

Institutional Challenges in Tax Collection in Rural and Urban Land Sectors in Indonesia

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Abstract: Institutional Challenges in Tax Collection in Rural and Urban Land Sectors in Indonesia

This study captures the challenges faced by local governments in collecting tax on land and building (PBB-P2). This research focuses on institutional/governance aspects, human resource capabilities and tax administration system as the key aspect on a policy implementation. This research uses qualitative approach and qualitative research method. Data collection was performed by literature studies. This research shows that for institutional aspects, the preparation of devolution designed by the central government has not been enable the local government to be ready in performing its responsibility. For the institutional aspect, the local government need to enhance its institutional capacity. For human resource capability, the quality and quantity of human resources are still inadequate therefore the intensification of potential tax revenue has not optimal, worsen by the mutation of staff prior to the succession of leader. For administration aspect, local governments have used of technology as the backbone of administration, with several obstacles; the lack of coordination among responsible institution, the need to update the database and lack of socialization for the community. Therefore, to successfully implement a policy, these three aspects play a crucial role, especially on institution aspect.

Keywords: Institutional Economy; Property Tax; Tax on Land and Building; Tax Administration; Local Government

INTRODUCTION

Fiscal decentralization is a critical mechanism for promoting the financial independence of local governments, particularly in the context of revenue mobilization, which plays a significant role in the implementation of regional and local government autonomy (Poesoro, 2015). Consequently, the quality of local government institutions has gained increasing importance, as it is deemed crucial for fostering growth (Sohail et al., 2022). There is a strong correlation between fiscal autonomy and institutional capacity, as well as fiscal decentralization metrics (Digdowiseiso, 2023).

In Indonesia, fiscal decentralization is achieved through the transfer of property taxation authority from the central to local governments. This gradual process, from 2010 to 2014, involved about 500 districts and cities (Haldenwang et al., 2015). Property taxes, as mandated by Law No. 28/2009, are imposed on land and/or buildings. Before the promulgation of Law No.28/2009 and lately amended by Law No. 1/2022 on Financial Relations Between Central Government and Local Government, based on research, up to 90% of the financing of local government operational activities was obtained from transfer funds by the central government (Haldenwang et al., 2015).

To enhance the local government's ability to increase Regional Original Revenue (or *Pendapatan Asli Daerah*) and reduce dependence on the central government, administrative and policy-making authority has been delegated to them (Haldenwang et al., 2015). This enables greater fiscal capacity, better public services, and improved monitoring of APBD fund usage. Local governments can set tax rates on land and buildings, as long as they do not exceed 0.5% of property value. Achieving the tax on land buildings revenue target reflects the effectiveness of local tax management and policy implementation according to regional conditions (Yuniarto, 2019).

In the 2019 State Financial Note, it was reported that the performance of land and building tax (or *Pajak Bumi dan Bangunan/PBB*) revenue was increasingly slowing both tax on land and building for urban dan rural area (*PBB-P2*) and tax on land and building for plantation, forestry, and mining (*PBB-P3*) (Grace Olivia, 2019). Then, the report from the Statistical Bureau Agency on fiscal year 2023 reported that the national average of realization of PBB only reached 7,01% of the target. In currency, the realization is IDR 1.906 from the target IDR 27.182 (BPS, 2024). This highlights suboptimal tax collection, due to factors like inadequate asset evaluation

and insufficient capacity of local government personnel following the transfer of taxation authority (Prastowo, 2019).

In the pre-devolution period, potential obstacles to transferring authority were recognized by various parties (Hildawati, 2016), despite success stories in areas like Blitar, Sidoarjo, Way Kanan, Samarinda, and Cirebon (Seputra, 2015); (Anggaran, 2014); (Ismail Muharam, 2016). Local governments understood that the transfer meant new responsibilities along with potential revenue increases. Key issues included the readiness of human resources for the PBB-P2 collection, clear legal and technical frameworks, and the need for public support. In 2014, the Ministry of Finance issued General Guidelines for PBB-P2 management to address these challenges, following the 2009 Law No. 28 on Local Taxes and User Charges.

