Perspectives of business people and consumers of hotel services on changes to hotel tax rules in the city of Bogor

Mela Nurdialy1, Deni Hendana2, Melewanto Patabang3, Aulia Hidayati1, and Dyah Prabandari1

1Accounting, College of Vocational Studies – IPB University, Kampus IPB Cilibende, Bogor 16151, Indonesia
2Regional Revenue Board of Bogor City, 31st Pemuda Street Tanah Sareal, Bogor 16161, Indonesia
3Ecotourism, College of Vocational Studies-IPB University, Kampus IPB Cilibende Bogor 16151, Indonesia

Abstract. The Regional Revenue Agency for the city of Bogor (Bapenda) must prepare a regional regulation regarding regional taxes and regional levies referring to the Law on Financial Relations between the Central Government and Regional Governments, published in 2022. One of the materials in the regulation is the hotel tax. This study discusses the views of business people and hotel service users regarding hotel service tax regulations. This research uses the descriptive analysis method. The study results show that hoteliers and users of hotel services will follow the applicable hotel tax rules even though, according to them, the change in rates will affect consumer interest in using hotel services in the city of Bogor. Bapenda has an application for tax payment and reporting called SIPDEH to strengthen the regional taxation system. Business people are satisfied with the SIPDEH application, although it needs improvement. Changes to hotel tax rules have little effect on the ease of business in Bogor hotels. The Bogor city government should make other policies to ease and comfort business in hotel services. The Bogor city government should make other policies to reduce and comfort business in hotel services.

1 Introduction

On January 5, 2022, the President of the Republic of Indonesia ratified Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments (HKPD), replacing Law No. 28 of 2009 concerning Regional Taxes and Regional Retributions (PDRD). The HKPD Law aims to realize efficient and effective allocation of national resources through transparent, accountable, and fair HKPD to equalize society's welfare in all corners of the Unitary State of the Republic of Indonesia. One strategy to achieve this goal is to strengthen the regional taxation system, including: (1) encouraging ease of doing business in the regions, (2) simplifying levies and prioritizing only levies for mandatory services, and (3) expanding the tax base. One of the factors that influence regional economic growth is fiscal decentralization. Research [1], [2], [3], [4], [5], [6], [7], [8], [9].

*Corresponding author: melanu@apps.ipb.ac.id

© The Authors, published by EDP Sciences. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).
[10], [11], [12], [13] concludes that fiscal decentralization can encourage economic growth, improve equality, and increase the quality of public services and community welfare. However, [3], [4], [5], [6], [14] warns that fiscal decentralization can also have a negative impact on economic growth.

The HKPD Law regulates the reform of regional tax and levy regulations to strengthen local taxing power while maintaining the economy. The HKPD Law focuses on reducing administrative costs from tax collection and optimizing the group itself. By increasing effectiveness and efficiency, local government taxing power can increase. The HKPD Law regulates the restructuring of regional taxes, including integrating consumption-based local taxes such as hotel, restaurant, entertainment, parking, and street lighting taxes into certain goods and services taxes (PBJT). With integration, it becomes easier for taxpayers to report taxes, administer payments, and increase the efficiency of tax services and supervision from the local government. Furthermore, Digital Transformation is a term used in academics to refer to organizational change influenced by digital technology. Digital transformation occurs due to changes driven by technological developments in organizations and the environment [15]. If the application of technology in practical activities, these activities will change how companies operate, improve collaboration efficiency, optimize performance, and provide value to customers [16], [17]. Research conducted by [18] states that Digital Transformation affects tax compliance. Digital transformation, tax policy, and perceptions of the effectiveness of the taxation system have a positive effect on corporate taxpayer compliance [19].

In addition, Article 58 of the HKPD Law regulates the maximum rates for certain goods and services tax (PBJT), and each regional government (Pemda) will determine the PBJT rates with Regional Regulations (Perda). By January 5, 2024, each regional government must issue the latest Regional Regulation on Regional Taxes and Regional Retributions, which refers to the HKPD Law. The Bogor City Regional Revenue Agency (Bapenda) has also prepared a draft Regional Regulation on Regional Taxes and Regional Levies, currently being discussed and awaiting ratification by the Bogor City Regional People's Representative Council.

This research will only discuss hotel tax as one of the tax elements regulated in the HKPD Law and what the perspectives of business actors and people using hotel services in the city of Bogor are regarding changes to these regulations, the regional tax payment and reporting procedure system, and the impact of changes in rules on the ease of hotel business in the city of Bogor.

