

ARTICLE

## **(How COVID-19 Impacted Entertainment Industry Tax Revenues: An Overview of Post-Pandemic Tax Collection)**

Citra Abliia Gusti

Department of Management, Faculty of Economic, Padang State University xxxxx, Padang, Indonesia

\*Corresponding email: [Citraagusti437@gmail.com](mailto:Citraagusti437@gmail.com)

### **Abstract**

This study aimed to explore the revenue of entertainment tax, specifically from concert performances, using a qualitative descriptive research method. The study utilized secondary data from books and journals to provide a comprehensive overview of the current state of entertainment tax revenue, including its potential to contribute to the regional budget. The study found that entertainment tax revenue from concert performances could contribute significantly to the region's budget, but there are still several challenges in implementing and collecting this tax effectively. These challenges include a lack of awareness and understanding of tax regulations among concert organizers and performers, as well as the need for more effective tax collection methods. The study recommends that concert organizers and performers should be educated about tax regulations, and the government should improve the effectiveness of tax collection methods to optimize entertainment tax revenue.

**KEYWORD** entertainment tax, concert performance, revenue, and tax collection.

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***Corresponding Author :***

Citra Abliya Gusti

Faculty of Economic, Padang State University, Indonesia

Email : [citraagusti437@gmail.com](mailto:citraagusti437@gmail.com)

## 1. Introduction

Indonesia is a country that has been heavily impacted by COVID-19, which has resulted in numerous policies being implemented by the government to minimize the number of people affected by the outbreak. The implementation of these policies has had an impact on several sectors, including tax revenues.

Taxes are mandatory contributions made by citizens to the state in accordance with the prevailing laws. Tax revenue is based on the types of taxes imposed, and one of the purposes of collecting taxes is to improve the welfare of the people of Indonesia.

In Indonesia, taxes are divided into two types: central and regional taxes, with the latter being further divided according to the Law on Regional Taxes and Regional Levies (Republic of Indonesia Law No. 28 of 2009). Article 1, paragraph 10 of the law states that regional taxes are mandatory contributions to the region that are owed by individuals or entities, imposed by law and without receiving direct compensation, and are used for the benefit of the region to promote the welfare of the people. One of the regional taxes that has been impacted by COVID-19 is the entertainment tax.

The implementation of lockdowns and other policies that require people to stay at home and not gather in public places has resulted in a decrease in entertainment tax revenues, which includes the arts, music, and sports sectors. As Indonesia enters the

new normal phase, which is a transitional period towards returning to normalcy before COVID-19, there have been many concerts held in Indonesia that will have an impact on tax revenues. Therefore, the author is interested in exploring an overview of entertainment tax revenues after the end of COVID-19.

## 2. Experimental

### 2.1 Local Revenue

Local Revenue (Pendapatan Asli Daerah/PAD) adjusted to the law is the revenue obtained by local governments from legal and non-prohibited sources in accordance with applicable laws and regulations. These revenue sources include taxes, levies, revenue from the management of separated regional wealth, revenue from the sale of regional-owned goods, and other legitimate sources. Local Revenue is crucial for the sustainability of development and public services in the region, as it can be used to finance various development programs and activities, such as education, health, infrastructure, and others.

According to the book "Regional Financial Management" by Sulisty Basuki, PAD has several characteristics, namely: first, it is periodic and uncertain; second, it is elastic and uncertain; third, it depends on the success in improving the region's economy; and fourth, it must be used to finance activities that benefit the community.

A journal reference that can be used as a reference is the journal "Analysis of Factors Influencing Local Revenue (PAD) in Kendal Regency" by Fajar Ramadhan et al. which states that factors affecting PAD include the number of populations, the area's size, the number of industries, the number of hotels, and per capita income. Additionally, other factors that also influence are the government's policy in managing and increasing PAD and the level of public awareness in paying taxes and levies.