During the period of devolution, it was completely left to local governments, a government public institution which have been assigned to manage the local revenue mobilization. Various studies have shown that the implementation of tax on land and building in the urban and rural sectors by local governments in various districts and cities in Indonesia still have faced various challenges. PBB-P2 revenue for the local government's PAD has been still considered low, the collected amount has not significantly helped increase their fiscal capacity (Harefa, 2016); (Rafif, 2016) and the potential sector has not been well explored (Mardoni, 2019); (Mahdi, 2020). It is not easy to implement the PBB collection system submitted by the central government (Directorate General of Taxes) by local governments due to the institutional capability gap (Hildawati, 2016). Further, it has not easy to establish a tax collection system that should be managed independently by local governments (Mardoni, 2019), there has been still low public awareness regarding the fulfillment of the PBB-P2 payment obligation (Berlian, 2019). In addition, tax law enforcement has not been carried out firmly either for taxpayers who are negligent of their obligations or the sanctions for tax officers who are less professional in carrying out their duties (Rafif, 2016).

This article will discuss the challenges of exploring the potential of PBB collection in the urban and rural sectors as a part of policy implementation. Implementation means, by borrowing the concept Novak (1970) related to tax administration, three important things need attention. First, an agency institution or government body that has the authority and responsibility for administering tax collection. Second, people consist of officials and employees who work in taxation agencies and actually collect taxes. Third, the process of implementing tax collection activities which should be carried out in accordance with applicable legal norms.

The previous research related to tax on urban and rural land sector mostly focused on



the measure to optimization of local government revenue (Rahmawan, 2012), the proportion of urban and rural land sector tax components about the Regional Revenue and Expenditure Budget (APBD) in a certain region in Indonesia, for instance in Garut Regency (Irianti & Niswah, 2021), the challenges faced by a local public institution to provide public services (Aneta et al., 2019), taxpayer compliance on fulfilling tax obligation the implementation on technical procedure (Virginia & Alimuddin, 2024). Using the concepts described by Novak regarding tax administration, the review in this article will focus on the institutional aspects of governance, human resources, and tax collection. This research contributes by exploring the challenges faced by local government institutions in collecting land and building taxes, an aspect that should be crucial in the mobilization of local revenue, as it is one of the authorities delegated by the central government to local governments.

LITERATURE REVIEW

Institutions play a crucial role in shaping the capabilities and behavior of economic actors, which in turn impacts economic productivity and drives innovation. By establishing rules, norms, and incentives, institutions create an environment where economic actors—such as businesses, entrepreneurs, and workers—can operate effectively. These institutions influence how resources are allocated, how risks are managed, and how collaborations are formed (McMaster, 2012). Referring to the economic institution concept, Institutions or institutional frameworks are sets of rules (constraints) created by humans to regulate and shape political, social, and economic interactions. These rules consist of formal rules (such as regulations, laws, and constitutions) and informal rules (such as social norms, conventions, customs, and value systems), as well as the processes for enforcing these rules. These rules determine the incentive structure for society, particularly in the economic domain. These rules are created by humans to establish good order and reduce uncertainty (North, 1990).

The institutional economy offers insight into understanding the growing complexity of local government. The institutional economy covers cost analysis of market, hierarchy, and network (Wallis & Rizvi, 2023). It also highlights the local government is an institution assigned to stimulate the growth of the local social economy sector, which is linked to enhancing the subjective well-being of residents (Claassen et al., 2023).

Further, the concept of institutional economics shall be used to understand several aspects such as (a) the complexity of managing sustainable public organization policies, and at

the same time, it can serve as an "umbrella" for issues that arise in public organization policies, and (b) the systematization of rules concerning issues of authority, organization, administration, human resources, finance, hierarchical relationships, supervision, as well as planning and administrative procedures (Jaya, 2012). With these crucial functions, the institution's capability is essential to influence its overall performance.

