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# The Effect of Capital Expenditure as Moderating Variabel on Local Taxes Influences for Economic Growth (Empirical Study on Districts/Cities in Java Island 2018-2020)

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**Abstract:** This study intends to investigate the impact of Regional Taxes on Economic Growth (EG) using Capital Expenditure as a Moderating Variable. Regional Taxes include Hotel Tax (RTHT), Restaurant Tax (RT), and Land and Building Tax (LBT). This study's secondary data came from the LKPD and is quantitative (Local Government Financial Statements). The district and cities on Java Island in the years 2018 to 2020 served as the study's sample. Purposive sampling was utilized as the sampling method in this study, which included 113 district/cities. This study's analysis strategy involves employing Moderated Regression Analysis(MRA) to test hypotheses.The findings of this study show that hotel and restaurant taxes have a simultaneous impact on economic growth, land and building taxes have a positive and considerable impact on economic growth, capital expenditure can strengthen the impact of hotel taxes on economic growth, and capital expenditure can diminish the impact of restaurant taxes, land taxes, and guidance on economic growth.
**Keywords:** Economic Growth, Hotel Tax, Restaurant Tax, Land and Building Tax, Capital Expenditures.

## 1. Introduction

After the 1998 reforms, the Indonesian government underwent a transition that made it more likely to be dynamic, and the country officially entered the era of regional autonomy (Intani, 2018). The Regional Government Law Number 32 of 2004 detailing the creation and extension of Autonomous Regions and the use of the Decentralization Principle improved the reform's implementation. Local governments are empowered by law to rule, look after their own internal affairs and the interests of their communities, and foster prosperity for the entire community in each area.

In this instance, it means that the local government controls its finances and works to make the best use of its resources in accordance with local demands. In light of these findings, it can be said that each local government must work to manage its finances and utilize its resources in a way that is consistent with the needs of its particular region.

One of the taxes gathered by the Regency/City Government is the Certain Goods and Services Tax (CGST), a new tax nomenclature established by the HKPD Law. The PBJT is an amalgamation of five different local consumption-based taxes, including the entertainment tax, parking tax, hotel tax, restaurant tax, and street lighting tax. The Rural and Urban Land and Building Tax (RULBT) is another tax on land or structures that are owned, managed, or used by private individuals or entities, with the exception of regions used for plantation, forestry, and mining economic activities.

Regional economic development requires substantial government involvement. This is due to the numerous challenges that local governments encounter when trying to maximize local taxes, including low average tax collection rates, imprecise basic data on tax imposition, unclarified repercussions of not paying taxes, limited factor mobility in production, and inequities in natural resources. Such issues have an impact on the region's independence, which in the long run will have an impact on the pace of economic expansion.

## 2. Literatur Review and Hypothesis Devlopment

### 2.1. Theory of Fiscal Federalism

According to the concept provided by Hayek, Musgrave, and Oates in their Theory of Fiscal Federalism, regional autonomy is implemented in order to achieve fiscal decentralization, which in turn promotes economic growth. Fiscal decentralization can enhance economic growth and human wellbeing, according to Oates (1972). This is due to the fact that the local or national government will be more effective in creating and delivering public goods.

Local (district/city) level decision-making will assist in diversifying local/regional decision-making, allowing for increased participation and more effective resource allocation. Fiscal decentralization, as defined by Prawirosetoto (Pujiati 2006), is the delegation of responsibility and division of power and authority for decision-making in the fiscal sector, which encompasses the revenue aspect (tax assignment) and the

expenditure side (expenditure assigment).

**2.2 Hotel Tax**

Hotels are referred to as providers of lodging services or resting places that include other services for a fee in Law Number 28 of 2009 concerning Regional Taxes and Regional Levies (RTRL), along with lodging houses, tourism guesthouses, motels, pesanggrahan, and other homes with a boarding house of more than ten rooms.

One element of local taxes, known as the "hotel tax," is responsible for collecting taxes on any services or amenities that hotels offer. Specifically, supporting services for hotel facilities that make it simpler and more comfortable, or services prepared by the hotel with payment.

