

## TAXES TO REGIONAL FISCAL CAPACITY: THE CASE OF ENTERTAINMENT AND STREET LIGHTING TAXES

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### Abstract

*The purpose of this research is to determine the extent of the contribution of Pajak Hiburan and Pajak Penerangan Jalan to the Pendapatan Asli Daerah (PAD) in the city of Blitar from 2019 to 2024. The method used in this study is quantitative. The data used is secondary data, which is the report of targets and realization of Pendapatan Asli Daerah for the years 2019-2024. Data analysis uses the contribution formula by comparing the realization of the Pajak Hiburan or Pajak Penerangan Jalan to the realization of PAD per year from 2019 to 2024, then multiplying by 100%. The results of the data management show that the contribution of the Pajak Hiburan to the Pendapatan Asli Daerah (PAD) in the city of Blitar from 2019 to 2024 is on average 0.68%, which falls into the very low category. This is due to the small number of taxpayers. Meanwhile, the contribution of the Pajak Penerangan Jalan to the Pendapatan Asli Daerah in Blitar city from 2019 to 2024 is an average of 6.43%, which falls into the very low category. This occurs because the potential of the PPJ is only sourced from PLN, and there are many other components that affect the PAD.*

**Keywords:** Entertainment Tax Contribution, Street Lighting Tax Contribution, Regional Original Income (PAD)

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### 1. Introduction

Local governments must have sufficient sources of funds for regional development, one of which is Regional Original Revenue. Regional Original Revenue, commonly abbreviated as PAD, refers to revenue obtained from the original economic sources existing within a region, the collection of which cannot be conducted arbitrarily and must be based on established regional regulations. PAD plays a significant role in supporting the growth and development of a region. Law Number 23 of 2014 states that the components of PAD consist of

Regional Taxes, Regional Retributions, Proceeds from Regionally Owned Enterprises, Proceeds from the Management of Separated Regional Assets, and Other Legitimate Regional Original Revenues. Among these components, there are two main contributors to PAD revenue, namely Regional Taxes and Regional Retributions. Law Number 28 of 2009 explains that regional taxes and regional retributions constitute important sources of regional revenue to finance the implementation of regional governance in order to improve the welfare of the community. Thus, regional taxes represent a highly potential source of PAD revenue.

According to Mardiasmo (2018:14), regional tax, hereinafter referred to as tax, is a mandatory contribution to the region owed by individuals or entities that is coercive in nature based on law, without direct compensation, and is used for regional needs for the greatest prosperity of the people. There are two types of regional taxes that play a considerable role in PAD revenue, namely entertainment tax and street lighting tax.

Blitar City is a small city that almost every year organizes entertainment activities, especially in June, the birth month of Bung Karno. These entertainments range from stage performances such as music festivals, traditional and modern dances, fashion show performances, and others. With the presence of such entertainment activities, it is undeniable that there are many tax objects that have the potential to increase revenue through entertainment tax. Based on Blitar City Regional Regulation Number 7 of 2011, entertainment tax is defined as a tax imposed on the organization of entertainment. Entertainment refers to all types of shows, performances, and public amusement activities that are enjoyed by the public with an admission fee. In addition to performance based entertainment, Blitar also provides various entertainment venues such as karaoke houses, billiard halls, movie screenings, fitness centers, and others that can contribute to increasing PAD revenue.

In addition to entertainment tax, there is also the street lighting tax. Street lighting tax is a tax imposed on the use of electrical power, provided that street lighting facilities exist in the region. Street lighting referred to here is the use of electrical power to illuminate public roads, the electricity bills of which are charged to the regional government and subsequently allocated to the electricity consumers within the community (Rahmawati, 2020). It is the responsibility of the regional government to establish street lighting in order to meet the community need for adequate illumination. The demand for street lighting

continues to increase in creating public comfort, urban aesthetics, and order in Blitar City. Therefore, the regional government requires substantial funding. Revenue obtained from street lighting tax is used to finance the maintenance and repair of street lamps (Monginsidi, 2013). Given the large number of taxpayers or electricity consumers and the importance of street lighting tax, it undeniably contributes to PAD.

