The Impact of The Coronavirus Outbreak on Hotel Tax and Recovery Strategy

Suparmono[1*], Hermada Dekiawan[2] & Suryanto[3]

Afiliasi
[1] Sekolah Tinggi Ilmu Manajemen YKPN Yogyakarta
[2] Politeknik YKPN Yogyakarta
[3] Universitas Negeri Surakarta

Koresponden
[*]suparmono@stimykpn.ac.id

Abstract. This article aims to analyze the impact of the COVID-19 pandemic on hotel tax revenues in Surakarta City and design an optimization strategy. The analytical tool used to achieve this goal is descriptive statistics to compare the level of hotel tax achievement before and during the covid-19 pandemic. In addition, a quadrant of the problem was mapped using a SWOT analysis. The result is that The performance of tax revenue in Surakarta City has decreased significantly during the Covid-19 pandemic. The main problems as the cause are restrictions on people's movement, fear of contracting the Covid-19 virus, and the cessation of some community businesses. Efforts that need to be made to reverse this impact are by re-collecting data related to the potential for hotel taxes, the use of information technology, and opening up business opportunities by implementing health protocols.
Keywords: hotel tax, covid-19, revenue optimization, local tax, pandemic

Introduction

The COVID-19 pandemic has had a negative impact on the Indonesian economy, including the city of Surakarta (Zuwesty Eka Putri, 2015). Economic growth in Surakarta City in 2020 experienced a negative growth of -1.72 percent, while national and Central Java's economic growth was even worse at above negative 2 percent. In 2021 the economy of Surakarta City and the economy slowly shows a positive stretch. Surakarta City's local tax revenue shows an improving development as evidenced by the achievement of the realization of the target set, which is 85 percent of 303 billion rupiah during 2021.

The rate of tourist arrivals has also decreased due to restrictions on people's movement and fears of contagion of COVID-19.(Matsuura & Saito, 2022). The decline in tourist visits will certainly have an impact on hotel occupancy rates, use of transportation services, and the food industry and other related industries (Fitriano & Ferina, 2021).

A star-rated hotel is a business that uses a building or a portion of a building that is specifically provided so that anyone can stay overnight and pay for services and other facilities and has met the requirements for a star-rated hotel as published by the Directorate General of Tourism or the Department of Tourism (Fjeldstad & Semboja, 2001)(Gerwe, 2021). A special feature of a five-star hotel is having a restaurant that is under the hotel's management (Soehardi & Untari, 2020).

Occupancy Rates are considered very important for hotel management in general, and for the sales department in particular(Le & Phi, 2021). The existence of occupancy levels that are less than hotel capacity means that there are lost sales opportunities, which leads to a decrease in hotel income (Soehardi & Untari, 2020).

Local taxes are the largest contributor to Surakarta City's own regional revenue (PAD). Between 2015 and 2018, local taxes contributed 62.52 percent of PAD in 2015, then decreased to 59.24 percent in 2016, decreased again to 54.67 percent in 2017, and managed to increase to 64.41 percent in in 2018. Regional tax contributions in 2019 increased by 14 percent compared to 2018 regional tax revenues, but in 2020 there was a sharp decline in regional tax revenues by more than 50 percent compared to 2019. According to data from BPPKAD Surakarta City, the results in October In 2021, local tax revenues have reached 85 percent of the target of 303 billion rupiah.

Literature Review

On the eve of the pandemic, there were significant differences in the economic performance of Indian states through time and in pre-Covid-19 conditions, as well as in the broad structure of their economies, fiscal positions, and healthcare and public health skills. Furthermore, there have been significant variances in the virus's propagation and measures to limit it (Goswami et al., 2021).

Tax optimization in the short term, the easiest and most immediate activity, is to intensify existing local revenue sources or objects, especially through the use of information technology, effectiveness and efficiency of local revenue sources and objects, with the hope of increasing PAD productivity without having to do expansion of new sources or objects of income that requires study, process and a long time (Le & Phi, 2021).

