301.796.809.124	320.380.000.000	94,29
2023	325.296.371.386	370.000.000.000	87,92

Source: BPPRD Jambi City;

Directorate General of Fiscal Balance, Ministry of Finance

From the table above, it can be seen that the achievement of tax realization in Jambi City in recent years has nominally continued to increase. However, the realization of PAD, especially taxes in the last three years, has not reached the target, which is feared to hamper the acceleration of development financing. Theoretically, in line with the development of Jambi City development followed by the increasing number of existing service sectors and this illustrates the increasing public demand for hotel services, restaurants, entertainment, parking and so on. However, tax revenue is not expected to be optimal, there are still several taxes that have not reached the target, which is likely to determine the tax target based on past targets, not from potential. In addition, it is also feared that the effectiveness of the tax collection is weak.. This study will concentrate on the level of compliance, with the possibility of using local taxes as a source of PAD in Jambi City.

Based on the preliminary formulation above, there are several fundamental discussions that will be studied, namely how the level of compliance of local taxpayers in Jambi City during the 2018-2023 period is seen from its development and contribution to total local taxes and local revenue in Jambi City. In addition, it also discusses how the tax potential in Jambi City during the period 2018 to 2023 and also the potential seen from primary data based on perspective tax components. How is the efficiency of local taxes seen from each potential local tax component in Jambi City. Furthermore, how is the regional local tax development strategy seen in terms of potential and perspective tax components.

METHODS

The data sources used in this study are primary and secondary sources. Primary data sources are data sources that can be accessed directly to researchers, while secondary data sources are data sources that are not directly obtained, but through pre-existing documents (Sugiyono, 2016). The techniques for collecting data in primary data are observation, interviews and distributing questionnaires (Bougie & Sekaran, 2020).

The population is a group of individuals, events or things that are of interest to research, while the sample is an element of the population and members of the sample are referred to as subjects. The population and research subjects in this study were all income data from taxpayers spread across 11 sub-districts in Jambi City, due to limited time and funding and ease of obtaining data.

This research uses descriptive quantitative research, because it aims to get a picture of the research results published in one analysis. The descriptive method is a method in which the researcher will describe the research findings. These findings can be related to taxpayer data. After that, it will be compared between the amount of potential, the value of the contribution made by the tax object to the Jambi City Regional Original Revenue. The scope studied is tax revenue in Jambi City.

To provide a description of the data that has been collected, descriptive statistics are used, where this approach is taken if the researcher only wants to explain the data or describe it without having to make conclusions for later generalization (Sugiyono, 2016). The purpose of descriptive statistics is to summarize, organize and simplify the data that has been collected. The way data is presented in descriptive statistics is with histograms, line graphs, bar graphs and also frequency distributions (Gravetter & Forzano, 2015).

Quantitative research in this journal is research that uses mathematical models, statistics, or computer models (Sugiyono, 2016). Thus, the quantitative descriptive method aims to describe and a problem, situation, or event as it is. The analytical methodology used in this research includes descriptive and qualitative approaches.

Calculation of tax potential

The calculation method aims to calculate the average income per day using a daily frequency that is classified into a high, medium, and low number of taxpayers. Or a formula can be used (Harun, 2003) in Ardiansyah (2014).

Potential = Y x Tax Rate

Y = E x F x G x H

Description:

Y = Tax revenue

E = Total number of taxpayers

F = Average WP

G = Average price

H = Number of days

Tax Potential Based on Klassen Typology

Furthermore, to assess the performance of the type of regional revenue, which is then used to determine the potential (classify) revenue into 4 classifications, namely:

1. Prima Revenue, if the ratio of additional (growth) types of local taxes are both greater than or equal to one,
2. Potential Revenue, if the ratio of additional growth in the type of local tax is smaller or equal to one and the proportion ratio or contribution to the average total local tax revenue is greater or equal to one.
3. Developing, if the ratio of additional growth of the type of local tax is greater than or equal to one and the ratio of its proportion or contribution to the average total local tax revenue is greater than or equal to one.
4. Underdeveloped, if the growth increment ratio of the type of local tax and its proportion ratio or contribution to the average total local tax revenue are both smaller or equal to one (Masykur Wiratmo, paper, 2001).

If it is considered to determine the classification of tax types, two main indicators are needed, namely:

1. Proportion Ratio, this is a comparison between the realization of a tax paragraph and the average local tax. The average tax can be calculated from the total amount of all taxes divided by the amount per type of tax.
2. Additional Growth Ratio, this ratio compares the growth per type of tax with the total tax growth.