Property tax is a type of tax that is material in nature and is an objective tax where the imposition of tax payable is determined by the condition of the object in the form of land and/or buildings (Thuronyi, 1996). Earth or land refers to the surface of the earth and the body of the earth and everything in it (Samudra, 1995), while building refers to technical constructions that are planted or permanently attached to the ground and/or waters (Samudra, 1995).

In a broader sense, (Richard A. Musgrave; Peggy B. Musgrave, 1989) have defined property tax as a form of tax on wealth (wealth tax). Property tax is also considered as one of the easiest parts of the tax structure to be taxed because of its fixed nature, not quite easy to hide or move (Novak, 1970). The imposition of taxes on materials, especially on land and buildings is one of the oldest ways that the government in a country expects to collect as a source of revenue (Devas et., al., 1999, 118).

According to Nowak, four key points are essential in property tax architecture: first, property description and location, where the government classifies and assesses the property for taxation. Second, tax policy, determines whether tax payment guarantees ownership (in rem) or is tied to the existence of the property (in persona). Third, the classification of the property as private or shared. Fourth, the valuation and calculation of the property, which is often challenging at a practical level, particularly in determining tax obligations based on property value (Novak, 1970, 140).

Various methods of property appraisal that are commonly used include the market-based approach; where the valuation is carried out by comparing the type of property of a similar type with the general value in the market. Usually, this approach is used for valuing land, although it has been used for valuing buildings nowadays. Cost approach; this approach is carried out by calculating the costs required to build a building minus the amount of depreciation and income approach; this approach is carried out by calculating the net yield of the property (Alamsyah, 2019).

In designing local tax policies, key principles include: (a) policies should allow for elastic income, adjusting with economic conditions, (b) ensure vertical and horizontal justice, where people are taxed fairly based on their economic conditions (Calabrese, 2024), (c) maintain a



flexible and simple administrative system, (d) avoid economic distortions, keeping tax burdens minimal, and (e) ensure political acceptability to encourage tax compliance (Sidik, 2010).

Tax administration is key to successful tax collection, with the goal being to collect taxes efficiently and with integrity (Brondolo et al., 2001). Political costs must also be considered in local taxes: (1) large numbers of taxpayers may object, (2) segmented groups may resist more than the general public, (3) policies impacting disposable income may face higher resistance, and (4) less visible policies may not be as acceptable to stakeholders (Haldenwang et al., 2015). In the collection of local taxes, the role of local government institutions is vital. The law essentially grants the local government the authority to act as the institution responsible for collecting property taxes, which serve as one of the sources of local revenue.

METHODS

This study employs a qualitative approach to assess social phenomena through observation, rather than in conventional laboratories (Nazir, 2009). The approach provides an understanding of how local governments exercise authority and responsibility in collecting PBB-P2 to enhance fiscal capacity. A qualitative approach is not value-free and is influenced by societal values. Theories serve as frameworks for analysis rather than the core of the research. In qualitative studies, theory often emerges during data collection and analysis, following an inductive model, and may be introduced later for comparison with other theories. Qualitative research does not test hypotheses, unlike quantitative research. This study uses a descriptive design to explore the challenges faced by local governments in realizing the potential of PBB-P2 under their authority.

Further, this research employs a phenomenological qualitative research design. Phenomenology is an approach that focuses on individuals' subjective experiences and interpretations of the world. A phenomenologist seeks to comprehend and depict how the world is perceived by others, without relying on deductions, theoretical frameworks, or assumptions from other disciplines (Oranga & Matere, 2023).

This study uses the inductive analysis method, where the research starts from a general topic which then formulates research questions as the focus of the study. Data were collected through a literature review and documentation study. The data collection technique through a literature review involves an in-depth examination of various written sources, such as books, journals, articles, research reports, and other scholarly sources relevant to the research topic.

