

TOURISM LEVY IN BALI: WHY FOREIGNER SHOULD BE CHARGED EXTRA FEES?

Summary

The ongoing process of creating a Bali Provincial Regulation that legitimates the imposing of mandatory contribution of 10 USD to foreign tourists has raised controversy. The announced use of the contribution is that of protecting the natural environment and culture of Bali. The paper aims to analyse the content, process and expectation of the creation of the said provincial regulation, focusing on relevant Indonesian law and regulations. The paper also reports conclusions on meetings/interviews with relevant authorities. The paper found that this draft of provincial regulation seems to have a lack of convincing legal concept in defining the term 'contribution'. At the current stage, the draft still needs to be approved by the Indonesian national government through an evaluation that assesses its compliance with the provisions of the higher laws and regulations and the public interests. Undeniably, there is a high expectation by tourism stakeholders, mainly regarding how the contribution would support culture preservation in Bali. Lastly, the paper proposes two scenarios: what should be done in case the draft would be approved by the national government and what if it does not approve.

Keywords: Tourism; Levy; Foreigner; Bali.

INTRODUCTION

Bali is a province in the Unitary State of the Republic of Indonesia. The Bali Province is further divided into 8 regencies (Badung, Bangli, Buleleng, Gianyar, Jembrana, Karangasem, Klungkung, and Tabanan) and 1 Municipality of Denpasar. Bali is known worldwide as a tourist destination.

Bali develops cultural-based tourism that ensouled by Hinduism and the life philosophy of *Tri Hita Karana*.¹ Bali's unique cultural heritage has been recognised by the World Heritage Committee which inscribed the Cultural Landscape of Bali Province on the World Heritage List.² It expects the proper interconnection between culture and tourism in order to provide propriety to the society, culture, as well as the environmental.³

¹ It is repeatedly enshrined in Bali Provincial Regulation No. 2 Year 2012 concerning Culture Tourism of Bali that replaced Bali Provincial Regulation No. 3 Year 1991 concerning Culture Tourism. The definition of culture tourism of Bali refers to Article 1(14) of Bali Provincial Regulation No. 2 Year 2012 concerning Culture Tourism of Bali.

² Decision Adopted by the World Heritage Committee No. 36 COM 8B.26, At Its 36th Session (Saint-Petersburg/2012), the Cultural Landscape of Bali Province: the Subak System as a Manifestation of the Tri Hita Karana Philosophy, Indonesia.

³ Trimurti, C. P & Utama, I.G.B.R. (2019). Confirmation of the Tourism Marketing Mix Model in the Perspective of Foreign Tourists. *The International Journal of Business Management and Technology*, 3(6), p.241.

Tourism is the biggest industry in Bali. For decades, the tourism sector has been contributing significantly to the economy of Bali. The Global Destination Cities Index 2019 revealed that Bali is visited by 8,23 million foreign visitors each year, with an average stay of 8,6 days and daily spending of 125 American Dollars (henceforth, USD). The index also indicates that Bali is the world's highest tourist area that creates employment as it is estimated that 1,000 additional tourists support 409 jobs.⁴

In the context of financial administration, tourism does not directly correspond to the revenue of the Bali Province government. The visa fee imposed on a foreigner, including the Visa on Arrival (VoA) 35 USD for staying 30 days collected at Bali international airport, is transferred to the Indonesian national government, categorized as a non-tax revenue.⁵ It is estimated that Bali Province contributes foreign exchange from cultural tourism around USD 9 billion -10,4 billion per year.⁶ Bali Province government, however, does not receive direct revenue sharing funds from the national government for the achievement of increasing tourism foreign exchange.⁷ The national law determines that profit-sharing funds can only be shared from natural resource revenues (such as forestry, general mining, fishery, petroleum mining, natural gas mining, and geothermal mining),⁸ that are not sectors exploited in Bali. This entails that Bali must preserve its nature and culture by exploiting them as tourism economic resources.⁹ In the context of regional tax distribution, the tourism related taxes (hotel tax, restaurant tax, and entertainment tax) are in favour of regency and municipality governments, not the provincial government.¹⁰ The province tax only comprises of motor vehicle tax, motor vehicle ownership change fee, motor vehicle gasoline tax, surface water fee, and cigarette tax.¹¹

This may be the main reason why Bali Province is lacking the budget to overcome the negative impacts of tourism. A study found that provincial and regency/municipality budgets allocated to preserve Bali's natural and cultural environment are insufficient compared to their increasing damages.¹² As an example, agricultural lands were continuously converted in an average of 700

⁴ Mastercard. (2019). *Global Destination Cities Index 2019*. <https://newsroom.mastercard.com/wp-content/uploads/2019/09/GDCI-Global-Report-FINAL-1.pdf> (Accessed 19 January 2020).

⁵ Regulation of the Government of Republic of Indonesia No. 10 Year 2015 concerning the Ammendment of the Government of Republic of Indonesia No. 45 Year 2014 concerning Type and Tarif of Non-Tax Revenue Applies for Ministry of Law and Human Rights.

⁶ Bali Puspa News. (2019). Senator Pastika Usulkan Ubah Nama Kontribusi menjadi Donasi pada Ranperda Kontribusi Wisatawan. <https://www.balipusanews.com/senator-pastika-usulkan-ubah-nama-kontribusi-menjadi-donasi-pada-ranperda-kontribusi-wisatawan.html> (accessed 29 December 2019).

⁷ The national government distributes its State budget to provincial and regency/municipality governments in Bali through various schemes that are not exclusively aimed at a return to the tourism activities in Bali.

⁸ Article 11 (3) of the Law of the Republic of Indonesia No. 33 Year 2004 concerning Fiscal Balance Between the National Government and Regional Government.