Contribution, according to the Indonesian Dictionary, refers to a donation or provision. Meanwhile, according to the economic dictionary, contribution is defined as a donation or provision made collectively with the intention and purpose of financing economic activities. Thus, contribution refers to participation and involvement in providing support for benefits that are collectively experienced. Contribution can be used to determine the extent to which a tax provides support or contributes to revenue generation for regional original revenue (Mahmudi, 2016:146). To determine the level of contribution of entertainment tax and street lighting tax, a contribution formula is applied. The level of contribution can be calculated by dividing regional tax revenue by PAD revenue and then multiplying the result by one hundred percent.

Formula for the contribution of entertainment tax:

$$\frac{\text{Realization of Entertainment Tax}}{\text{Realization of Regional Original Revenue}} \times 100\%$$

Formula for the contribution of street lighting tax:

$$\frac{\text{Realization of Street Lighting Tax}}{\text{Realization of Regional Original Revenue}} \times 100\%$$

To determine the level of contribution obtained toward Regional Original Revenue, a ratio is used as a benchmark, as follows.

**Table 1. Contribution Criteria**

Percentage	Criteria
0.00 percent to 10 percent	Very low
10.10 percent to 20 percent	Low
20.10 percent to 30 percent	Moderate
30.10 percent to 40 percent	Fairly good
40.10 percent to 50 percent	Good
Above 50 percent	Very good

Source: Research and Development Team of the Ministry of Home Affairs and the Faculty of Social and Political Sciences, Universitas Gadjah Mada, 1991, as cited in Riandini, 2023

## 2. Research Method

This study employs a quantitative research approach. The research instrument consists of documentation obtained from the Office of the Regional Financial and Asset Management Agency of Blitar City, using secondary data in the form of Regional Original Revenue reports, as well as target and realization reports of Entertainment Tax and Street Lighting Tax in Blitar City for the period 2019 to 2024. The collected data are analyzed using the contribution formula for each tax type, namely entertainment tax and street lighting tax. Subsequently, the contribution results of both taxes are analyzed based on the contribution criteria to obtain the annual percentage levels for each year from 2019 to 2024.

## 3. Result and Discussion

The following are the data on Regional Original Revenue of Blitar City for the period 2019 to 2024, Entertainment Tax Revenue for the period 2019 to 2024, and Street Lighting Tax Revenue for the period 2019 to 2024, which are used as the basis for calculations in determining the level of contribution.

**Table 2. Regional Original Revenue of Blitar City for the Period 2019 to 2024**

No	Year	Target	Realized Revenue (PAD)
1	2019	177,268,796,653.00	166,140,178,781.39
2	2020	135,002,799,612.78	174,590,638,444.23
3	2021	182,713,636,574.00	297,618,527,754.02
4	2022	175,944,656,797.00	156,268,172,003.52
5	2023	168,359,025,901.00	160,915,297,942.63
6	2024	175,385,104,298.36	169,566,103,316.44

Source: Regional Financial and Asset Management Agency of Blitar City

**Table 3. Entertainment Tax Revenue of Blitar City for the Period 2019 to 2024**

No	Year	Target (Rp)	Realized Revenue (Rp)
1	2019	2,275,000,000.00	2,119,693,250.00
2	2020	542,500,000.00	525,239,018.00
3	2021	445,000,000.00	67,340,928.00
4	2022	2,100,000,000.00	1,523,911,685.00
5	2023	1,099,162,000.00	1,270,887,249.00
6	2024	1,124,732,500.00	1,020,077,157.00

Source: Target and Realization Reports of Regional Original Revenue of Blitar City