2 Research Method

2.1 Time, Place, and Data Collection

This research was carried out in Bogor City from July to December 2022. The types of data collected consisted of primary data and secondary data. Researchers get primary data through questionnaires and Focus Group Discussions (FGD) surveys and through literature studies to get secondary data. The list of questions used is a form of closed and open questions. Researchers gave closed questions through a questionnaire to find out the public's opinions on hotel tax provisions, and open questions were asked through FGD to find out the opinions of hoteliers and the government opinions on the tax provisions that apply in the study area. The sampling technique used in distributing the questionnaire was purposive sampling. This technique uses sample criteria: people who have used hotel services, people who live in Bogor, and those who come from outside Bogor City. The number of community respondents interviewed was 118 people. The researchers collect data through FGDs with...
discussions with stakeholders of several hotel business actors representing various hotel class levels and government agencies related to hotel services.

2.2. Analysis

Data analysis in this research uses descriptive analysis. This analysis explains respondents' characteristics and perspectives on the hotel tax provisions and application in Bogor City. The researchers use assessment techniques for questionnaires in the form of closed questions by using a five-point Likert scale with a value of 1 (strongly disagree) to 5 (strongly agree). The research results show that using a Likert scale can reveal the psychological preferences of respondents. The results of the respondents' assessments were based on the Likert scale using descriptive analysis combined with the results of the FGD. Descriptive analysis is suitable and widely used in behavioural, environmental, and community psychology research.

3 Result and Discussion

Based on the HKPD Law, hotel services are part of the Certain Goods and Services Tax (PBJT) object group. Consumers who use hotel services are subject to PBJT tax, while hotel service providers become regional taxpayers who must collect, deposit, and report hotel tax. The HKPD Law explains hotel services in more detail than the PDRD Law, namely:

1. Hospitality services are accommodation services with food and drink services, entertainment activities, and/or other facilities, including rental of meeting/meeting rooms to hotel service providers and supporting facilities. Hospitality services include services for providing accommodation and supporting facilities, as well as renting meeting/meeting rooms at hospitality service providers such as hotels, hostels, villas, tourist cottages, motels, guesthouses, tourist guesthouses, guesthouses, guesthouses/guesthouses/bungalows/resorts/cottages, a private residence that functions as a hotel and glamping. Boarding houses with more than 10 (ten) rooms, originally subject to hotel tax under the PDRD Law, are excluded from the list of hotel service tax objects based on the HKPD Law. Meanwhile, the HKPD Law adds private residences that function as hotels and glamping as objects of hospitality services tax. Apartment and condominium rental services, previously not included as objects of Hotel Tax, can become objects of hotel services if the apartments and condominiums are used as hotels.

2. Entertainment activities carried out by hotels are not subject to arts and entertainment services tax.

3. The highest PBJT tax rate (including hotel services) is set at a maximum of 10%, calculated by multiplying the rate by the tax base, the same as the hotel tax rate in the PDRD Law. The time when PBJT is payable (including hotel services) is calculated from when the payment/delivery/consumption of certain goods and services is made.

3.1 Opinions of hoteliers, public, and hotel service users in the city of Bogor regarding changes to hotel tax rules

3.1.1 Opinions of hoteliers

The questionnaire answers show that 80% of hotel respondents believe that the Bogor City Government can be trustworthy in managing the tax money paid by the public for development in Bogor City. Meanwhile, 70% of respondents assessed that Bapenda's service to taxpayers was satisfactory. In accordance with [20], [21] hoteliers' positive perception of
local tax management in Bogor makes hoteliers comply with applicable tax provisions, as stated by representatives of several hotels and the Indonesian Hotel and Restaurant Association (PHRI) in Bogor City in the Group Forum Discussions (FGD) with researchers. The hotel collects, deposits, and reports hotel taxes collected from consumers. Hoteliers agree to an inspection and imposition process sanctions for recalcitrant business actors. PHRI of Bogor city welcomes the provisions on entertainment activities carried out by hotels as non-tax objects for arts and entertainment services. Several hotels said they would organize activities featuring arts and entertainment services at their hotels, taking advantage of the provision that these services are not taxable. 70% of respondents agree that services are the object of hotel tax according to the HKPD Law. However, PHRI of Bogor City requests fair tax treatment for houses, apartments, and condominiums that rent out room accommodation but are not taxpayers for regional hotels. It follows the tax principles of fairness and equality [22]. According to PHRI Bogor city, there is potential for tax revenue from private residences that function as hotels (such as RedDoorz, Airy Rooms, Airbnb, ZEN Rooms, OYO Hotels) and vacation rentals (booking private accommodation including houses, renting private rooms or apartments). Many residential homes, apartments, and condominiums are rented for hours, days, or weeks. Still, the place's owner needs to recognize the business as a hotel and display physical hotel signs on their buildings. They do not want to register as a local taxpayer, so he does not collect, deposit, and report hotel taxes. According to [23], a similar thing happened in Jakarta, where the Government of DKI Jakarta needed more effort to dig up tax revenue from Airbnb sales in Jakarta.