⁹ See Salain, M.S.P.D, Isles, D. & Wairocana, I.G.N. (2017). Regulating Indigenous Culture as a Tourism Economic Resource. *Udayana Journal of Law and Culture*, 1(2), p.133.

¹⁰ Article 2 (2) of the Law of the Republic of Indonesia No. 28 Year 2009 concerning Regional Tax and Retribution

¹¹ Article 2 (1) of the Law of the Republic of Indonesia No. 28 Year 2009 concerning Regional Tax and Retribution

¹² Wiranatha, A.S, Pujaastawa, I.B.G., Antara, M. & Ariana, N. (2015). *Membangun Mekanisme Pendanaan Berkelanjutan Untuk Pelestarian Alam dan Budaya Bali*. Pusat Penelitian Kebudayaan dan Kepariwisata and Conservation International Indonesia. Bali, p. 71.

hectares per year,¹³ mostly for the sake of constructing tourism accommodation. Undeniably, this would endanger the self-production and food resilience of the local population. In addition, Balinese culture has been degrading as a result of globalisation, modernisation and tourism development.¹⁴

In 2018, the Governor of Bali Province officially introduced an idea of imposing of contributions of 10 USD to every foreigner who visits Bali. It was decided that the fund should be used for the preservation of Bali's natural and cultural environment.¹⁵ This initiative brings hope, as the fund may be used to support cultural preservation activities¹⁶ and tourism programs¹⁷ in the regions.¹⁸

This idea received both support and disagreement by tourism stakeholders. For example, the Chairman of the Indonesian Hotel and Restaurant Association of the Badung Regency supported the idea and sought alternative means of collecting tourism contributions, including airport service charges when travelers enter Bali or a combination between airline ticket and airport tax.¹⁹ A General Manager of airports in Indonesia was in an opinion that the levy through airline tickets should be reduced into only 5 USD.²⁰ On the contrary, the Chairperson of the Indonesian Tourism Intellectual Association expressed his disagreement with the plan because it would reduce tourist arrivals to Bali by 15 percent.²¹

Strong objections were also expressed by the International Air Transport Association (IATA) in relation to the method of collection, including the levy in the airline tickets.²² In January 2019, the IATA Regional Vice President for the Asia Pacific warned the Government of Bali that the

¹³ Bali Post. (2020). Alih Fungsi Lahan Pertanian di Bali Rata-Rata 700 Hektar per Tahun. <http://www.balipost.com/news/2020/01/17/99216/Alih-Fungsi-Lahan-Pertanian-di...html> (Accessed 19 January 2020).

¹⁴ Bali Travel News. (2016). Budaya Bali Alami Degradasi. <http://bali-travelnews.com/2016/12/28/budaya-bali-alami-degradasi/> (Accessed 19 January 2020).

¹⁵ Tribun News. (2018). Gubernur Bali Wacanakan Biaya Kontribusi Masuk ke Bali Turis Asing Bayar 10 Dolar lokal Rp 10 ribu. <https://travel.tribunnews.com/2018/11/20/gubernur-bali-wacanakan-biaya-kontribusi-masuk-ke-bali-turis-asing-bayar-10-dolar-lokal-rp-10-ribu> (Accessed 17 March 2019).

¹⁶ Supanji, I G.N. and Sumerta, I M.G. (Head and Secretary Tabanan Regency Culture Office). Interview held in Tabanan, 4 September 2019.

¹⁷ Sukadewi, N. K. M. (Head of the Tourism Destination Division of the Regional Tourism Office of Gianyar Regency). Interview held in Gianyar, 30 July 2019.

¹⁸ In this context, for the purpose of this paper, tourism levy is narrowly defined as a type of mandatory contribution to be imposed on foreigners who visit Bali, in compensating the impact of tourism activities on nature and culture preservation.

¹⁹ Tribun Bali. (2019). PHRI Optimis Wisman Tak Surut ke Bali: Rencana Retribusi 10 dolar per Wisatawan. <https://bali.tribunnews.com/2019/07/16/rencana-retribusi-10-dolar-per-wisatawan-phri-optimistis-wisman-tak-surut-ke-bali> (accessed 31 August 2019).

²⁰ Nusa Bali. (2019). AP I Minta Pungutan Turis Cukup 5 Dolar. <https://www.nusabali.com/berita/45662/ap-i-minta-pungutan-turis-cukup-5-dolar> (accessed 31 August 2019)

²¹ Ekonomi Bisnis. (2019). Wisman ke Bali Bakal Dikenai Pungutan US 10 Pelaku Pariwisata Protes. <https://ekonomi.bisnis.com/read/20190121/12/880827/wisman-ke-bali-bakal-dikenai-pungutan-us10-pelaku-pariwisata-protos> (accessed 31 August 2019).

²² Antara News. (2019). Koster: Biaya kontribusi wisatawan disatukan dengan tiket pesawat. <https://bali.antaranews.com/berita/135334/koster-biaya-kontribusi-wisatawan-disatukan-dengan-tiket-pesawat> (accessed 31 August 2019).

initiative contravenes to the International Civil Aviation Organization (ICAO)'s taxation policy.²³ He refers to Article 15 of the Convention on International Civil Aviation (Chicago Convention) that regulates “*No fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon*”. Indonesia ratified the Convention since 27 April 1950,²⁴ which entails that it has an international legal obligation to respect and implement the provisions contained in the convention.

In spite raised criticism and objections, the Bali Regional House of Representatives in August 2019 approved the governor's proposal. Therefore, it becomes a Draft of Provincial Regulation concerning Protection of Bali's Natural Environment and Culture through Tourism Contributions.²⁵

The paper aims at analysing the content of the Draft of Provincial Regulation, its process, and the expected outcome following its implementation. For purposes of this paper, the monetary sums will be presented in US dollars (at the rate, USD1 = IDR 14,400)²⁶.