$\boldsymbol{H_1}$**:** Hotel taxes have a favorable impact on economic growth.

**2.3 Restaurant Tax**

Restaurants are classified in Law Number 28 of 2009 concerning Regional Taxes and Regional Levies (RTRL) as establishments that serve food or beverages for a fee, including cafeterias, restaurants, canteen stalls, bars, and other establishments including catering services.

Restaurant taxes are levied on the services that restaurants offer. Sales services for consumers' consumed food or beverages, whether they are consumed at the restaurant or elsewhere, are included in the services prepared by the restaurant.

$\boldsymbol{H_2}$**:** Restaurant taxes contribute to economic expansion.

**2.3 Land and Building Tax**

According to Law Number 12 of 1994 regarding Land and Building Tax, Land and Building Tax is a state tax in which the majority of the money collected, which has been converted into regional income, is utilized to provide amenities that are also used by local and central governments.

Land and buildings owned, used, or controlled by people or entities are included in the Land and Building Tax, with the exception of areas used for forestry, plantations, and mining, according to the RULBT tax's goal.

$\boldsymbol{H_3}$**:** Land and building taxes are beneficial to economic expansion.

**2.4 The Effect of Capital Expenditures on the Relationship of Hotel Taxes to Economic Growth**

This analysis includes capital spending since it is thought to have an impact on the regional government's ability to grow economically. The term "capital expenditure" refers to an expense made in the context of capital formation that is in the nature of adding fixed assets or inventory that provide advantages for more than one accounting period, including maintenance costs that maintain or extend the useful life, boost capacity, and improve asset quality (Dewi, 2006).

One of the sources of capital expenditure funding in each district or city is Regional Original Income (ROI), which comprises Regional Taxes. Therefore, the capital expenditure in a region will rise automatically if the regional tax is high.

$\boldsymbol{H_4}$**:** Capital investments can tame the impact of the hotel tax on economic expansion.

**2.5 The Effect of Capital Expenditures on the Relationship between Restaurant Tax and Economic Growth**

The term "capital expenditure" refers to an expense made in the context of capital formation that is in the nature of adding fixed assets or inventory that provide advantages for more than one accounting period, including maintenance costs that maintain or extend the useful life, boost capacity, and improve asset quality (Dewi, 2006).

As one of the sources of funding for capital expenditure in a regency or city, the Regional Original Income (ROI), which includes the earnings from the Restaurant Tax collected by the Regional Government, should be impacted by the amount of Regional Tax revenue.

$\boldsymbol{H_5}$**:** Restaurant taxes can be mitigated by capital expenditures in terms of economic growth

**2.6 Effect of Capital Expenditure on the Relationship of Land and Building Tax with Economic Growth**

The essence of capital spending is to expand fixed assets and inventory that have a longer useful life. This will also raise the budget for maintenance and operating expenditures, which will have an impact on the performance of different government sectors with high and low capital expenditure.

The regional tax on land and buildings will be added to regional revenues in the form of regional taxes,

which will subsequently add up to regional original income, one of the funding sources. After then, local government and development-related expenses would be paid for with capital expenditure.

$\boldsymbol{H_6}$**:** Economic growth can reduce the Land and Building Tax by increasing capital expenditures.

## 3. Methodology and Procedures

### 3.1 Research Design

This study is quantitative research because it makes use of secondary data. Data that is already in the possession of the government or other organizations are used in secondary data analysis. The financial statements of each regency and city government on Java Island for the years 2018 to 2020 serve as the secondary data in this study. Secondary information is retrieved from each regency's or city's government website.

### 3.2 Population and Sample

There are 119 district and cities on Java Island that make up the population of this study. Purposive sampling strategies with considerations or criteria were used in this investigation. The requirements are:

1. Local governments that post entire financial statements on the websites of the regional government and the Central Statistics Agency during the study year, which is from 2018 to 2020.
2. Financial statements for local governments that provide complete data for all research and measurement factors.