Moreover, many of the sales of these rooms were made through digital platforms, making it challenging to track Bapenda and the Bogor City PHRI. According to [24], the vacation rental reservations in Indonesia, 55% were made online, and nearly 45% were made offline in 2022. Consumers doing hotels online will increase steadily over the years and reach 71 percent by 2027. According to PHRI, some business consumers are experiencing positive growth in Bogor City. Forecast growth of the number of users of the 'Holiday Rentals' segment of the travel & tourism market in Indonesia will continue to increase between 2023 and 2027 with a total of 1.2 million users (+10.06%) and peak in 2027 to reach 13.09 million users. The estimated revenue of the vacation rental market in Indonesia is US$0.540 billion in 2023 and continues to increase to reach 0.61 billion U.S. dollars in 2023 [24].

70% of respondents agreed that the hotel tax that had to be deposited to the local government was 10% of the amount paid by consumers to hotels, but 80% of respondents said that the change in tax rates affected guest visits to hotels. It is in line with statements [25] and [26] that the hotel industry is tax-sensitive.

PHRI reminded us that determining hotel tax rates also considers hotel tax rates in regional governments around Bogor city, such as Bogor Regency, Sukabumi, and Depok. Hotel competition around Bogor is quite competitive. According to PHRI, the occupancy rate of hotel rooms in Bogor is among the highest in West Java. [23] records the largest share of accommodation rooms in Indonesia in West Java. Data from PHRI as of December 12, 2022, shows the average occupancy rate for hotel rooms in the city of Bogor is 69.13%, where the most significant hotel revenue comes from Meetings, Incentives, Conventions, and Exhibitions (MICE) Ministries / Institutions (Government) and companies private sector with an average MICE of 62%. Besides that, PHRI warns of threats from MICE hotels around Bogor city, such as hotels in Bogor Regency, Depok, and South Tangerang. However, according to PHRI, the development of the MICE business in hotels around the city of Bogor, such as Bogor district (Sentul, Puncak) Depok, South Tangerang, is experiencing rapid growth and has become a competitor to hotels in the city of Bogor. Even though MICE in Bogor City hotels is still the highest in West Java, if the Bogor City hotels and local government do not increase competitiveness, MICE hotel users can move to other MICE hotels outside Bogor City.
In addition, people traveling to Bogor can stay at hotels in the Bogor district; they don't have to stay in the city of Bogor. PHRI also reminded us that Sukabumi has become a formidable competitor for Bogor city tourism, especially after the opening of the Bogor-Ciawi-Sukabumi (Bocimi) toll road. Sukabumi has several tourist locations and culinary spots that attract many tourists. PHRI also reminded us that opening the Bocimi toll road threatens tourism, culinary, and hotel businesses in Bogor City because the toll road makes it easier for tourists to visit Sukabumi. According to PHRI of Bogor city, this trend is starting to be seen with the many-star hotels that have begun to open hospitality service businesses in Sukabumi because they see an opportunity for the tourism and hospitality market in the city/regency of Sukabumi. It is following research conducted by [27], [28].

3.1.2 Opinions of public and hotel service users in the city of Bogor regarding changes to hotel tax rules

We distributed questionnaires to determine people's opinions in Bogor City on the latest hotel tax regulations. We got responses from 118 respondents, consisting of 70.3% of respondents living in Bogor City and 29.7% from outside Bogor City. Of the various types of hotel service providers, 42.5% of respondents chose to visit hotels, 20% of respondents stayed in villas, 15.7% chose to live in lodging houses/guesthouses/bungalows/resorts/cottages, and the remaining 21.6% chose types of other hospitality services. Table 1 shows the reasons for the respondents staying at the hotel.

<table>
<thead>
<tr>
<th>No</th>
<th>Reason for Stay</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Recreation, vacation, study, health, religion, sports, entertainment, staycation</td>
<td>44.9%</td>
</tr>
<tr>
<td>2</td>
<td>Work and Business</td>
<td>25.4%</td>
</tr>
<tr>
<td>3</td>
<td>Others</td>
<td>29.7%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

44.9% of respondents stayed at hotels for recreation, vacation, study, health, religion, sports, entertainment, and staycation. Meanwhile, 25.4% stayed at hotels for work and business, and the remaining 29.7% for other reasons. 50.5% of respondents stated that changes in tax rates affected their visits to hotels. In comparison, 49.5% of respondents thought rate changes did not affect their interest in staying at hotels following the statement [25]. Then, 97.8% of respondents hope hotel guests will receive proof of hotel tax collection.