**Table 4. Street Lighting Tax Revenue of Blitar City for the Period 2019 to 2024**

No	Year	Target (Rp)	Realized Revenue (Rp)
1	2019	9,500,000,000.00	10,311,381,864.00
2	2020	10,200,000,000.00	10,579,994,562.00
3	2021	10,500,000,000.00	10,687,231,266.00
4	2022	11,132,373,632.00	11,671,338,092.00
5	2023	11,500,000,000.00	12,076,178,813.00
6	2024	13,424,766,453.00	13,346,912,454.00

Source: Target and Realization Reports of Regional Original Revenue of Blitar City

The above data were subsequently processed using the contribution formula by dividing the realized revenue of entertainment tax and street lighting tax by the Regional Original Revenue for each year and then multiplying the result by 100 percent. The level of contribution was then analyzed using the contribution criteria. The results of the contribution calculations are presented as follows.

**Table 5. Contribution of Entertainment Tax**

No	Year	Realized Entertainment Tax	Realized PAD	Result
1	2019	2,119,693,250.00	166,140,178,781.39	1.27%
2	2020	525,239,018.00	174,590,638,444.23	0.30%
3	2021	67,340,928.00	297,618,527,754.02	0.02%
4	2022	1,523,911,685.00	156,268,172,003.52	0.97%
5	2023	1,270,887,249.00	160,915,297,942.63	0.78%
6	2024	1,020,077,157.00	169,566,103,316.44	0.60%
<b>Average</b>		<b>1,101,414,426.00</b>	<b>191,106,562,985.00</b>	<b>0.68%</b>

The average contribution of Entertainment Tax to Regional Original Revenue in Blitar City during the 2019–2024 period falls within the very low category.

In the pre COVID 19 period, specifically in 2019, the contribution of entertainment tax reached its highest level compared to the subsequent years, amounting to 1.27 percent. This relatively higher contribution was supported by the substantial number of registered entertainment taxpayers, totaling 44 entities.

During the period 2020 to 2021, which coincided with the COVID 19 pandemic, the contribution of entertainment tax declined significantly. In 2020, the contribution decreased to 0.30 percent and further dropped to 0.02 percent in 2021. This decline was primarily caused by the implementation of government lockdown policies that restricted social activities and prohibited public gatherings. These restrictions led to the temporary closure of numerous

entertainment venues, particularly incidental entertainment activities, which were almost entirely suspended during this period.

In 2022, the contribution of entertainment tax increased to 0.97 percent, indicating a recovery compared to the previous year. However, in 2023, the contribution declined again to 0.78 percent. This period can be characterized as a transitional phase following the pandemic. Despite the decline in 2023, the contribution remained higher than in 2020 and 2021, as the easing of lockdown measures allowed entertainment businesses to resume operations and incidental entertainment activities to gradually reappear.

In 2024, the contribution of entertainment tax can be considered no longer directly influenced by the COVID 19 pandemic. Nevertheless, a further decline was observed compared to 2023. This reduction was mainly attributed to changes in tax rates applied to certain entertainment objects, particularly cinemas, whose tax rate was reduced from 20 percent to 10 percent. Given that cinemas represent the largest contributor to entertainment tax revenue, this policy adjustment had a significant impact on overall revenue.

Overall, the contribution of Entertainment Tax to Regional Original Revenue in Blitar City from 2019 to 2024 recorded an average contribution of 0.68 percent. Based on the established contribution criteria, this figure falls within the 0 to 10 percent range and is therefore classified as very low.