### 3.3. Data and Data Sources

The Central Statistics Agency's website and those of the Regional Government of Java Island provided the Local Government Financial Statements (LGFS) that are the source of the data for this study, which covers the years 2018 to 2020. (BPS). Moreover, employing purposive sampling techniques to select research samples from the total study population that satisfy the predetermined criteria.

### 3.4. Variable Operational Definition and Variable Measurement.

Based on the main problem that has been formulated above, the variables to be analyzed are as follows:

#### 3.4.1. Dependent Variable

**Economic Growth**

In this study, economic growth is a dependent variable. Using the variable GRDP, local government economic growth is calculated (Gross Regional Domestic Product). The Gross Regional Domestic Product (GRDP), which excludes ownership, measures the total value of all commodities and services generated in a region within a given time period. Increases in GRDP at constant prices, which reflect increases in production of goods and services, are the primary indicator of economic growth in a region (Nidia, 2021). Economic growth is determined by the following formula:

$$G_t = \frac{PDRB_t - PDBR_{t-1}}{PDBR_{t-1}} x\ 100\%$$

Information:
$G_t$ = Economic Growth period t (quarter or annual)
$PDRB_t$ = GDP Rill period t (based on constant prices)
$PDBR_{t-1}$ = Rill GDP of the previous period

#### 3.4.2. Independent Variable

a. Hotel Tax

A tax known as "Hotel Tax" is levied on any lodging-related or hotel-related services and is paid at the same time as other taxes. This formula can be used to determine hotel taxes:
Hotel Tax = Room Rate + 10% Service Charge + 10% Tax

b. Restaurant Tax

Restaurant taxes are levied on the services that restaurants offer. The provision of food or beverages for consumption by customers, whether those consumers eat them at the restaurant or elsewhere, is included in the services offered by the restaurant. Restaurant Tax can be computed as follows:
Restaurant Tax = Basic Imposition of Tax + 11% Tax

c. Land and Building Tax (LaBT)

The existence of property or structures that benefit entities or people and improve their socioeconomic standing is subject to the Land and Building Tax (LaBT). The Land and Building Tax is determined as follows:
LABT = 0.5% x NJKP

### 3.4.3 Variable Moderating

**Capital Expenditures**

In this study, it uses variable moderating, namely Capital Expenditure which focuses on the allocation of capital expenditure in each regency and city government in Java Island. Capital Expenditure is considered to be able to affect regional income in the form of regional taxes with an increase in capital expenditure in an area will be followed by an increase in regional income in the form of Regional Taxes. The Capital Expenditure Indicator can be measured by:

**CE= LE + EEM + ECB + BJIJ + BATL**

Description:

1. CE = Capital Expenditures
2. LE = Land Expenditure
3. EEM =Expenditure Equipment and Machinery
4. ECB = Expenditure Constructions and Buildings

### 3.5 Data Analysis Method

In this study, Moderate Regression Analysis was employed for hypothesis testing (MRA). Regression analysis using moderation variables is a type of regression analysis used to create a model of a relationship. The link between predictor (independent) and dependent (dependent) variables can be strengthened or weakened by the presence of moderation variables.

Following is the Modified Regression Analysis (MRA) Model Regression Equation:

Model 1:

**EG: $a + b_1 HT + b_2 RT + b_3 LBT + b_4 CE$**

Model 2:

**EG: $a + b_1 HT + b_2 RT + b_3 LBT + b_4 |HT*CE| + b_6 |RT*CE + b_7 |LBT*CE| + e$**

Information:

EG : Economic Growth
a: Constant
b: Variable coefficient
HT : Hotel Tax
RT : Restaurant Tax
LBT: Land and Building Tax
CE: Capital Expenditures
e: Error