The paper primarily analyses relevant legal instruments, mainly Indonesian law and regulations. Opinion, perception, and clarification were gained from interviewees through qualitative interviews and open discussion. The interviewees are senator at the national level, government officials at provincial and regency/municipality levels, leader of customary village assembly, and lawyer who involved in the process. This legal research may be useful for interdisciplinary readers as it covers economic, tourism, and cultural perspectives in the analysis. The paper also offers a perspective to legal scholars, decision-makers, and tourism stakeholders especially regarding the creation of laws, regulations, and policies in the field of tourism. Besides, it may become a lesson learned reference to those who involve in the tourism taxation/levy and management of regional tourism destinations.

THE GLOBAL CONTEXT OF TOURISM TAXES: LESSON LEARNED FOR BALI

The term ‘tourism levy’ used in this paper is parallel to the meaning of ‘tourism tax’ which is generally used in global tourism. On the issue ‘taxation and tourism’, taxes are described as “*compulsory unrequited payments to general government – including the central administration, agencies whose operations are under its effective control, state and local governments and their administrations, certain social security schemes and autonomous government entities, excluding public enterprises*”.²⁷ The United Nations World Tourism Organization (UNWTO) defines

²³ The Jakarta Post. (2019). Global Airline Group IATA Objects to Planned Bali Tourist Tax. <https://www.thejakartapost.com/news/2019/02/19/global-airline-group-iata-objects-to-planned-bali-tourist-tax.html> (accessed 31 August 2019).

²⁴ ICAO. Convention on International Civil Aviation Signed at Chicago on 7 December 1944 (List of Signatories). https://www.icao.int/secretariat/legal/List%20of%20Parties/Chicago_EN.pdf (accessed 29 December 2019).

²⁵ Antara News. (2019). DPRD Bali Beri Saran untuk Ranperda Kontribusi Wisatawan. <https://bali.antaranews.com/berita/158938/dprd-bali-beri-saran-untuk-ranperda-kontribusi-wisatawan> (accessed 29 December 2019).

²⁶ It based on assumption of currency exchange, as appears in Elucidation of Law of the Republic of Indonesia No.20 Year 2019 concerning State Budget Revenues and Expenditures of the Year 2020.

²⁷ OECD. (2014). *OECD Tourism Trends and Policies 2014*. OECD Publishing. Paris. p. 75.

tourism taxes as “*taxes... applicable specifically to tourists and the tourism sector or, alternatively, if not specific to the tourism sector, those which are applied differently in tourist destinations*”.²⁸

Basically, UNWTO underlines that tourist taxes should be harmonised between countries and regions to minimise competitive distortions between destinations.²⁹ The UNWTO has been consistent in advising countries to be wise in issuing tax policies for tourists. As an example, in May 2014, the UNWTO Secretary-General, Taleb Rifai, urged African countries to consider the taxation of air passengers and hotel guests and its possible consequences on *tourism demand, economic growth and jobs* in the tourism sector in Africa.³⁰ The UNWTO Global Code of Ethics for Tourism (GCET)³¹ also guides that “*specific taxes and levies penalizing the tourism industry and undermining its competitiveness should be gradually phased out or corrected.*”³²

The practice of countries and regions also indicates the variety in imposing tourism tax and levy. Austria is an example of a country that applies a variety of general and tourism-specific taxes, including corporate and personal income, real estate, VAT, occupancy, and air passenger duty/departure taxes.³³ In January 2019, Japan adopted a scheme of tourist tax that was nicknamed as “sayonara tax.” The tax targeted visitors leaving Japan by airplane and port to pay a 1,000 yen (10 USD). The money will be utilised to diversify and build up infrastructures for tourists.³⁴

The imposition of sustainable tourism tax which is intended as a contribution to environmental conservation has been practiced by the Balearic Government to almost all Mallorca visitors. This tax is applied to hotels, villas and cruise ships. Similar taxation policies have also been applied in France, Germany, Italy, and Croatia.³⁵

There are some studies on the practice of levy in the regions conducted by local authorities. As an example, a study proposes that all tourists in the environmental conservation in Miyun County, Peoples’ Republic of China to become taxpayers of 5% -15% of their total expenses during the visit which is collected through the entrance of tourist attractions objects and through other forms. The study argues that a high quality of ecology may fall into the scope of a public product.

²⁸ Ithalanayake, R. (2007). *Economics of Tourism Taxation: A Study of Tourism Taxes in Australia*, A thesis submitted in total fulfilment of the requirements for the degree of Doctor of Philosophy, School of Applied Economics, Faculty of Business and Law, Victoria University, Melbourne, p. 13.

²⁹ UNWTO. (2011) *Policy and Practice for Global Tourism*, United Nations World Tourism Organization. Madrid, p. 102.

³⁰ UNWTO. (2014). *UNWTO cautions against potential tourism tax in Africa*. Press Release No: PR14033, 13 May 2014.

³¹ Resolution adopted by the General Assembly 21 December 2001 A/RES/56/212 Global Code of Ethics for Tourism.

³² Article 8 (4) of the UNWTO Global Code of Ethics for Tourism.

³³ PricewaterhouseCoopers LLP-Europa Commission. (2017). *The Impact of Taxes on the Competitiveness of European Tourism*, Final Report. Luxembourg: Publications Office of the European Union, p. 178-180.

³⁴ Independent. (2019). Japan Tourist Tax Cost Levy Airport Tourism Tokyo Olympics 2020. <https://www.independent.co.uk/travel/news-and-advice/japan-tourist-tax-cost-levy-airport-tourism-tokyo-olympics-2020-a8721451.html> (accessed 29 December 2019).

³⁵ ABC Mallorca. (2019). What is Mallorca’s tourist tax? <https://www.abc-mallorca.com/balearic-tourist-tax-doubles/> (accessed 31 August 2019).