Data analysis using: growth ratio, additional ratio, proportion, while to determine the classification of the type of tax or levy used ratio-ratio relationship in the table:

Table 3.2
Formula for Tax Type Classification

Ratio Proportion Ratio Additional Ratio	X1/average>1	X1/average<1Ratio
X1/X2>1	Prime	Developing
X1/X2>1	Potentially	Underdeveloped

Description:

Proportion Ratio is the ratio between the realization of a type of tax and the tax average. The formula for finding the proportion ratio value is as follows:

Proportion Ratio = (Value per type of tax)/(Average Tax)

Additional Ratio (Growth increment) is the ratio between growth per type of tax with total tax growth.

Additional Ratio = (Growth per type of tax (X1))/(Total Tax Growth (X2))

Growth per tax type (X1) = (Tax X1-Tax X(i-i))/(Tax X(i-i))

Where: Tax Xi = Tax this year

TaxX(i-i) = Tax last year

Alternative policies or efforts that can be taken or applied in an effort to increase each type of classification mentioned above will vary. If the type of tax or levy is prime, then the policy that has been applied in previous years can still be used to maintain the growth rate and contribution. Conversely, if the potential exists the focus should be on improving revenue collection from existing sources so that it can be a driver of income growth. If the tax or levy is classified as Emerging, the effort to increase it is by exploring new sources with the same growth rate as in the previous year. If the tax or levy is classified as underdeveloped, then the effort to increase it is done by exploring new sources of revenue and increasing revenue from the previous year from existing sources of revenue.

To calculate the effectiveness of Tax management

Effectiveness serves as a criterion for evaluating the success or failure of an organization in achieving its goals. If the organization is successful in achieving its goals, then the organization is considered to have operated effectively. The measure to see the level of effectiveness is as follows:

Effectiveness level = Revenue realization x 100%

Revenue Target

To calculate the Efficiency of Local Taxes and Sources of Local Revenue

The analysis method used in the Study of Local Tax Potential is as follows: Contribution Rate = Total Tax x 100%

PAD

= Component per Tax Type x 100%

Total Taxes

Growth Rate = Tax t - Tax t-1 x 100%

Tax t-1

Strategy is a tool to achieve the expected goals. The concept of strategy to date continues to evolve, this is addressed by the different concepts regarding strategy in achieving the expected goals over the past 30 years. In connection with all of this, Hamel and Prahaland (1995) also stated that strategy is something that is constantly increasing and is carried out based on what is expected in the future (Zaini, 2019).

To determine this strategy, an analysis tool is used, namely SWOT analysis. The definition of SWOT analysis is an effective solution in doing and achieving success. Maximizing the role of strength factors and taking advantage of opportunities is a success for the ability to determine company strategy, as well as to minimize the weaknesses contained in finding and dealing with the impact of threats that arise (Robinson, 1997) in (Rangkuti, 2016). SWOT analysis plays an important role in the formulation of successful business strategies as it is a simple analytical tool. SWOT stands for strengths, weaknesses, opportunities, and threats. The purpose of this analysis is to identify the key components of a company which include advantages, weaknesses, opportunities, and threats (Rangkuti, 2016).

RESULTS AND DISCUSSION

Regional autonomy is regulated in Law Number 23 of 2014 concerning Regional Government, while the financial relationship is regulated in Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments. In this regulation, the autonomous region is a legal community unit that has territorial boundaries that is authorized to regulate and manage government affairs and the interests of local communities based on community aspirations within the system of the Republic of Indonesia. Thus, the region is given the authority to regulate, manage and determine regional policies for the benefit of the region (Achmad et al., 2022; Talitha et al., 2020).

Indeed, regional autonomy in Indonesia has existed since the issuance of Decentralisatiewet S 1903/329 by the Dutch Government in 1903. However, many people do not know about this. The era of regional autonomy is generally known to have begun in 1999 when the government of the Republic of Indonesia enacted the Law No. 22/1999 on Regional Government as a manifestation of the aforementioned monetary crisis and reform. In addition, not a few people suspect that regional autonomy means that all government affairs can be managed by the regions (Sufianto, 2020).