## 4. Result Analysis

### 4.1. Descriptive Analysis

Table 1: Statistical Analysis Results

**Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Hotel Tax | 339 | 17,87 | 26,47 | 21,5451 | 1,86370 |
| Restaurant Tax | 339 | 19,27 | 27,01 | 23,0008 | 1,38730 |
| Land and Building Tax | 339 | 21,68 | 27,87 | 24,3047 | 1,15200 |
| Capital Expenditures | 339 | 24,77 | 28,64 | 26,6061 | ,59331 |
| Economic Growth | 339 | 29,15 | 33,65 | 30,8294 | ,75567 |
| HT_CE | 339 | 464,58 | 756,62 | 573,6667 | 56,45427 |
| RT_CE | 339 | 499,96 | 773,76 | 612,3588 | 45,88178 |
| LBT_CE | 339 | 549,98 | 797,91 | 647,0943 | 42,07596 |

Data Source: Secondary data managed by researchers, 2023

Based on Table 1 it can be known that:

a. The hotel tax variable's lowest value, IDR 57,410,660, is for Ngawi Regency in 2020, and its greatest value, IDR 314,136,351,765 for Bandung City in 2019. The average amount of hotel tax is 21,545, which is more than the standard deviation, which is 1.8637, indicating a small deviation in the data's distribution.
b. Temanggung Regency, which had the restaurant tax variable with the lowest value in 2018, had a value of Rp. 233,306,220, while the City of Surabaya, which had the greatest value in 2019, had a value of Rp. 538,860,659,361. Given that the standard deviation is 1,387 and the average restaurant tax is 23,000, there is a little variance in the distribution of data.
c. Sumenep Regency in 2018 had the lowest variable land and building tax rate at IDR 2,601,294,610, and the City of Surabaya had the highest rate at IDR 1,266,035,560 in 2020.The average Land and Building Tax amount is 24,304, which is higher than the standard deviation value of 1,152 and so suggests a little departure in the data distribution..
d. Banjar City in 2020 will have a capital expenditure variable with a value of IDR 57,422,540,258 and City of Surabaya in 2019 will have a value of IDR 2,754,304,824,082. The standard deviation of the data is 0.593, and since the average amount of hotel tax is 26,606, there is a minor variance from that norm.
e. The City of Surabaya in 2019 has the highest value for the economic growth variable, with a value of Rp. 470,879,310,000,000, while Blitar City in 2018 has the lowest value, Rp. 4,566,200,000,000. Economic Growth has an average value of 30,829, which is higher than the standard deviation of 0.755 and thus suggests a little departure in the data's distribution.

**4.2.1. Normality Test**

**Table 2. Normality Test Results**

| | Unstandardized Residual |
|---|---|
| N | 339 |
| Test Statistic | ,048 |
| Asymp. Sig. (2-tailed) | ,059 |

Data source: researchers' secondary data processing, 2023

The preceding table's Kolmogorov-Smirnov test results demonstrate that the data are regularly distributed. This is evident from the asym sig. (2-tailed) If Economic Growth is the dependent variable and the number is 0.059, the value is higher than the significant threshold of 5% or 0.05. These findings indicate that the study's residual data are regularly distributed.

**4.2.2. Multicolinearity Test**

Table 3 Multicholinearity Test Results

| Model | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| Hotel Tax | ,289 | 3,870 |
| Restaurant Tax | ,157 | 6,354 |
| Land and Building Tax | ,243 | 4,121 |
| Capital Expenditures | ,553 | 1,807 |

Data source: researchers' secondary data processing, 2023

The multicholinearity test results in the table show that all variables have a tolerance value of 0.10 and a VIF value of 10. This criterion was met, implying that the data in the study did not exhibit multicollinearity between independent variables in the regression model with Economic Growth as the dependent variable.

**4.2.3. Heteroscedasticity Test**

Table 4 Heteroskedasticity Test Results

| Variable | Sig. (2-tailed) |
|---|---|
| Hotel Tax | 0,995 |
| Restaurant Tax | 0,437 |

| | |
|---|---|
| Land and Building Tax | 0,427 |
| Capital Expenditures | 0,803 |

Data source: secondary data administered by researchers, 2023

According to the table, the significance values of all independent variables used in order are 0.955, 0.437, 0.427, and 0.803, indicating that they are greater than 0.05. These findings suggest that heteroskedasticity does not occur in this research model with Economic Growth as a dependent variable.