Therefore, the government may impose a tax on tourists that will be utilised for the conservation and advancement of environment.³⁶

Instead of an increasing tax, some researches indicate that reducing tourism-related tax is an effective means of supporting the countries' macroeconomics, especially in the investment sector. In Albania, the decreasing of tourism value-added tax (VAT) from 20% to 6% will attract public, private, domestic and foreign investment; increase income derived from foreign nationals and tour operators; and will lead to the formalisation of the economy and especially to the tourism sector.³⁷ In Jordan, a 2% reduction of tax applies on tourism accommodation rooms successfully elevated their occupancy rates and attracted more foreign direct investment into the country.³⁸

A comparative study on Italian and Russian tourist tax found that the revenues are intended to support cultural and environmental heritage, tourist infrastructure, and public services. However, the imposition of a tourist tax in both countries has been severely criticized by the association of hoteliers as the non-residents deemed unfair to pay for services that are not enjoyed.³⁹

Furthermore, in Zanzibar, where tourism becomes the largest source of foreign exchange, the tax system led to an extensive administrative burden. This is in line with the abstention of a particular law that is designed for tour operators, restaurants, and hotels levies.⁴⁰

What Bali should learn from the global framework and practice on tourism tax, with regards to the ongoing creation of Draft of Provincial Regulation? The reasons behind the drafting of this regulation are relatively similar to what have been practices in some countries, e.g., sustainable tourism tax for environmental conservation by the Balearic Government as well as tourism tax in Italia and Russia that was intended to support cultural and environmental heritage. This hence makes clear that the Bali government's idea is not really something brand new in a global tourism practice, and should not be regarded as a controversial concept. However, Bali's government should pay attention to the threat of competitiveness arising from the imposition of tourism levy. Besides, there is a need to define taxpayers, the percentage, and the procedures in order to prevent complexity and uncertainty in the levy system.

FINANCIAL CAPACITY OF BALI PROVINCE

In order to assess whether or not Bali Province really needs the tourism levy, it is necessary to look at its financial capacity. As part of the Unitary State of the Republic of Indonesia, the Bali Province

³⁶Li, Y., Guo, L., Zhu, W. and Chen, F. (2010). Feasibility Analysis of Collecting Environmental Protection Tax from Tourist in an Environmental Conservation Area: A Case Study of Miyun County, in C. A. Brebbia and F. D. Pineda (Ed), *Sustainable Tourism IV*. WIT Press. Southampton. p. 280-281.

³⁷ Cela, G. (2018). The Impact Assessment of the VAT Reduction in Tourism Sector. *European Scientific Journal*, 14 (25), p. 243, 253.

³⁸ FaladeObalade, T.A. & Dubey, S. (2014). Managing Tourism as a Source of Revenue and Foreign Direct Investment Inflow in a Developing Country: The Jordanian Experience. *International Journal of Academic Research in Economics and Management Sciences*, 3(3), p. 30.

³⁹ Fontana, C. & Lagutin, I. (2018). Tourist Taxes in Italy and Russia. *Russian Law Journal*, VI(1), p.87, 88, 97.

⁴⁰ Mahangila, D. & Anderson, W. (2017). Tax Administrative Burdens in the Tourism Sector in Zanzibar: Stakeholders' Perspectives, *SAGE Open*, p. 1, 11, 12.

Government has to comply with existing national laws and regulations in the field of regional finance, especially those related to the delegation of some authorities by the national government to the regions. Article 285 paragraph (1) of the Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government (Local Government Law) that determines the sources of regional revenue are consists of:

- a. Locally-generated revenue (Regional original income) which includes regional taxes; regional retribution (levy); results of the management of separated regional assets; and other legitimate locally-generated revenue;
- b. Transfer revenue; and
- c. Other legitimate regional revenue.

Below is a description of how the provisions on regional revenue as stipulated in the Local Government Law is implemented by the Bali Province in the Year 2019.

*Table 1 Details od Regional Revenue of Bali Province Year 2019
(in American dollars: 1 USD equal to 14,400 IDR)*

Regional Revenue (total: A+B+C)	439,131,841
A Locally-Generated Revenue (a1 + a2 + a3 + a4)	249,145,779
a1. Regional tax	213,141,418
a2. Regional retribution	3,458,575
a3. Results of the management of separated regional assets	11,864,971
a4. Other legitimate locally-generated revenue	20,678,731
B. Balance fund (b1 + b2 + b3)	184,862,978
b1. Tax revenue sharing / non-tax revenue sharing	12,916,251
b2. General allocation fund	92,072,747
b3. special allocation fund	79,874
C Other legitimate regional income (c1 + c2 + c3 +c4 + c5)	5,123
c1. Grants	370,694
c2. Emergency fund	0

c3. Tax revenue sharing	0
c4. Adjustment and special autonomy funds	4,752.389
c5. Financial assistance from the province or from other local governments	0

Source: Articles 1 and 2 of the Bali Provincial Regulation No. 10 Year 2018, concerning Regional Budget Revenues and Expenditures *Semesta Berencana* of the Year 2019

As can be seen, the total regional revenue of the Bali Province is 439,131,841 USD. It is obvious that more than fifty percent of its total revenue is collected from locally-generated revenue, primarily regional tax sourced from motor vehicle tax. This regional revenue should be compared with other elements, including the number of population and the Gross Regional Domestic Product (GDP) per capita. In 2018, the projected total population of Bali is amounted to 4.29 million people, while the GDP per capita adhb reached 3,793 USD.⁴¹

At a glance, Bali Province seems to have a strong financial capacity in the context of Indonesia as a developing country, considering that Bali itself does not have natural resources to be exploited in the big-scale mining industry. One should take into account that Bali Provincial budgets allocated to preserve Bali's natural and cultural environment are insufficient, compared to their increasing damages.⁴² It has been an annual practice that Bali provincial Government allocates special financial assistance in its regional budget to support customary village, traditional water irrigation system (*subak*), means of ceremonies, built places of worship, the activities of arts groups, as well as organises annual Bali Arts Festival.⁴³ There is indeed an extra income to fund those needs.