The function of regional regulations on taxes and levies is a budget function that is closely related to the planning function(Gerwe, 2021). With such a function, taxes and levies have a strategic position for the desired development activities in the region. Failure to meet the revenue target in accordance with the budget will affect the implementation of the development planning that has been set (Hao et al., 2020). The end of all this is a failure for the region to carry out its mission to develop and improve development in the context of the welfare of the people in the region(McCartney, 2021). In addition, local regulations on taxes and levies in relation to the budget are a regulatory function. In this case, the local government must establish clear arrangements regarding the type and amount of the tax and levy rates charged to the people. The arrangements set forth in the regional regulations must be able to guarantee legal certainty for the people in the regions (Le & Phi, 2021).

Integrated information technology support to intensify taxes/retributions is absolutely necessary because the collection system implemented so far tends to be suboptimal (Sujjapongse, 2005) (Putra, 2020). This problem is reflected in conventional collection systems and procedures and many systems are still running partially, so it is very likely that the information conveyed is inconsistent, different versions of the data and the data is not up-to-date. There are many problems with the tax/levy collection system, for example: both in terms of data on taxpayers/retributions, the determination of the amount of taxes/retributions, the number of tax/levy claims and the non-optimal target of fulfilling taxes/retributions (Melián-Alzola et al., 2020).

Research Method

The population of this activity is all hotels in Surakarta City. The number of star, budget and inn hotels in 2021 is 180 units, consisting of 48 star hotels and 132 non-star hotels. Included in the hotel tax object are 229 boarding houses, bringing the total population to 409.

Table 1. Distribution of Research Population

Num	Hotel Type	Amount
1	A five-star hotel	1
2	Four Star Hotel	12
3	Three Star Hotel	13
4	Two Star Hotel	14
5	One Star Hotel	8
	Total Star Hotels	**48**
6	Triple Budget Hotel	28

Num	Hotel Type	Amount
7	Two Budget Hotels	45
8	One Budget Hotel	48
9	Inn/House Lodging/Restaurant	11
	Total 3 Budget Hotels & Inns	**132**
	Total stars hotel, Budget and Inn Hotels	**180**
10	Boarding house	**229**
	Total Population	**409**

Source: DPPKAD Surakarta City, 2021

Potential tax revenue is generally defined as the maximum amount of tax revenue that should be collected by the tax collection agency, in a certain period (year), based on the applicable laws or regulations, which regulates the subject of tax collection or the power, strength, ability to generate income. regional acceptance or ability that deserves to be received in the most optimal. Potential hotel tax based on survey data

Average receipts per day =
Hotel rate/day x average length of stay x number of rooms x Occupancy rate ......(1)
Hotel Tax = 10% x Average revenue per year ……………………………………………..(2)

Qualitative analysis is used to describe numerical and non-numerical data to strengthen quantitative analysis. In qualitative analysis using SWOT analysis and descriptive statistical analysis. SWOT analysis is one of the analytical methods that is able to formulate qualitatively and holistically both the internal and external strategic environment.

Result And Discussion

From 2020 to 2021, there will be a significant reduction in taxes due to the Covid-19 pandemic which has an impact on the economic contraction of the City of Surakarta. In 2020, tax revenue fell to Rp. 279,273,759,740 or decreased by -22.44 percent. The decline will continue until 2021 (October 2021) to Rp258,383,727,441 or a decrease of -7.48 percent compared to 2020. Relatively the types of taxes that experienced the largest decline in 2020 were entertainment taxes which decreased by -58.56 percent; followed by parking tax (-51.98%) and hotel tax (-51.70%). From 2021 to October, the largest reduction in types of taxes was the entertainment tax which reached -62.04 percent.