**Table 6. Contribution of Street Lighting Tax**

No	Year	Realized Street Lighting Tax	Realized PAD	Result
1	2019	10,311,381,864.00	166,140,178,781.39	6.20%
2	2020	10,579,994,562.00	174,590,638,444.23	6.05%
3	2021	10,687,231,266.00	297,618,527,754.02	3.50%
4	2022	11,671,338,092.00	156,268,172,003.52	7.46%
5	2023	12,076,178,813.00	160,915,297,942.63	7.50%
6	2024	13,346,912,454.00	169,566,103,316.44	7.87%
<b>Average</b>		<b>11,065,224,919.40</b>	<b>191,106,562,985.00</b>	<b>6.43%</b>

The contribution of Street Lighting Tax to Regional Original Revenue in Blitar City during the 2019–2024 period recorded an average contribution of 6.43 percent. During the first three years, namely 2019, 2020, and 2021, the contribution experienced a declining trend. The most significant decrease occurred in 2021, when the contribution dropped to 3.50 percent. This decline was followed by a notable increase over the subsequent three years, from 2022 to 2024.



The highest contribution of Street Lighting Tax was observed in 2024, reaching 7.87 percent. This upward trend indicates an improvement in the realization of street lighting tax revenue relative to Regional Original Revenue in the post pandemic period.

Based on the established contribution criteria, the average contribution of Street Lighting Tax of 6.43 percent falls within the 0 to 10 percent range and is therefore classified as very low. This condition can be attributed to the limited source of electricity supply in Blitar City, which is solely provided by the state owned electricity company, PLN, with no alternative electricity generation sources outside PLN.

Although the realization of Street Lighting Tax revenue has increased annually, its contribution to Regional Original Revenue remains relatively low. This is due to the fact that Regional Original Revenue is derived from various components, including regional taxes, regional retributions, proceeds from the management of separated regional assets, and other legitimate regional revenues. Street Lighting Tax constitutes only one component of regional taxes in Blitar City, which consist of nine different types of taxes. Moreover, Regional Original Revenue is not solely influenced by regional taxes, but also by regional retributions and other legitimate revenue sources.

Despite its relatively low contribution to Regional Original Revenue, Street Lighting Tax can be considered to have considerable potential in supporting regional tax revenue in Blitar City. In fact, Street Lighting Tax revenue ranks among the highest regional tax revenues, second only to Land and Building Tax for Urban and Rural Areas (PBB P2).

#### 4. Conclusion

The contribution of Entertainment Tax to Regional Original Revenue in Blitar City during the 2019–2024 period remains very low, with an average contribution of 0.68 percent. This condition is largely attributable to the impact of the COVID-19 pandemic, which led to a decline in incidental entertainment activities and the temporary closure of several entertainment venues, as well as to changes in tax rates applied to entertainment objects. In addition, the number of registered entertainment taxpayers is relatively limited due to the minimum turnover requirement of 2,000,000 and the existence of entertainment businesses that have not yet been formally licensed.

Similarly, the contribution of Street Lighting Tax to Regional Original Revenue in Blitar City for the 2019–2024 period is also classified as very low, with an average contribution of 6.43 percent. This situation is primarily caused by the fact that street lighting tax revenue is derived solely from electricity supplied by the state owned electricity company, PLN. Moreover, Regional Original Revenue is influenced by various components, including regional taxes, regional retributions, proceeds from the management of legitimate regional assets, and other lawful regional revenues.

Although its contribution to Regional Original Revenue remains relatively low, Street Lighting Tax plays an important role in supporting regional tax revenue. Based on these findings, several policy implications can be proposed. For the local government of Blitar City, efforts should be made to enhance the potential revenue from Entertainment Tax by organizing routine annual incidental entertainment events, conducting more comprehensive observations of potential tax objects, and encouraging the formal licensing of entertainment businesses that are not yet officially registered. With regard to Street Lighting Tax, the Blitar City Government may also increase its revenue potential by developing alternative electricity generation sources beyond PLN.

For future researchers, this study is expected to serve as a reference regarding the importance of the contribution of Entertainment Tax and Street Lighting Tax in increasing Regional Original Revenue. Further studies may incorporate an analysis of tax effectiveness in addition to contribution levels and may also consider using a longer observation period of more than five years to obtain more comprehensive results.

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