THE CONTENT OF THE DRAFT OF THE PROVINCIAL REGULATION

Article 286 (1) of the Law of the Republic of Indonesia on Local Government stipulates that regional taxes and levies are stipulated by Law that was jointly established by the President of the Republic of Indonesia and the National House of Representatives. To make it effective in the regions, this national law will be further regulated by the Regional Regulations. The provision also confirms that the Regional Government is prohibited from making levies or other designations exclude those stipulated in the law.

The above framework seems was realized by the Bali Province Government when initiating the Draft of Provincial Regulation concerning Protection of Bali's Natural Environment and Culture through Tourism Contributions (hereinafter, 'the draft'). The draft becomes a contending

⁴¹ BPS. (2019). Pertumbuhan Ekonomi Bali Tahun 2018.

<https://bali.bps.go.id/pressrelease/2019/02/06/717261/pertumbuhan-ekonomi-bali--tahun-2018.html> (Accessed 29 December 2019).

⁴² Wiranatha, A.S, Pujaastawa, I.B.G., Antara, M. & Ariana, N.(2015). *Membangun Mekanisme Pendanaan Berkelanjutan Untuk Pelestarian Alam dan Budaya Bali*. Pusat Penelitian Kebudayaan dan Kepariwisata and Conservation International Indonesia. Bali, p. 71.

⁴³ Bali Puspa News. (2019). Senator Pastika Usulkan Ubah Nama Kontribusi menjadi Donasi pada Ranperda Kontribusi Wisatawan. <https://www.balipuspanews.com/senator-pastika-usulkan-ubah-nama-kontribusi-menjadi-donasi-pada-ranperda-kontribusi-wisatawan.html> (accessed 29 December 2019).

document that will determine whether or not the levy on foreign tourists is legitimate. Once it establishes, then it will become a legal basis to impose the levy on foreign travelers who visit Bali.

In the context of hierarchy of law, the draft refers to some national laws and regulations *inter alia* Law No. 10 Year 2009 concerning Tourism, Law No. 32 Year 2009 concerning Environmental Protection and Management, Law No. 23 Year 2014 concerning Local Government, Law No. 5 Year 2017 concerning Advancement of Culture, and Government Regulation No. 12 Year 2019 concerning Regional Financial Management.

The draft uses the term ‘contribution’ rather than ‘tax, ‘retribution’, or ‘levy.’ There was also an idea to replace the term ‘contribution’ with ‘donation’, by considering that the latest term, in the legal sense, is not similar to either regional tax or regional retribution that are strictly regulated under the national law.⁴⁴

Article 3 of the draft mentions six purposes to arrange the tourist contribution, namely:

- a. protection of nature and environment and waste management;
- b. protection of customs, traditions, arts and culture, and local wisdom;
- c. accelerating and strengthening efforts to advance Balinese culture as part of national culture by upholding the spirit of unity in diversity;
- d. empowerment of customary village;
- e. construction of arts and cultural facilities and infrastructure; and
- f. improvement of the quality of service and organization of tourism in Bali.

The type of contribution is regulated by Article 4 of the draft which requires every tourist visiting the Bali Province to contribute to the protection of nature and culture of Bali with goods and/or money. This article does not specify the means of collecting the levy as it only determines that tourist contributions are facilitated by the provincial apparatus that handles tourism affairs as evidenced by a receipt. Subsequently, Article 5 explains that provisions regarding the management of tourist Contributions will be further regulated in the Governor Regulation.

In addition, Article 6 of the draft assures tourists that they will get benefit from the imposition of contributions in the form of:

- a. improvement of tourism information services that are comprehensive, integrated and up to date;
- b. cleaner environment, a more beautiful and sustainable nature both in material and spiritual (*sekala* and *niskala*) aspects;
- c. diverse of customs, traditions, arts and culture, and local wisdom as well as giving spiritual aura (*metaksu*);
- d. cleanliness, orderliness, comfort, and safety in the area of the tourist destinations;

⁴⁴ Statement by Made Mangku Pastika, a National Senator at the Regional Representative Council and the Former Governor of Bali. Radar Bali. (2019). Biar tak Masuk Unsur Pajak Pastika Usul Kata Donasi jadi Judul Perda. <https://radarbali.jawapos.com/read/2019/12/15/170322/biar-tak-masuk-unsur-pajak-pastika-usul-kata-donasi-jadi-judul-perda> (Accessed 29 December 2019). The statement was confirmed during the interview. Pastika, M.M. (National Senator at the Regional Representative Council, representing Bali Province). Interview held in Denpasar, 2nd January 2020.

- e. service in the time of a disaster; and
- f. service and organization of higher quality Bali tourism.

The contents of Article 6 reflect the statement of Discussion Coordinator of the Draft of Provincial Regulation who emphasises that the imposition of tourist contributions must provide returns and benefits for tourists in the form of improving tourism information services that are comprehensive, integrated and up to date. Besides, he underlines the concerns on cleanliness, order, comfort, and security in the tourist destination area, acceleration of service in the event of a disaster, priority hospital services as well as service delivery of higher quality Bali tourism.⁴⁵

THE PROCESS

Procedural matters raise after the Plenary Meeting of the Bali Regional House of Representatives on 20 August 2019 approved the Governor's proposal to become a Draft of Provincial Regulation. The 'game' was then shifted to the national government. Basically, Article 18 of Law Number 10 Year 2009 concerning Tourism (Tourism Law) stipulates that Regional Governments may regulate and manage tourism affairs in accordance with statutory provisions, however, it does not explicitly authorize the provincial government to impose tourism tax and retribution.⁴⁶ In addition, law and regulations of local government stipulate that any draft of provincial regulation that covers the matters of regional taxes and retributions must be evaluated by Indonesian Minister of Home Affairs to assess its compliance with the provisions of the higher laws and regulations and the public interests, before being officially enacted by the governor.⁴⁷ Further, the same law requires the Minister of Home Affairs, through Directorate General of Regional Finance Development, to coordinate with the Minister of Finance in evaluating the draft.⁴⁸