Although the principle of granting real autonomy was replaced with the principle of broad, real and responsible autonomy, in practice this is not entirely the case. The number of regional affairs increased but the authority was small. At the time of the enactment of this law, the pendulum moved more towards centralization, marked by strong deconcentration activities. Then reform occurred and during this period Law No. 22/1999 was enacted. With this law, regional autonomy in regencies and cities was enlarged but provinces were reduced, resulting in weak provincial power. The pendulum swung more strongly in the area of decentralization in districts and cities. Then Law No. 32 of 2004 was issued, which was characterized, among other things, by the strengthening of regional autonomy in the provinces. Finally, with Law Number 23 of 2014, the pendulum is in a relatively balanced point between the authority of the Center, Province, and Regency / City (Prabowo & Rafli, 2022; Sufianto, 2020; Arintoko & Bawono, 2021).

According to Mardiasmo (2009), the independence of regional management starts from the planning process to implementation, supervision and evaluation every year related to tax sources, and the effectiveness and efficiency of its implementation. One of the most important things is to analyze in three aspects, namely (a), Revenue analysis, which is an examination of the extent to which the local government's ability to utilize revenue sources and determine the costs that must be incurred to increase revenue.; (b), expenditure analysis in the form of analyzing how much costs are incurred for a public service and the factors that cause these costs to increase; and (c), conducting an analysis related to the budget, namely how the balance between income and expenditure is related and projections of future trends.

We should also realize that local governments in achieving the nation's goals are limited by the availability of resources, including human resources, finance, equipment, time, and so on. Therefore, local governments must optimize these limited resources so that all affairs can be completed. Local governments must ensure that all their obligations to the community are fulfilled. The government is bound by a set of fundamental responsibilities to the community, including the guarantee of essential service standards in health, education, and infrastructure. Additionally, it is duty-bound to respond to exceptional circumstances, such as natural disasters, civil unrest, and other crises. Furthermore, local governments must possess the capacity to fulfill their obligations and exercise their rights in a manner that is both effective and efficient. An effective local government is one that is able to fulfill its obligations and exercise its rights in a manner that contributes to the achievement of national goals (Ritonga et al., 2012).

Gnangnon (2022) in his research concluded that non-resource tax revenue imbalances have a negative impact on the share of non-resource tax revenue to gross domestic product (GDP). This negative effect is greater in less developed countries than in relatively developed countries. Non-resource tax revenue imbalances also negatively affect the share of non-resource tax revenues when the level of public expenditure imbalances increases. In addition, non-resource tax revenue imbalances also negatively affect the share of non-resource tax revenues when the volatility of economic growth, inflation volatility and terms of trade imbalances increase. These conclusions suggest the importance of policies that can ensure the balance of non-resource tax revenues to improve a country's tax revenue performance.

The concept of the Regional Budget (APBD) where the budget is defined as an annual regional fund plan where the discussion is approved by the DPRD and then passed as a regional policy (Nordiawan & Hertianti, 2010). The budget is related to Regional Original Revenue (PAD) and the Special Allocation Fund (DAK) has an influence where each region that has a high budget will reduce dependence on the central government. According to Halim & Kusufi (2012), the APBD is a regulatory tool used to determine the amount of revenue funds and regional expenditure funds. Special allocation funds originating from the APBN, funds to fund special regional affairs according to the national program. One of the tools to see the financial performance of local governments is to carry out an analysis of the APBD that has been determined and implemented.

At the regional level, independence can be seen by comparing regional income with total income. The higher the ratio of a region's original income to its total income, the higher the level of independence of a region. In its implementation, there are several factors that influence the APBD. According to Siswanto & Rahayu (2010) there are three components of factors that affect the APBD, namely regional expenditure, regional income and regional financing, from these three components it can measure the success of a region in a region's income, if all three are processed properly it will have a good impact on the economy of a region. According to Mardiasmo (2017) there are five components of factors that influence the APBD, namely tax revenue sharing, central assistance (APBN), regional loans, remaining budget surplus, and PAD. Meanwhile, according to Atyanto Mahayanto (2014: 9) states that there are three factors that influence the APBD, namely DAK, DAU and Budget Revenue.

According to Soemitro (1997), as quoted by (Waluyo & Ilyas, 2003) in his book "Indonesian Taxation" taxation is a form of contribution to the state treasury based on legal statutes that can be enforced. However, there is no guarantee that the taxpayer will receive reciprocal services in return. These services can be obtained directly. indicated and which are used to pay general expenses. From the definition above, it can be concluded regarding the characteristics inherent in the definition of tax, namely: taxes are collected by the state based on the law and its implementing regulations. In its implementation, tax payments cannot be directly contravened by the government. Taxes are collected by the government, both central and regional governments, and taxes are used for government spending. Meanwhile, the imposition of taxes can be forced.