According to Mardiasmo (2016,1), Regional Original Income is the revenue obtained from regional taxes, regional levies, state-owned enterprise income, separated regional wealth management income, and other legitimate regional income.

## 2.2 Type of Local Tax

The types of local taxes in Indonesia include:

a. Land and Building Tax (Pajak Bumi dan Bangunan/PBB)

Land and Building Tax (PBB) is a tax levied on land and buildings owned by taxpayers. According to the journal "Analysis of the Effectiveness of Land and Building Tax as a Source of Local Revenue in Sidoarjo Regency" by Dwi Fathurohman and Dita Risky Puspitasari, PBB can increase Local Revenue (PAD) and contribute to regional development.

b. Restaurant Tax

Restaurant Tax is a tax levied on income from restaurant, cafe, and similar businesses. According to the book "Pajak Daerah" by Rustan Lestari, Restaurant Tax is one of the most potential types of local taxes to increase Local Revenue because of the large number of restaurants in the area.

c. Hotel Tax

Hotel Tax is a tax levied on income from hotel and similar businesses. According to the journal "Analysis of the Contribution of Hotel Tax to the PAD of Batam City" by Siti Sopiah, Hotel Tax is one of the local taxes that significantly contributes to PAD in Batam City.

d. Entertainment Tax

Entertainment Tax is a tax levied on income from entertainment activities such as cinemas, music shows, recreational parks, and the like. According to the book "Pajak Daerah" by Rustan Lestari, Entertainment Tax can significantly contribute to local revenue because of the large number of entertainment activities in the area.

e. Advertisement Tax

Advertisement Tax is a tax levied on income from advertising on media such as billboards, banners, and the like. According to the journal "Advertisement Tax as a Source of Local Revenue in Blitar Regency" by Titi Purwaningsih, Advertisement Tax can increase Local Revenue and potentially become a significant source of regional income.

### 2.3 Entertainment Tax

The entertainment tax in Indonesia is regulated under Article 94 of Law Number 28 of 2009 concerning Regional Taxes and Regional Levies. According to this article, the entertainment tax is levied on income obtained from entertainment activities such as cinemas, music performances, and recreational parks that are held in the regional government area. The amount of the entertainment tax rate is determined by the Regional Government by considering the type, scale, and amount of income obtained from the entertainment activities. The entertainment tax is paid by the party that organizes the entertainment activities, whether it is a business entity or an individual.

Furthermore, Article 97 of the same law explains that the revenue from the entertainment tax must be allocated at least 10% for the development and promotion of tourism activities. This is in line with the objective of the entertainment tax, which is not only to increase the Regional Original Revenue (PAD) but also to encourage tourism growth in the region. If the party that organizes the entertainment activities does not pay the entertainment tax in accordance with the applicable provisions, then the Regional Government has the right to take administrative or legal enforcement actions to collect the tax.

The entertainment tax is one of the types of local taxes imposed on income obtained from entertainment activities such as cinemas, music performances, and recreational parks. According to the book "Local Taxes" by Rustan Lestari, the entertainment tax is included as a potential type of tax that can increase the Regional Original Revenue (PAD). Furthermore, the entertainment tax can also be used as a tool to control the development of the entertainment industry and encourage tourism growth in the region.

Soelarno (1996:25) defines entertainment as something that is enjoyable for the person who consumes it. The entertainment tax (Nasution, 1989:512) is a tax imposed on all forms of paid entertainment activities held in a region. Based on this definition, it means that the entertainment tax is only imposed on all types of paid entertainment activities. This means that entertainment activities that do not charge a fee to the people who enjoy them are not subject to the entertainment tax.

## **2.4 Tax Collection**

Tax collection is the process of collecting taxes from individuals or entities by the government through various methods such as withholding, assessment, and enforcement. It is an important aspect of public finance as it provides the government with the necessary funds to provide essential services to its citizens.