The evaluation by the Minister of Home Affairs consists of two elements. The first element is to assess its compliance with the provisions of the higher laws and regulations, which is a purely legal issue as it follows the path of Indonesian Constitutional Law, especially on the assessment of the hierarchy of law and regulations. It means that the Minister has to ensure that the draft would not contrary to the provisions of the higher laws and regulations that are stipulated in The 1945 Constitution of the Republic of Indonesia; Decree of the People's Consultative Assembly; Law/

⁴⁵ Statement given during the Plenary Meeting of the Bali Regional House of Representatives that approved the governor's proposal to become a draft of provincial regulation, on 20 August 2019. Antara News. (2019). DPRD Bali Beri Saran untuk Ranperda Kontribusi Wisatawan. <https://bali.antaranews.com/berita/158938/dprd-bali-berisaran-untuk-ranperda-kontribusi-wisatawan> (accessed 29 December 2019).

⁴⁶ Article 29 of Law of the Republic of Indonesia No. 10 Year 2009 concerning Tourism states that the Provincial Government is given the authority to implement the following matters: establish and determine a provincial tourism development master plan; coordinating the implementation of tourism in the region; registration of tourism business; determining provincial tourism destinations; establish provincial tourist attractions; facilitate the promotion of tourism destinations and tourism products in the region; maintain provincial assets that are the tourist attraction of the province; and allocate the tourism budget.

⁴⁷ Articles 245 (1) and 324 of the Law of the Republic of Indonesia No.23 Year 2014 concerning Local Government and Article 91 (2) of the Minister of Home Affairs Regulation No.80 Year 2015 concerning The Establishment of Regional Regulations.

⁴⁸ Articles 245 (2) and Article 324 (7) Law of the Republic of Indonesia No.23 Year 2014 concerning Local Government and Article 93(2) of the Minister of Home Affairs Regulation of the Republic of Indonesia No.80 Year 2015 concerning The Establishment of Regional Regulations.

Government Regulation in Lieu of Law; Government regulations; and Presidential Decree.⁴⁹ Simply, if the draft is found incompatible with one of the aforementioned higher law, or if there is no higher law that is legitimate to be used as a legal basis, then the draft cannot be officially issued as a provincial regulation.

The second element of the evaluation, the public interests,⁵⁰ is not fully a legal issue, measured by legal means, and to some extent involves political, economic, and other considerations. In a narrow interpretation, 'public interest' should be interpreted as a public interest of the society in the region.⁵¹ However, the evaluation of the public interest element seems not only focuses on the ideas proposed by the Bali Provincial Government but also to the subsequent impact if the draft is approved and can be officially implemented. A potential impact is the demands from other provincial or regency/municipality governments in Indonesia to establish regional regulations that imposing a levy on foreign tourism for similar reasons or slightly different arguments. Rational considerations seem focused on the issue whether such type of levy would effectively support the tourism, cultural and environmental aspects of the region or, in contrary, it would be counterproductive to the efforts of the national and regional governments in promoting foreign tourists to a number of priority tourism destinations in Indonesia.

As revealed by the Governor of Bali, the Ministry of Finance is of the view that there are no laws and regulations that may be used as a basis for the establishment of such provincial regulations because it can not be categorised as regional tax or regional retribution as stipulated in Law No. 28 Year 2009 concerning Regional Tax and Regional Retribution. Whatsoever, the Governor argues that Law No. 23 Year 2014 concerning Local Government allows local governments to explore other sources of income. The Governor realises that, despite that the Ministry of Tourism and the Ministry of Domestic Affairs have agreed on this draft, it still needs to be synchronised to the Directorate General of Fiscal Balance, a national government body under the Ministry of Finance.⁵² This Directorate General has the authority to formulate and implement the policies regarding regional taxes and retributions and to establish the relevant norms, standards, procedures and criteria in those two matters.⁵³

On 6 December 2019, the Speakers of Bali House of Representatives informed the Senators of the Regional Representative Council regarding the stuck of the draft and requested support.⁵⁴ As a

⁴⁹ Article 7 (1) of the Law of the Republic of Indonesia No. 12 Year 2011 concerning Establishment of Law and Regulations.

⁵⁰ Elucidation of Articles 324 of the Law of the Republic of Indonesia No.23 Year 2014 concerning Local Government do not precisely explain what 'public interest' meant. As a comparative view, the meaning of 'contrary to public interest' can be read in Article 250 (2) Law of the Republic of Indonesia No.23 Year 2014 concerning Local Government that describes it as disruption of harmony among the members of the society; disruption of access to public services; disturbance of peace and public order; disruption of economic activities to improve the welfare of the society; and/or discrimination against ethnicity, religion and beliefs, race, ethnicity, and gender.

⁵¹ Sedubun, V.J. (2012). Indikator Kepentingan Umum Sebagai Dasar Pembatalan Peraturan Daerah. *Jurnal Sasi*, 18 (1) p. 34.

⁵² Bali Express. (2019). Dewan Bali Sahkan Ranperda Perubahan RTRW dan Kontribusi Wisatawan. <https://baliexpress.jawapos.com/read/2019/08/21/151775/dewan-bali-sahkan-ranperda-perubahan-rtrw-dan-kontribusi-wisatawan> (Accessed 29 December 2019).

⁵³ Article 32 and 33 of the Regulation of the President of the Republic of Indonesia No. 28 Year 2015 concerning the Ministry of Finance.