The elements of tax from the definition above are taxes due to the people's contribution to the state, in the sense that the person who has the right to collect taxes is the state, for whatever reason the private sector or individuals are not allowed to collect taxes. Based on the law, taxes can be imposed in the sense that although the state has the right to collect taxes, its implementation must obtain the consent of the people through law. The imposition of taxes is without reciprocity (counterperformance) from the state which can be appointed directly, in the sense that the reciprocal services or counterperformance provided to its people cannot be linked directly to tax collection. Apart from that, taxes are used to finance general expenditure, meaning government expenditures that have benefits for society in general.

Tax collection, whether managed by the central government or regional governments, is always guided by the principles of Mardiasmo (2017) tax collection, namely based on the principle of nationality, the principle of residence, and the principle of source of income. The meaning of the nationality principle is that income tax is levied on people residing in Indonesia. Meanwhile, what is meant by the residence principle is that the income tax levied on people who reside in Indonesia is determined according to the circumstances. The meaning of the source of income principle is that if the source of income is in Indonesia, it does not take into account the subject of residence.

The effectiveness of an organization is a measure of its success in achieving its stated goals. Local tax collection is considered to be effective if it reaches 100% percent effectiveness.Regional tax potential is intended as the power or ability to generate taxes or the ability to be taxed at 100%. Therefore, a distinction must be made between potential and circulation (turnover), the amount of which is the basis for tax imposition (tax base). The definition of potential according to Prakosa (2005:142) is the strength or ability to generate regional revenue, or the ability that deserves to be accepted in a state of 100% (one hundred percent). Thus, the definition of tax potential is the ability to produce taxes or the ability to be taxed under normal circumstances (100%).

In the Circular Letter of the Directorate General of Taxes Number SE-06/PJ.9/2001 concerning the Implementation of Taxpayer Extensification and Tax Intensification, it is explained that: "Taxpayer Extensification is an activity related to increasing the number of registered taxpayers and expanding tax objects in the administration of the Directorate General Tax". However, the definition of extensification in the Director General of Taxes Regulation Number Per-35/PJ/2013 concerning Extensification Procedures is a productive effort carried out by the Directorate General of Taxes in the context of granting Taxpayer Identification Numbers and/or confirming Taxable Entrepreneurs." Thus, in the current sense of extensification in accordance with the Director General of Taxes Regulation Number Per 35/PJ/2013, it no longer includes the expansion of tax objects. This is in line with Law number 28 of 2009 concerning Regional Taxes and Regional Levies that regional governments are not permitted to add new types of regional taxes and levies (Close-List System). This means that the collection of regional taxes and levies is only permitted for the types of taxes and levies that have been stipulated in Law no. 28 of 2009.

Furthermore, in the Circular Letter of the Directorate General of Taxes Number SE 06/PJ.9/2001, it is explained that tax intensification is the activity of optimizing the extraction of tax revenues from tax objects and subjects that have been recorded or registered with the DJP administration, and from the results of the implementation of Taxpayer extensification. Thus, tax intensification will be carried out through exploring the potential of old taxpayers and/or new taxpayers resulting from the extensification process.

In implementing revenue optimization through the tax sector in realizing regional autonomy, the theory of The Ramsey Rule (Frank Plumpton Ramsey, 1903) was an English economist and mathematician who introduced the concept of the "Ramsey Rule" in economic theory, namely how the government can maximize social welfare through an efficient tax structure. , by minimizing economic distortions caused by taxes. What is meant by Elasticity of Demand is that taxes should be imposed at a higher rate on goods or services whose demand is less elastic (i.e. demand is not very sensitive to price changes) because when demand is inelastic then price changes (due to taxes) will not affect the quantity of goods or services purchased. Minimizing Distortion means that taxes should be designed to minimize changes in economic behavior. Taxes imposed on goods with low demand elasticity will change consumption and production decisions less than taxes on goods with high demand elasticity. Meanwhile, Economic Efficiency is where the government can collect the necessary revenues in the most efficient way, reducing welfare losses (deadweight loss) caused by taxes (Yang & Stitt, 1995; Holcombe, 2002; Park, 2018).