Table 2. Changes in Hotel Tax Revenue Performance and Total Tax 2017-2021

Tax	2017	2018	2019	2020	2021
Hotel Tax	28.030.841.829	33.247.902.600	38.577.830.000	18.631.284.900	16.910.424.100
Change (%)	12,43%	18,61%	16,03%	-51,70%	-9,24%

Local Tax	288.418.182.387	339.924.208.111	360.053.930.720	279.273.759.740	258.383.727.441
Change (%)	14,43%	17,86%	5,92%	-22,44%	-7,48%

Source: Proceed, October 31th, 2021

In terms of distribution, the largest proportion of taxes is PBB which in 2020 will reach 27.19 percent and will increase to 32.48 percent in 2021. The second type of tax proportion is BPHTB tax and the third is street lighting tax (PPJ). The smallest proportion of tax revenue is parking tax and groundwater tax which is in the range of 1-2 percent. The entertainment tax which experienced the greatest decline accounted for around 3-4 percent of all tax revenues.

To analyses the problems and potential for optimizing hotel tax revenue and parking tax in Surakarta City, it is necessary to identify internal factors and external factors that influence them. Internal factors are in the form of strengths and weaknesses related to hotel taxes and parking taxes, while external factors are related to opportunities and threats.

In a quantitative SWOT analysis, each factor on the strengths, weaknesses, opportunities, and threats is assigned a weight and a score. The total weight for each must have a total value of one with different scores according to the significance of each factor. For hotel taxes, the results of the SWOT analysis for each factor are as follows.

Table 3. SWOT Analysis of Hotel Taxes in Surakarta City, 2021

Strength	Weight	Score	Weighted Score
(1) The amount of potential hotel tax in Surakarta City is seen from the addition of hotels and their supporters	0,25	5	1,25
(2) The high number of MICE activities carried out in hotels in Surakarta	0,15	2	0,3
(3) The magnitude of the role of the hotel in the absorption of labour and the utilization of local potential	0,15	2	0,3
(4) Contribute greatly to the GRDP of Surakarta City	0,10	4	0,4
(5) The class and price of hotel rooms in Surakarta varies	0,05	3	0,15
(6) Cooperative hotel management	0,10	3	0,3
(7) The effective role of the regional coordinator (Korwil) in the management and withdrawal of taxpayers	0,20	4	0,8
	1		**3,5**

Weakness	Weight	Score	Weighted Score
1) A pandemic that causes a decline in hotel occupancy rates.	0,30	4	1,2

	Weight	Score	Weighted Score
2) The location of Surakarta City which is not far from the surrounding city (Yogyakarta) results in competition for hotel occupancy.	0,20	3	0,6
3) Price competition between hotels which causes prices to be very volatile.	0,10	2	0,2
4) Difficulty in calculating the potential real income of the hotel so that tax revenue is not yet optimal	0,10	3	0,3
5) Not all hotels use and implement tapping boxes	0,20	4	0,8
6) Conventional non-star hotel and boarding house transaction recording system	**0,10**	**3**	**0,3**
	1,00		**3,4**

Opportunity	Weight	Score	Weighted Score
1) The variety of cultural and culinary tourism destinations that attract tourists to come to Surakarta City	**0,35**	**3**	**1,05**
2) Starting to ease the threat of the COVID-19 pandemic and the easing policies carried out by the government.	0,20	3	0,6
3) The development of online transactions that make it easier for people to book hotel rooms	**0,15**	**2**	**0,3**
4) The development of hotel operator services (oyo, reddoorz, etc.)	0,30	3	0,9
	1,00		2,85

| Threat	Weight	Score	Weighted Score
1) Restriction policies, moratoriums and policies on activities in hotels that sometimes affect the use of rooms and MICE	0,55	3	1,65
2) The implementation of the MEA will lead to the entry of foreign workers	0,45	2	0,9
			2,55

Source: Proceed, 2021.