⁵⁴ Ngastawa, K. (Lawyer). Interview held in Denpasar, 14 January 2020.

follow-up, the draft was then discussed by Senator Made Mangku Pastika, Officials of Bali Provincial Government Bureau of Law and Human and some members of an expert team on 13 December 2019.⁵⁵ On the same day, the heads of Bali House of Representatives did a consultation to the Ministry of Home Affairs in Jakarta, in which the Ministry supported the draft of provincial regulation.

THE TWO SCENARIOS

The process to make the draft become a provincial regulation is still ongoing, In this regard, two scenarios must be prepared: if it succeeds and if it fails. The first scenario is if the draft is approved by the national government, it must be further regulated by a Regulation of Bali Province Governor. In this regulation, the Governor needs to arrange more technical aspects, such as the ways of collecting the levy, the amount of levy, the priority of environmental and cultural programs to be funded and the sharing of levy to regencies, and municipality in Bali as well as some relevant stakeholders in the fields of environment, culture, and tourism. The governor regulation should also ensure the improvement of tourism facilities that can be directly enjoyed by tourists and industries as taxpayers.⁵⁶

As Bali is developing cultural tourism, this Governor's Regulation should determine what cultural areas to fund. In this regard, the levy may be used to advancing ten cultural aspects, namely:

- a. oral tradition;
- b. manuscript;
- c. customs;
- d. rite (religious ceremony);
- e. traditional knowledge;
- f. traditional technology;
- g. art;
- h. language;
- i. folk games;
- j. traditional sports⁵⁷ .

Besides, the levy may be used to finance the cultural heritage⁵⁸ and strengthen the existence of customary villages in Bali.⁵⁹ It is in line with the policy of Bali Province in establishing the Office of Customary Village Advancement in October 2019 that is assigned to handling the matters

⁵⁵ Antara News. (2019). Senator Pastika Ubah Nama Ranperda Kontribusi Wisatawan. <https://bali.antaranews.com/berita/173032/senator-pastika-ubah-nama-ranperda-kontribusi-wisatawan> (Accessed 29 December 2019).

⁵⁶ A study argues that tourism tax would be more generally accepted by industry and tourists, if there was tangible evidence that a consistent proportion of its revenue was used to improve tourism facilities. See Paziienza, P. (2011). Should we tax tourism? Theoretical justifications from the economics of non-renewable resource use, *Environmental Economics*, 2(1), p. 14.

⁵⁷ The category of cultural advancing objects in accordance with Article 5 of the Law No. 5 Year 2017 concerning the Advancement of Culture.

⁵⁸ As stipulated in Law of the Republic of Indonesia No. 11 Year 2010 concerning Cultural Heritage.

⁵⁹ Negara, A.A.K.S. (Secretary of Culture Office Bali Province). Interview held in Denpasar, 15 October 2019.

related to 1,943 customary villages in Bali.⁶⁰ This year, each village is funded 20,833 USD. The levy, indeed, would be very potential to increase the fund customary village activities in the future.

The second scenario is if the draft is not approved by the national government. So far, the draft becomes the highest degree instrument compared to the other proposals that have never been realised yet for decades.⁶¹ In spite of political optimism, the risk of failure must also be taken into account. For example, in 2013 the Bali Province Governor issued a regulation imposing a mandatory levy to foreign tourists 10 USD, in which 5 USD will be donated to culture and environment preservation and 5 USD will be used as safety insurance for foreign tourist during their stay on Bali.⁶² The regulation could not be implemented as it was considered incompatible with the Law of the Republic of Indonesia, No. 28, Year 2009, concerning the Regional Tax and Regional Retribution.⁶³

In this second scenario, three efforts may be conducted. First, the Bali Provincial Government needs to convene a series of meetings that invite regencies and municipality governments to achieve a common understanding in establishing a blueprint on integrated tourism management. The blueprint should redefine the concept that gives Bali Province authority to organise the management of all revenue sourced from tourism activities. In a 'one island tourism management system', the money collected at the provincial level to be distributed to regencies and city in supporting their cultural, environmental and infrastructure needs.⁶⁴ Second of all, a constitutional review may be submitted to some laws (e.g. Law of Regional Tax and Levy and Law on Fiscal Balance Between the National Government and Regional Government) in order to enable Bali to receive a proper budget from the national government as well as to be more flexible in determining tourism levy.⁶⁵ The third effort should be intensive efforts to facilitate the development and growth of community-based tourism. Bali Provincial government should support customary villages to find creative ways in combining profitable tourism activities through their *Baga Utsaha Padruwen Desa Adat*⁶⁶ and the efforts of environment and culture preservations.

⁶⁰ Article 3(1)(d) of the Bali Provincial Regulation No. 7 Year 2019 Concerning Amendment to Regional Regulation N0. 10 Year 2016 concerning Formation and Arrangement of Regional Organization.

⁶¹ Gede Nurjaya reveals that, as far as he remember, the idea of an integrated and centralized levy for tourists in the Province of Bali has ever been discussed in the mid of 90-s at the level of Chairmen of Tourism Offices in Bali until the recent years. During tha period, the tourism officials faced some legal and mechanism obstacles as well as non-unanimous commitment from regencies and city in Bali. Therefore, he appreciate the works of the current provincial administration. Nurjaya, I G. (Secretary of *Nayaka* -Expert team of the Customary Village Assembly/*Majelis Desa Adat*/MDA of the Bali Province). Interview held in Denpasar, 16 October 2019.

⁶² Regulation of Bali Province Governor No 41 Year 2013 concerning the Amendment of Regulation of Bali Province Governor No 41 Year 2013 concerning Programs of Culture Preservation and Environmental Protection

⁶³ Agung Suryawan Wiranatha, et.al, *Membangun Mekanisme Pendanaan Berkelanjutan Untuk Pelestarian Alam dan Budaya Bali*, Result of Research, Pusat Penelitian Kebudayaan dan Kepariwisata Universitas Udayana and Conservation International Indonesia, Bali, 2015, p. 58-59.