Table 5 Heteroskedasticity Test Results Through Capital Expenditure

| Variable | Sig.(2-tailed) |
|---|---|
| HT_CE | 0,772 |
| RT_CE | 0,272 |
| LBT_CE | 0,606 |

Data source: Secondary data examined by researchers, 2023

According to the table, the significance values of all independent variables used sequentially are 0.772, 0.272, and 0.604, which means > 0.05. These findings indicate that heteroskedasticity does not occur in this research model with Capital Expenditure as a dependent variable.

**4.2.4. Autocorrelation Test**

Table 6 Autocorrelation Test Results

| Model | R | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|
| 1 | .709[a] | ,53746 | 2.306 |

Data source: secondary data scrutinized by researchers, 2023

The autolorelation test results in the table showed that the data in this study had a D-W value of 2.036, while the dl values were 1.5718 and du 1.8789. Based on these data, the results of achieving the criteria du d 4-du or 1.8789 2.036 2.1211, it can be indicated that the model in this study is free of autocorrelation with Economic Growth as a dependent variable.

**4.2.5. Determination Coefficient Test**

Table 7 Determination Coefficient Test

| R | R Square | Adusted R Square | Std. Error of the Estimate |
|---|---|---|---|
| ,709 | ,503 | ,494 | ,53746 |

Data source: secondary data evaluated by researchers, 2023

The Coefficient of Determination Test was used in this study to determine the ability of independent variables to explain dependent variables. The Adjusted R Square value of 0.494 or 49.9% in the table below indicates that the independent variables in this study explain 49.9% of the variation in the dependent variables, while the remaining 50.1% is explained by other variables in this study.

**4.2.6 Model Fisibility Test (F-Test)**

Table 8 F-Test

| Model | Sum of Squares | F | Sig |
|---|---|---|---|
| 1 | 97,108 | 56,028 | ,000[b] |

Data source: secondary data deal withresearchers, 2023

Based on the table above, it can be concluded that the above variables have a significance value of 0.0000 0.05, implying that they all affect Economic Growth at the same time (EC).

**4.2.7 Statistic Test**

Table 9 Statistic Test Model 1

| Model | Unstandardized Coefifcients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 17,424 | 2,381 | | 12,618 | ,000 |
| Hotel Tax | ,033 | ,031 | ,081 | 1,061 | ,289 |
| Restaurant Tax | ,000 | ,054 | ,001 | ,005 | ,996 |
| LBT | ,370 | ,052 | ,564 | 7,087 | ,000 |

Data source: secondary data studied by researcher, 2023

Table 10 Statistic Test model 2

| Model | Unstandardized Coefifcients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | -31,628 | 23,608 | | -1,340 | ,181 |
| Hotel Tax | -3,326 | 1,111 | -8,203 | -2993 | ,003 |
| Restaurant Tax | ,034 | ,055 | ,062 | ,613 | ,540 |
| LBT | 5,350 | 1,544 | 8,156 | 3,465 | ,001 |
| Capital Exp. | 1,984 | ,881 | 1,558 | 2,252 | ,025 |
| HT_CE | ,126 | ,042 | 9,448 | 3,022 | ,003 |
| LBT_CE | -,189 | ,058 | -10,500 | -3,230 | ,001 |
| RT_CE | -20,764 | | | -3,813 | ,000 |

Data source: secondary data treated by researchers, 2023

In this study, the regression models that can be compiled are as follows:

Model 1:

**EG : a + $b_1$ HT + $b_2$ RT + $b_3$ LBT + e**

Model 2:

**EG : a + $b_1$ HT + $b_2$ RT + $b_3$ LBT + $b_4$ |HT*CE| + $b_5$ |RT*CE| + $b_6$ |LBT*CE| + e**

From the data of tables 9 and 10 the regression equations found are as follows:

Model 1

EG : 17,424 + 0,033$b_1$ + 0,000$b_2$ + 0,370$b_3$ + e

Model 2

EG : -31,628 + -3,326$b_1$ + 0,034$b_2$ + 5,350$b_3$ + 1,984$b_4$ + 0,126(HT*CE) + -0,189(RT*CE) + -20,764(LBT*CE) + e

Based on Tables 9 and 10 it can be concluded that:

a. Hotel Tax Variable The regression coefficient obtained in Model of 0.033 is positive, with a significance value of 0.289 > (0.05), implying that the Hotel Tax variable in Model has no effect on Economic Growth.Hotel Tax is only one of the elements of Regional Tax, the proceeds of which will go to the Regional Original Income (ROI), however since the tax object in the form of a hotel in a regency or city is not as massive as other tax objects, and the geographical location of each regency/city on Java Island is diverse, affecting the number of hotels in their respective regions, the Hotel Tax does not have a

significant impact. As a result of the processing with Models, Hypothesis 1 is rejected.

b. The value of the regression coefficient obtained in Model 1 of 0.000 is positively valued by obtaining a significance value of 0.996 > (0.05), so it can be concluded that the Restaurant Tax variable in Model has no effect on Economic Growth.In this circumstance, the Restaurant Tax is only one of numerous types of Local Taxes that effect economic growth at the same time. The amount of tax established to be the tax rate for restaurants is also not too great in comparison to other tax items, which influences the findings of research showing restaurant tax has no substantial effect on economic growth only concurrently. As a result of the processing with Models, Hypothesis one is rejected.
c. The Land and Building Tax variable's regression coefficient value of 0.370 in Model is positive, with a significance value of 0.000 > (0.05), implying that the Land and Building Tax variable in Model has a significant positive effect on Economic Growth.With the density of structures and industrial estates on the island of Java, municipal authorities should be able to optimize regional tax revenues by collecting Land and Building Taxes in their areas, which may subsequently be utilized to boost regional development more efficiently. This analysis revealed that the Land and Building Tax have a favorable and considerable impact on economic growth. As a result, this indicates that local governments have done a good job of optimizing land and construction taxes in their different regions. As a result of the processing with Models, Hypothesis one is accepted
d. Capital Expenditure Variable in Moderating Hotel Tax Since the regression coefficient obtained by 0.126 is positive with a significance value of 0.003 (0.05), it can be concluded that the Capital Expenditure variable in moderating Hotel Tax on Economic Growth by significantly positively affecting or strengthening the influence of Hotel Tax on Economic Growth. In this study, the moderation variable, Capital Expenditure, is included in the Quasi Moderation Variable (Quasi moderator) because it interacts with independent variables while also acting as an independent variable.
e. Regional Original Income (ROI), which includes Regional Taxes, is one of the sources of Capital Expenditure funding in each district/city. As an outcome, if a region's regional tax is high, the region's capital expenditure will rise. As a result of Model processing, Hypothesis 4 is accepted.
f. Capital Expenditure Variable in Moderating Restaurant Tax Because the value of the regression coefficient obtained by 20.764 is negative with a significance value of 0.000 (0.05), it can be concluded that the Capital Expenditure variable in moderating Restaurant Tax significantly negatively affects or can weaken the effect of Restaurant Tax on Economic Growth. In this study, the moderation variable, Capital Expenditure, is included in the Quasi Moderation Variable (Quasi moderator) because it interacts with independent variables while also being an independent variable. The utilization of the funds soaked up through the Restaurant Tax is more centered around assisting operational supporting facilities and infrastructure during the restaurant business, which contrasts with the use of Capital Expenditures, whose allocation focuses more on adding fixed assets / inventory that provide benefits for more than one accounting period, including expenses for maintenance costs, so that Capital Expenditures manage to become a moderation variable by weakening Recapitalization.As a result of Model processing, Hypothesis 5 is rejected.
g. The Capital Expenditure Variable in Moderating the Land and Building Tax Because the regression coefficient obtained by 0.189 is negative with a significance value of 0.001 (0.05), it can be concluded that the Capital Expenditure variable in moderating the Land and Building Tax significantly negatively affects or can weaken the influence of the Land and Building Tax on Economic Growth. In this study, the moderation variable, Capital Expenditure, is included in the Quasi Moderation Variable (Quasi moderator) because it interacts with independent variables and acts as an independent variable.The accumulation of Land and Building Tax is used for employee expenditure costs, namely a payment or compensation in cash or natura to Civil Servants, Honorary Employees within the framework of the government, in exchange for what has been done in support of the organizational unit's tasks and activities. Furthermore, Capital Expenditure is used to expand fixed assets / inventories that provide benefits for more than one accounting period, such as maintenance costs that maintain or increase usable life, increase capacity, and asset quality that focuses more on government operations. Based on the focus of the usage of the Land and Building Tax and Capital Expenditure, Capital Expenditure has succeeded in becoming a moderation variable by diminishing the influence of the Land and Building Tax. As a result of the processing with Model, Hypothesis 6 is rejected.