The weighting of each indicator with each factor, the next step is to compare the weights between internal factors (strengths and weaknesses) with external factors (opportunities and challenges), so that the comparison between internal and external factors is as follows:

Table 4. Comparison Between Internal And External Factors

Categories of Variables and Indicators	Weight
a) Strength Weighted Value	3,5
b) Weakness Weighted Value	3,4
Difference	**0,1**
c) Opportunity Weighted Value	2,85
d) Threat Weighted Value	2,55
Difference	**0,3**

Source: Proceed

From the calculation results of the comparison between internal factors and external factors, it will produce the current position to determine the strategy to be carried out. From the results of the comparison between internal factors (0.1) and external factors (0.3) both are in the positive quadrant so that the strategy that can be applied is aggressive. The location of the quadrant is as follows:
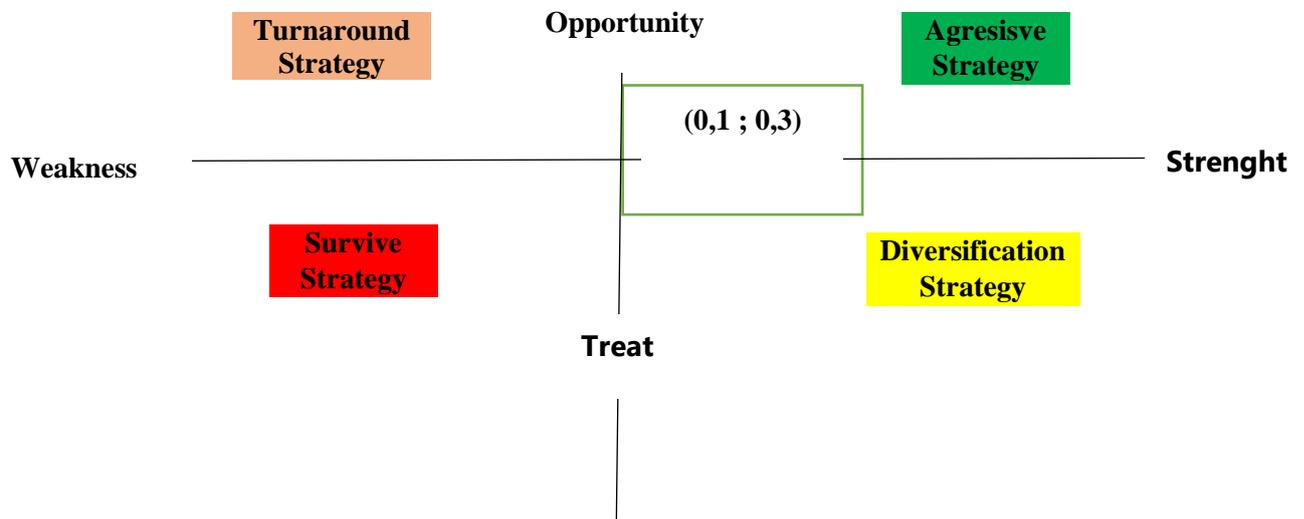
Source: proceed

From identifying the strengths, weaknesses, opportunities, and challenges of hotel tax in Surakarta City and determining its strategic position, the next step is to determine the type of strategy that can be done to optimize hotel tax in Surakarta City. The following

is a SWOT matrix analysis to determine the hotel tax optimization strategy for Surakarta City.