⁶⁴ Nurjaya, I G. (Secretary of *Nayaka* -Expert team of the Customary Village Assembly/*Majelis Desa Adat*/MDA of the Bali Province). Interview held in Denpasar, 16 October 2019.

⁶⁵ *Tribun Bali*. (2019). *DPD RI Perjuangkan 3 UU Untuk Bali: Pastika Sebut Provinsi Tak Dapat Apa-Apa Dari Pariwisata*. <https://bali.tribunnews.com/2019/12/07/dpd-ri-perjuangkan-3-uu-untuk-bali-pastika-sebut-provinsi-tak-dapat-apa-apa-dari-pariwisata> (Accessed 29 December 2019).

⁶⁶ It is a business unit belonging to the customary village carries out business activities in the real economy, services, and / or public services organized under traditional law and managed with modern governance for improve the welfare and independence of customary village members. Article 1 (17) of the Regulation of Bali Provincial Governor No. 34 Year 2019 Concerning the Financial Management of Customary Villages in Bali.

Indeed, local leaders should not expect tourism to overcome all community problems and rely mainly on tourism taxes.⁶⁷ As pointed out by the Indonesian Minister of Tourism, levies should be packaged creatively. Additionally, local leaders should think of the possibility of elasticity in marketing, in which, if costs increase, the level of visits will decrease.⁶⁸

CONCLUSION

The article has revealed some facts related to the Bali Provincial Government's efforts to charge a contribution to foreigners who visit Bali. There are some issues that may be concluded. The imposing of levy on foreign tourist has been practiced in various ways by national governments and regions of the countries in the world. Therefore, the creation of Draft of Provincial Regulation concerning Protection of Bali's Natural Environment and Culture through Tourism Contributions ('the draft') by the Bali Provincial Government reflects an effort to make use of tourism as a means to support the sustainability of nature and culture.

The draft was responded to with high expectations in terms of offering a solution to the preservation of the natural environment and culture in Bali. Most local tourism stakeholders believe that the draft may be used as an effective and efficient means of collecting funds from foreign tourists to be further allocated to strategic sectors. In contrast, some international and local actors do not have the same common understanding on how the fund should be collected, whether through airfare tax, airport-arrival charge, or other means. They also perceived that such a levy would decrease the number of foreigners who plan to visit Bali.

In its content, the draft remains in question as the term 'contribution' has a close meaning with the legal terms of 'tax' and/or 'retribution.' Whatsoever, Bali Provincial Government realized that the use of both 'tourism tax' and/or 'tourism retribution' would not compatible with the higher law and regulations. The national law, in essence, put some prohibitions for the provincial government to impose any type of tourist taxes and levies other than what have been designated. A breakthrough is being proposed to use the term 'tourist donation' that inherently has a voluntary character and seems not contrary to the national law and regulations.

A challenge faced in procedural matters, especially after the draft was submitted to the national government. The national law determines that any draft of provincial regulation which covers the matters of regional taxes and retributions must be evaluated by the Minister of Home Affairs, in coordination with the Minister of Finance, to assess its compliance with the provisions of the higher laws and regulations and the public interests, before being officially enacted by the governor. So far, the Ministry of Finance is of the view that there are no laws and regulations that may be used as a basis for the draft because 'tourism contribution' does not fit into the classification as determined by Law No. 28 Year 2009 concerning Regional Tax and Regional

⁶⁷ Kreag, G. (2001). *The Impact of Tourism*, Minnesota Sea Grant, p. 3.
<http://www.seagrant.umn.edu/tourism/pdfs/ImpactsTourism.pdf>

⁶⁸ Bali Post. (2018) Soal Wacana Pungutan 10 Dolar Ke Wisman, Ini Kata Menpar.
<http://www.balipost.com/news/2018/09/24/56469/Soal-Wacana-Pungutan-10-Dolar...html> (Accessed 17 March 2019).

Retribution. Therefore, the Bali governor continuously aims to persuade the national government by arguing that Law No. 23 Year 2014 concerning Local Government basically permits local governments to explore other sources of income. Consequently, the lack of progress extends the wait for further 'lobby'.

Overall, with or without the expected provincial regulation, both culture preservation and tourism activities in Bali are currently run as what it occurs. In this regard, all local governments in Bali should apply minimum treatment in ensuring the tourism activities, primarily mass tourism, would not lessen the quality of the natural environment and weaken the spirit of preserving the culture and tradition. The initiative to involve the community at the lowest level, e.g customary village, in the management of tourist destinations should be continued. One hand, the government still can collect revenue from retribution at the tourism objects and on the other hand, the customary communities as the heir of nature and culture in the tourist destination would be directly benefited from the tourism and could continue their local wisdom and tradition in preserving environment and culture.

Acknowledgment and Disclosure

The research was funded by Udayana University under a Scheme of *Penelitian Unggulan Program Studi* (PUPS) in the year 2019. The Authors express our gratefulness to all interviewees: Made Mangku Pastika, a National Senator at the Regional Representative Council, representing Bali Province; Anak Agung Komang Sapta Negara, Secretary of Culture Office Bali Province, I Gusti Ngurah Supanji and I Made Gama Sumerta, Head and Secretary of the Tabanan Regency Culture Office Secretary of the Tabanan Regency Culture Office; Ni Ketut Mariatni Sukadewi, Head of the Tourism Destination Division of the Regional Tourism Office of Gianyar Regency; I Gede Nurjaya, Secretary of *Nayaka* (Expert team of the Customary Village Assembly (*Majelis Desa Adat/MDA*) of the Bali Province; and Ketut Ngastawa (Lawyer, Bali).

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