3.2 Hoteliers' Opinions on the Hotel Tax Payment and Reporting Procedure System in the Bogor City

Hotel tax is collected by hoteliers from consumers to be paid and reported to the Bogor City government via the website e-sptpd.kotabogor.go.id, which is connected in real-time to the Bogor City Regional Tax System (SIP DEH). According to 80% of hotel respondents, the payment and tax reporting system works well, while 20% stated they had difficulty using the application due to internet network problems. Besides that, for 70% of hotel respondents, the Bapenda of Bogor City's service is satisfactory.
3.3 Impact of Changes in Hotel Tax Rules on the Ease of Doing Business for Hotel Services in the Bogor City

Bellow, the questionnaire and Focus Group Discussion (FGD) results with representatives of hotel service actors and PHRI of Bogor City stated the reasons for choosing to run a hotel service business in Bogor City. Based on the results of the questionnaire (which one respondent can answer more than one statement), reasons hoteliers doing business in Bogor city are 1) 60% of respondents believe there are opportunities to get profitability in Bogor city, 2) 40% of respondents think infrastructure and facilities in Bogor support hotel business, 3) 30% respondents consider Bogor as a service and tourism city, and ideal place to meetings, incentives, conventions and exhibitions (MICE) and only 10% respondent think there is ease of licensing in Bogor city. One example of a complaint about permits raised by hotel representatives during the FGD was the difficulty of getting permission to use groundwater. On the other hand, according to several business actors, the Bogor City water supply company can only sometimes guarantee the supply/availability of water. To overcome this, several business actors buy water from water tank trucks.

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hotel business opportunities in Bogor City are profitable</td>
<td>60%</td>
</tr>
<tr>
<td>2</td>
<td>Ease of licensing</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>Bogor's facilities and infrastructure support the hotel business</td>
<td>40%</td>
</tr>
<tr>
<td>4</td>
<td>Bogor as a city of services, tourism, MICE (meetings, incentives, conventions, exhibitions)</td>
<td>30%</td>
</tr>
</tbody>
</table>

Notes: one respondent can answer more than one statement

Furthermore, according to representatives of several hotels and the Indonesian Hotel and Restaurant Association (PHRI) in Bogor City in a Focus Group Discussion (FGD) with researchers, changes to hotel tax rules have little effect on the ease of doing business in Bogor hotels. According to hoteliers, the ease of licensing the hotel business and its supports (such as permits for groundwater use, etc.) and the level of tourist visits that utilize hotel services influence the hospitality business’s condition in Bogor. The plan is to move the national capital from DKI Jakarta to IKN Nusantara in East Kalimantan. The move of the country's capital to IKN Nusantara in North Kalimantan resulted in transferring ministries and institutions (K/L) to IKN Nusantara. Considering the high MICE business from visitors from ministries and institutions, PHRI Bogor City predicts hotel occupancy in Bogor City could be less than 50 percent due to moving the country's capital to IKN Nusantara. However, this decline is estimated to only occur in around 10 (ten) years. For this reason, PHRI and the Regional Government of Bogor City should start preparing programs to increase tourist visits who want to stay at hotels in Bogor City.

4 Conclusions

The conclusion of this research are hotel service businesses that will comply with applicable tax provisions. Most hoteliers and public and hotel service users in Bogor City agree with the maximum hotel tax rate of 10%. However, many of them believe that tax rates affect their visits to hotels. PHRI of Bogor city welcomes the provisions on entertainment activities carried out by hotels as non-tax objects for arts and entertainment services. Most hotel taxpayers think the payment and hotel tax reporting system works well and the Bapenda of Bogor City's service is satisfactory. Changes to hotel tax rules have little effect on the ease of doing business in Bogor hotels. However, hotel service businesses face several threats that could affect the survival of hotels in the city of Bogor. Therefore, Bapenda should start
looking for alternative sources of regional tax revenue that can cover the reduction in hotel taxes. Then, the local government should increase the variety of tourist attractions, which can increase the number of tourists who want to stay overnight and the duration of their stay in Bogor. The government should also improve the competitiveness of the city of Bogor as a tourist city and provide meetings, incentives, conferences, and exhibitions tourism (MICE) to increase hotel occupancy rates and use of hotel services in the city of Bogor. Meanwhile, hotels in Bogor City should start looking for market niches outside of MICE and look for alternative sources of income to increase hotel revenues in the future.

References