Table 5. SWOT Analysis of Hotel Tax Optimization Matrix for Surakarta City

	STRENGHT (S)	WEAKNESS (W)
INTERNAL FACTORS **EXTERNAL FACTORS**	(1) The amount of potential hotel tax in Surakarta City is seen from the addition of hotels and their supporters (2) The high number of MICE activities carried out at hotels in Surakarta (3) The magnitude of the role of the hotel in the absorption of labor and the utilization of local potential (4) Contribute greatly to the GRDP of Surakarta City (5) Variation of class and price of hotel rooms in Surakarta (6) Cooperative hotel management (7) The effective role of the regional coordinator (Kotwal) in the management and withdrawal of taxpayers	1) A pandemic that causes a decline in hotel occupancy rates. 2) The location of Surakarta City which is not far from the surrounding city (Yogyakarta) results in competition for hotel occupancy. 3) Price competition between hotels which causes prices to be very volatile. 4) Difficulty in calculating the potential real income of the hotel so that tax revenue is not yet optimal 5) Not all hotels use and implement tapping boxes 6) Conventional non-star hotel and boarding house transaction recording system
OPPORTUNITY (O)	**STRATEGY (SO)**	**STRATEGY (WO)**
(1) Diverse cultural and culinary tourism destinations that attract tourists to come to Surakarta City (2) The threat of the COVID-19 pandemic has begun to subside and the easing policies implemented by the government. (3) The development of online transactions that make it easier for people to make hotel room reservations (4) The development of hotel operator services (oxo, reddoorz, etc.)	(1) Data collection and updating of hotel taxpayers periodically and measurably to form a quality data base (2) Optimizing the use of online system information technology in hotel tax management (3) Monitoring and enforcing the rule of law for Hotel Taxpayers (4) Encouraging hospitality business services to certify business services and improve hospitality	(1) Implementing and supervising the use of tapping boxes for optimizing hotel tax revenues (2) Increasing the capacity of hotel management HR (3) Law enforcement of uncooperative and problematic taxpayers.
THREAT (T)	**STRATEGY (ST)**	**STRATEGY (WT)**

(1) Restriction policies, moratoriums and olicies on activities in hotels that sometimes affect the use of rooms and MICE (2) The implementation of the MEA will cause the entry of foreign workers who have expertise.	(1) Optimizing and granting authority to the role of regional coordinator (korwil) for strengthening the data base and handling hotel managers (2) Encouraging workers in the hospitality sector to carry out professional certification. (3) Cooperating with certification bodies and vocational schools to improve the competence of graduates in the hospitality sector	(1) Cooperating with PHRI to optimize hotel tax management and potential (2) Cooperating with PHRI and SKPD to support cultural events in encouraging tourist visits to Surakarta City

Source: Procceed

Conclusion

The performance of tax revenue in Surakarta City has decreased significantly during the Covid-19 pandemic. When compared to 2019, Surakarta City's tax revenue reached Rp360,053,930,720, decreasing to Rp279,273,759,740 in 2020. The hotel tax performance in 2019 had reached Rp. 38,577,830,000, a drastic decrease of Rp. 18,631,284,900 in 2020. The achievement of hotel tax until 2021 (31 October) had reached Rp. 16,910,424,100. Meanwhile, the performance of parking tax receipts was Rp. 3,310,614,900 (in 2019) which decreased to Rp. 2,306,657,900 in 2020.

The main key to the success of hotel tax management and optimization is the availability of a good data base related to hotel taxpayers, including a list of hotels and their supporting data, such as number of rooms, room class, room prices on various sales portals, actual occupancy rates, and potential other hotel income that can describe real conditions.

a. In addition, from the availability of quality data, of course, the second factor that determines the success of the hotel tax is the human resources of the manager, both in terms of the adequacy of the number and competence required. Likewise with law enforcement and providing incentives for taxpayers who are obedient and honest in paying taxes.

b. Another effort that is no less important is the availability of standard operating procedures (SOPs) that can be accepted by taxpayers and local tax managers from hotel taxes, which are absolutely necessary to encourage this optimization. In addition to this, there are other factors that must also be implemented in optimizing hotel tax revenues, including:

a) Data collection and updating of hotel taxpayers periodically and measurably to form a quality data base

b) Optimizing the use of online system information technology in hotel tax management

c)   Encouraging hotel business services to certify business services and improve hospitality
d)   Implementing and supervising the use of tapping boxes for optimizing hotel tax revenues
e)   Increasing the capacity of hotel management human resources so that they are able to collaborate with local governments for various mutually beneficial interests
f)   Law enforcement for uncooperative and problematic taxpayers.
g)   Optimizing and giving authority to the role of regional coordinator (korwil) for strengthening the data base and handling hotel managers
h)   Cooperating with certification bodies and vocational schools to improve the competence of graduates in the hospitality sector
i)   Cooperating with PHRI to optimize hotel tax management and potential
j)   Cooperating with the Association of Hotels and Restaurants of the Republic of Indonesia (PHRI) and related agencies to support cultural events in encouraging tourist visits to Surakarta City.