According to James and Nobes (2018), "tax collection involves the process of monitoring, collecting and recording of tax revenues due from taxpayers" (p. 397). The collection process can be done through several methods, such as self-assessment, withholding taxes, and audits. The government uses various enforcement measures to ensure that taxpayers comply with the tax laws, such as penalties and fines.

The efficiency and effectiveness of tax collection can affect the government's revenue collection and its ability to provide essential services to its citizens. As noted by Sikka and Willmott (2010), "the efficiency of tax collection is an essential element in the ability of the state to meet its financial obligations and discharge its responsibilities to citizens" (p. 109).

## **2.5 Concert performance**

A music concert is a musical performance event held to entertain audiences by presenting various types of music played by musicians or

musical groups. Music concerts are usually held in concert halls or large stadiums to accommodate a large number of spectators. Music concerts are a popular form of entertainment worldwide and have a significant impact on tax revenue.

According to an article published in the Journal of Cultural Economics in 2019, music concerts can have a positive impact on tax revenue. The study shows that music concerts can help increase tax revenue in several ways, Music concerts in Indonesia have a significant impact on entertainment tax revenue in the country. This can be seen from the following aspects:

- A. Increase in the number of music concerts: Indonesia has a rapidly growing music industry, and more and more music concerts are being held by local and international musicians. These music concerts attract many audiences and have positive impact on entertainment tax revenue in Indonesia.
- B. Increase in musician income: Music concerts in Indonesia have a positive impact on musician income. The more music concerts that are held, the greater the musician income. Income generated from music concerts is subject to income tax, which can increase entertainment tax revenue in Indonesia.
- C. Increase in tourist spending: Music concerts in Indonesia attract many domestic and foreign tourists. Tourists who come to attend music concerts will spend money on accommodation, food, drinks, and shopping. This spending will increase entertainment tax revenue in Indonesia.
- D. Increase in local spending: Music concerts also involve many parties such as security service providers, food and beverage vendors, and transportation providers. These parties will receive income from music concerts and pay income tax, which can increase entertainment tax revenue in Indonesia.

However, the impact of music concerts on entertainment tax revenue in Indonesia still has the potential to be improved. This can be done through better regulation and supervision of the music industry and music concerts in Indonesia.

This research was conducted using a qualitative descriptive method by conducting a literature review of books and journals related to the topic, as well as interviewing officials at the regional revenue office.

### 3. Results

After the end of COVID-19, the government has allowed the resumption of music concerts, which has made the public excited as they have not experienced the atmosphere of a concert for almost 2 years. This has also been utilized by musicians to hold concerts in Indonesia, both domestic and international, as the interest in music is increasing day by day, especially during the lockdown policy where many people utilize their time to listen to music.

The revenue from entertainment taxes in Indonesia has increased due to the many music concerts held in various regions. Music concerts are a very popular form of entertainment in Indonesia and attract many audiences from both domestic and foreign countries. With the increasing number of music concerts held, the revenue from entertainment taxes has also increased.

This is because every music concert activity held is subject to an entertainment tax imposed by the local government. This entertainment tax is usually charged on every ticket sold, with the amount determined by the local government. The more tickets sold, the greater the revenue from entertainment taxes received by the local government.

In addition, music concerts can also have a positive impact on the local economy. Audience members who come to attend music concerts will spend money on accommodation, food,

drinks, and shopping. This will have a positive influence on local income and can increase revenue from entertainment taxes in Indonesia.

With the increasing number of music concerts held and the amount of entertainment tax charged on every ticket sold, the revenue from entertainment taxes in Indonesia can continue to increase. This will certainly provide a positive contribution to the development and economic growth of Indonesia.

#### 4. Conclusion

Local tax is a vital source of revenue for the region. One of the types of local tax is entertainment tax. The end of Covid-19 and the removal of lockdown policy have allowed music lovers to attend concerts freely, as well as musicians and promoters who take the opportunity to hold concerts. This has a positive impact on the revenue of the entertainment tax as the quantity of concert areas and the number of concertgoers increase, the amount of entertainment tax paid by the organizer also increases.

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