## 5. Conclussion

Following analytical research and discussion on the effect of regional taxes on economic growth with capital expenditure as a moderating variable in district/cities on Java Island from 2018 to 2020, the following conclusions were reached:

1. Hotel Tax has a simultaneous effect on Economic Growth, which means that the Hotel Tax collected by a Regency or City on Java Island in 2018-2020 will have an impact on the region's high Economic Growth.
2. The Restaurant Tax has a concurrent effect on Economic Growth, which means that the Restaurant Tax received by a Regency or City on Java Island in 2018-2020 will have an impact on the region's high Economic Growth.
3. Land and Building Tax has a positive and significant effect on Economic Growth, which means that the higher the Land and Building Tax received by district/cities in Java Island 2018-2020, the higher the economic growth in the region.
4. Capital Expenditure can amplify the effect of Hotel Tax on Economic Growth, implying that Hotel Tax will have a greater impact on the Economic Growth of District or Cities in Java Island in 2018-2020.
5. Capital Expenditure can reduce the impact of Restaurant Tax on Economic Growth, which means that Restaurant Tax will have a lower impact on the Economic Growth of District/Cities in Java Island in 2018-2020.
6. Capital Expenditure can reduce the effect of Land and Building Tax on Economic Growth, which means that Land and Building Tax will have a lower impact on the Economic Growth of Java Island District/Cities in 2018-2020.

**Limitations**

In this study, there are a number of limitations that need to be considered by researchers in addition, namely:

1. The study's objects are limited to cities and district on the island of Java, which is only one of Indonesia's major islands. As a result, the findings of this study can only be applied to the district and cities of Java Island and not to other large islands.
2. The year data in this study is from 2018 to 2020 because, at the time this study was created, it was recommended for researchers to update the research year so that it was more relevant to current conditions.

**Benefit**

**1. For the Government**

a. The study's findings revealed that Regional Taxes, which include the Hotel Tax, Restaurant Tax, and Land and Building Tax, have a positive effect on Economic Growth. The government can help even more by increasing supervision and control of taxpayers regarding compliance in paying Regional Taxes, as well as improving the quality of service in paying taxes, for example, by increasing process efficiency and coordination in paying Regional Taxes.
b. Local governments must pay close attention to and update data on taxpayers in the form of business actors who can become tax objects in the Region and City areas of Java Island, so that tax objects do not escape the levies imposed by local governments in their respective regions and the receipt of local income in the form of Regional Taxes is optimized.
c. After conducting a descriptive analysis, several district/cities were found with relatively low absorption of regional taxes. This can be a concern for each local government to further optimize the absorption of regional taxes, given the importance of this optimization in increasing Regional Original Income (PAD).

**2. For the Society**

In the context of taxes that place the community as taxpayers are expected to be obedient in carrying out the rights and obligations of Local Taxes so that local governments with their programs can run well through the support of compliant communities and have awareness of their obligation to pay local taxes which are intended as an increase in welfare and mutual independence.

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