Acknowledgement

References

Fitriano, Y., & Ferina, Z. I. (2021). Analisis Efektifitas Dan Kontribusi Pajak Hotel Dan Pajak Restoran Terhadap Pendapatan Asli Daerah (Pad) Kota Bengkulu. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, *9*(1), 69–80. https://doi.org/10.37676/ekombis.v9i1.1212

Fjeldstad, O. H., & Semboja, J. (2001). Why people pay taxes: The case of the development levy in Tanzania. *World Development*, *29*(12), 2059–2074. https://doi.org/10.1016/S0305-750X(01)00081-X

Gerwe, O. (2021). The Covid-19 pandemic and the accommodation sharing sector: Effects and prospects for recovery. *Technological Forecasting and Social Change*, *167*(February), 120733. https://doi.org/10.1016/j.techfore.2021.120733

Goswami, B., Mandal, R., & Nath, H. K. (2021). Covid-19 pandemic and economic performances of the states in India. *Economic Analysis and Policy*, *69*, 461–479. https://doi.org/10.1016/j.eap.2021.01.001

Hao, F., Xiao, Q., & Chon, K. (2020). COVID-19 and China's Hotel Industry: Impacts, a Disaster Management Framework, and Post-Pandemic Agenda. *International Journal of Hospitality Management*, *90*(July), 102636.

https://doi.org/10.1016/j.ijhm.2020.102636

Le, D., & Phi, G. (2021). Strategic responses of the hotel sector to COVID-19: Toward a refined pandemic crisis management framework. *International Journal of Hospitality Management*, *94*(November 2020), 102808. https://doi.org/10.1016/j.ijhm.2020.102808

Matsuura, T., & Saito, H. (2022). The COVID-19 pandemic and domestic travel subsidies. *Annals of Tourism Research*, *92*, 103326. https://doi.org/10.1016/j.annals.2021.103326

McCartney, G. (2021). The impact of the coronavirus outbreak on Macao. From tourism lockdown to tourism recovery. *Current Issues in Tourism*, *24*(19), 2683–2692. https://doi.org/10.1080/13683500.2020.1762549

Melián-Alzola, L., Fernández-Monroy, M., & Hidalgo-Peñate, M. (2020). Hotels in contexts of uncertainty: Measuring organisational resilience. *Tourism Management Perspectives*, *36*(April 2019), 100747. https://doi.org/10.1016/j.tmp.2020.100747

Putra, M. S. P. (2020). Hotel and Restaurant Tax Domination as a Source of Local Revenue of Badung Regency: A Study Amidst the Covid-19 Pandemic Era. *Jurnal Ekonomi & Bisnis JAGADITHA*, *7*(2), 114–122. https://doi.org/10.22225/jj.7.2.2375.114-122

Soehardi, S., & Untari, D. T. (2020). The Effect of Covid-19 Pandemic on Hotel Employees, Hotel Occupancy Rates and Hotel Tax Income in Jakarta, Indonesia. *Systematic Reviews in Pharmacy*, *11*(12), 964–972. https://doi.org/10.31838/srp.2020.5.138

Sujjapongse, S. (2005). Tax policy and reform in Asian countries: Thailand's perspective. *Journal of Asian Economics*, *16*(6), 1012–1028. https://doi.org/10.1016/j.asieco.2005.09.002

Zuwesty Eka Putri. (2015). *Vol. 5, No. 2, Oktober 2015 E S E N S I Jurnal Bisnis dan Manajemen*. *5*(2), 173–186.