Research conducted by Martínez et al. (2022) in OECD countries (38 member countries committed to democracy and a market economy) that the level of fiscal decentralization in regional autonomy has a positive and significant impact on the technical efficiency of tax collection. In addition, the choice of tax structure and the ratio of indirect to direct taxes also influence the efficiency of tax collection. The implication is that fiscal reform is needed aimed at simplifying the tax system, increasing transparency and minimizing administrative costs. Castro & Camarillo (2014) also researched OECD countries from 2001-2011 that economic, structural, institutional and social factors have a significant impact on tax revenues in OECD countries. Apart from that, accelerating digital transformation to increase tax compliance. Likewise, research in Romania (Comaniciu & Bunescu, 2013) shows that the level of voluntary taxpayer compliance has increased, efforts to prevent tax evasion, and plans to introduce quality standards in tax administration, and emphasize the importance of consolidating and continuing these positive aspects to increase trust. society regarding tax institutions and the fiscal policies implemented.

Rubolino's (2023) research in Italy shows that stricter tax enforcement can increase tax progressivity, resulting in adjustments in the distribution of the local tax burden and increased public spending. This study provides valuable insights for governments seeking to improve the efficiency and fairness of their tax systems.

Many researchers have conducted research in various countries, in the European Union, Africa, and developing countries around the world, that the design and implementation of taxes can have a significant impact on a country's economy (Surugiu et al., 2021; Tijani et al., 2017; Ho et al., 2023). Taxes can be used as a tool to reduce the negative impact of externalities and can influence consumer and investor behavior, sustainability and economic growth and open trade in developing countries. Even in Vietnam, indirect taxes have a positive influence on economic growth (Bhattarai et al., 2019). However, there is not enough evidence to conclude that indirect taxes have a more positive impact than direct taxes. So it is necessary to restructure Vietnam's tax system by increasing the proportion of indirect taxes, expanding the tax base, reducing corporate and individual income tax rates, and increasing other tax rates.

Apart from economic growth, taxes also have an impact on other factors. Other variables that were also examined in panel data were carried out in ten developing countries, namely BRIC (Brazil, Russia, India, and China) and CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa) during the 2000-2021 period. that corporate tax rates have a positive and significant impact on achieving sustainable development goals in developing countries (Rahman, 2022). Research on 11 European countries where macroeconomic variables, namely unemployment rate and GDP, have a more significant impact on state revenues than investment, inflation and statutory and effective tax rates (Helcmanovská & Andrejovská, 2021). The importance of considering macroeconomic factors other than tax rates in evaluating tax competitiveness and its impact on tax revenues. Aničić et al. (2016) also conducted research in Serbia that local tax policies actively play a role in achieving economic and social goals, with a focus on sustainable development. The importance of using incentive instruments rather than temporary tax competition measures is also emphasized. Local governments need to pay attention to specific challenges and opportunities in managing local tax policies to achieve sustainable development in Serbia. Neog & Gaur (2020) conducted research in India, the states of Andhra Pradesh, Assam, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu, Orissa, Rajasthan, and West Bengal, that taxes property and capital transactions positively influence the state's growth performance.

The purpose of tax collection as mentioned above is supported by several factors. Research by Saruji et al. (2023) in 173 tax offices in all states in Malaysia that significant technological advances and accelerated demands for cost savings mean that tax authorities are experiencing a massive transformation from conventional to online platforms in interacting with taxpayers and tax offices and this increases state revenue. ; however, the tax office responsible for providing advice and assistance to taxpayers is not yet ready for this transformation. Likewise, research by Yogo & Ngo Njib (2018) on 89 developing countries from 1988 to 2010 in America and Africa, political competition has a positive and significant impact on total tax revenue. However, the effect of political competition on tax revenues varies depending on the type of tax considered.

Likewise, research by Lagodiienko et al. (2023) in Ukraine that digitalization of tax administration in Ukraine has the potential to provide significant benefits to revenues such as combating tax evasion, increasing the stability of public finances, simplifying procedures for fulfilling tax obligations, and reducing administrative costs. However, digitalization also brings risks such as the complexity of controlling transactions carried out using services, social channels, and foreign exchanges, a reduction in the tax base, virtual offshoring, and a decrease in tax revenues from traditional goods and services.

