

ABSTRACT

All districts/cities in Eastern Indonesia fall into the category of not yet self-sufficient. Regional self-sufficiency is measured by the ability of regional revenue as the main capital for development. This shows the role of taxes as the main contributor to regional revenue sources, but tax revenue are lower than transfers. Efforts are needed to encourage the optimization of taxes as a main component of revenue, in order to support sustainable regional development and enhance regional independence. Measuring tax performance is important to determine the efficiency of tax effort and the potential possessed as an evaluation material. Thus, the objective of the research is to analyze the potential of regional tax capacity and the measurement of its tax performance..

The object of this research is the districts/cities in Eastern Indonesia in 2018-2022 which is analyzed by the Ordinary Least Square (OLS) method and the measurement of the tax effort index. To see the tax capacity, regression is needed with the independent variable used is tax revenue, while the dependent variables include GRDP per capita, household consumption expenditure, contribution of the agricultural and manufacturing sectors to GRDP, general allocation funds, population, BPK opinion, and HDI. Furthermore, the results of tax capacity will be used to measure the tax effort index.

The analysis of potential tax capacity found that most districts/cities in Eastern Indonesia are still low in utilizing their tax potential. This is supported by the results of measuring tax performance, where the aggregate tax effort index is still classified as very low. The variables that affect tax revenue are GRDP per capita, the contribution of the agriculture and manufacturing sector to GRDP, population, and HDI to tax revenue, while the BPK opinion variable in the form of TW opinion will provide lower tax revenue.

Keywords: Tax Effort, Fiscal Capacity, Regional Self-sufficiency, Local Taxes, Eastern Indonesia.