Research by Dmytryk et al. (2022) in Ukraine for 20 years that digitalization has brought major changes in the financial and tax sectors, and new financial and tax innovations have become the main prerequisite for economic stabilization at the macro level with the aim of increasing state revenues. This research also shows that digitalization can increase the efficiency and depth of financial and tax development, as well as reduce the level of unrecorded economic sectors. Likewise in Russia, digitalization of tax administration is an important step in improving the efficiency and quality of tax services in Russia, especially at regional and local levels. The use of digital technologies, such as the implementation of new generation automated information systems and the development of electronic services, has helped in optimizing tax processes and increasing the productivity of tax authorities (Moshkova, 2021). In Spain, there is a significant difference between the conditional model (which takes into account external factors) and the unconditional model (which does not take into account external factors) in measuring the efficiency of provincial tax offices in Spain. Tax offices in provinces with smaller populations tend to be more efficient at increasing revenue in unconditional models (D'Inverno et al., 2021).

The most important problem in taxation is non-compliance. Bellon et al.'s research (2022) in Iran that taxpayers perceive the income tax system as too complex, which leads to unintentional non-compliance behavior. That technical knowledge is important knowledge for taxpayers, and a lack of this knowledge can lead to non-compliant behavior, so it is necessary to simplify the tax system and increase tax education to overcome the problem of taxpayer non-compliant behavior. Research in Peru shows that the implementation of e-invoicing in Peru has increased tax compliance, especially among small companies and sectors with high levels of tax violations (Saad, 2014). Alshrouf (2019) also concluded that tax non-compliance is a global phenomenon faced by various countries, including Palestine. Although there are several factors that can cause tax non-compliance, tax audits have been proven to be an important factor associated with tax non-compliance.

Proposed reform of the tax system in Brazil, with the aim of modernizing and personalizing it. The modernization aspect involves simplifying the tax structure and expanding the tax base, while the personalization aspect aims to reduce poverty and inequality. The proposed tax system is compared with the current system, and the results show that the new tax system produces better welfare and increases equality (Oliver et al., 2022).

Several models used to measure tax structure were studied by Gashi et al. (2019) concluded that the impact of tax structures on Kosovo's economic growth from 2007 to 2015. Using econometric models and regression analysis, this study assesses the effect of certain types of taxes on GDP. The research results show that most taxes have a positive impact on economic growth, but not all taxes make the same contribution. Research was also conducted in Jordan by AL-Tamimi & Bataineh (2021) from 2000 to 2018 to determine the effect of tax revenue on gross domestic product (GDP) growth. The findings show a positive impact of tax revenue on growth and increasing GDP in Jordan. Recommends the need to simplify tax payment procedures for individuals through modern technological means, improve and simplify tax services, and increase transparency in tax affairs.

Apart from studying the economic growth impact of taxes, and studying optimization, OECD countries also studied the impact of trade liberalization on tax structures in a group of 97 developing countries during the 1993-2012 period. The tax structure is defined by seven main components of total tax revenue: income, profits, and capital gains taxes, social security contributions, payroll taxes, property taxes, domestic taxes on goods and services, international trade taxes, and all other taxes (residual) . Findings show that tariff reduction, rather than trade openness, has a significant impact on tax structures in developing countries (Karimi et al., 2016). Research by Felis & Gołębiowski (2021) in Poland shows that gminas (local governments) use tax expenditures (TEs) to varying degrees, which are influenced by factors like the gmina's type and potential, as well as the type of local taxes. This study discovers that raising the proportion of TEs in tax earnings positively influences revenue expansion in the subsequent year. The utilization of TEs in property and vehicle taxes could have enhanced the revenue-generating ability of certain gminas in successive years.

Thus, it is concluded that tax optimization can be carried out in Jambi City in line with the principle of fiscal decentralization in regional autonomy by enforcing regulations to ensure the creation of sustainable development and economic growth. Some things that can be done are increasing tax compliance, digitalization and simplifying the tax structure.

CONCLUSION

In conclusion, the implementation of regional autonomy in Indonesia, as regulated by Law No. 23 of 2014 concerning Regional Government and Law No. 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments, provides a framework for local governments to manage their affairs, including financial aspects. The evolution of regional autonomy has shifted from strong centralization to a more balanced distribution of authority among the central, provincial, and regional levels. One critical component of effective regional autonomy is the management of regional finances, which includes optimizing tax revenues to support local development. Research suggests that fiscal decentralization positively impacts the efficiency of tax collection, and digitalization of tax administration is a key factor in enhancing revenue. Additionally, simplifying tax structures and increasing tax compliance are crucial for optimizing tax revenues and achieving sustainable development. Local governments, such as Jambi City, can benefit from these strategies by ensuring efficient resource management and fostering economic growth through optimized taxation practices.

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