While the documentation study technique is a data collection method that involves gathering, examining, and analyzing documents relevant to the research topic. The documents used may include archives, official reports, government policies, or other documents that contain important information related to the subject of the research (Creswell & Creswell, 2018). For this topic, the author explored sources related to local taxation and the institutional challenges faced by local governments in levying taxes on land and buildings. The sources referenced have predominantly been published within the last ten years. Further, the researcher also utilized various regulations, such as the Taxation Law, the Law on Central and Regional Financial Relations, State Financial Notes, statistical data published by the Central Bureau of Statistics, and various documents issued by government agencies related to the performance of land and building tax collection in urban and rural sectors, primarily published within the last ten years.

In conducting the analysis, this article borrows Nowak's (1970) framework regarding tax administration. The important concept related to (a) tax administration refers to the description of the institution and administration governance of PBB-P2, (b) people consisting of officials and employees who work in taxation agencies who collect taxes, and (c) the process of implementing tax collection activities which should be carried out according to applicable legal norms.

RESULT AND DISCUSSION

Analysis of the Challenges in Exploring the Potential of Land and Building Tax Collection in Rural and Urban Sectors (PBB-P2) in Indonesia

Devolution of PBB-P2 has become one of the authorities of the Local Government since January 1, 2014, according to the mandate of Law No. 28/2009 concerning Regional Taxes and User charges (Dewi Puspita, Merita Pahlevi, Yoga Madya Raharja, Sukma Hadi & Aditya Widya Permana, 2022). The selection of PBB-P2 as one type of tax that has been handed over to become one of the local taxes was based on various considerations. The first consideration, from a conceptual perspective, PBB-P2 is collected by the local government because this type of tax is more feasible because of its local, feasible, and immobile characteristics. In addition, there is also a close relationship between taxpayers and the potential benefits that taxpayers receive. Second, the transfer of PBB-P2 to the local government will lead to the potential to increase regional revenue, especially related to Regional Original Revenue. Third, by increasing the fiscal capacity of the local government, it is expected that it will have an impact on improving the



quality of public services by the local government to the community directly. Fourth, when making comparisons related to local taxes in various countries, the type of PBB-P2 levy is one of the types of taxes collected by the local government (Safarina, 2020).

The collection of land and building taxes in other countries, such as Canada, is also an authority delegated to local government institutions (Feir et al., 2024). In Canada's taxation system, local governments are regarded as institutions with the geographic and political capacity to levy property taxes. Additionally, local governments are seen as better equipped to understand the local context, making this system viable for long-term implementation (Feir et al., 2024). This policy choice appears to affirm the institutional economic concept, which should be implemented by the local government as an agency involved in promoting growth and distributing welfare.

Regarding the potential of PBB (land and building tax) to raise funds for local governments for the Indonesia context, it has also been noted that PBB serves as an alternative for taxing subjects not captured by income tax. This represents a promising revenue source if the assessment and pricing elasticity are well-designed (Kelly, 2003). The PBB can also be one of the factors that can help reduce land speculation (Nurtanzila, 2016). In general, regarding tax administration, borrowing the concept of Nowak, there are 3 major aspects related to this that need to be considered, namely related to institutional and governance aspects, human resources, aspects of administration and use of technology.

a. Institutional and Governance Aspects of Local Government Body in Administering Tax Collection

Based on various literature studies and documentation related to challenges in exploring the potential for PBB-P2 collection in the urban and rural sectors in Indonesia, when it will be administered by the local government in 2014 after going through 5 years of preparation, only 123 districts/cities carry out PBB-P2 collection while the remaining 369 districts/cities will still try to carry out their authority (Nurtanzila, 2016). Basically, the transfer of authority to collect and manage PBB-P2 from the central government to the local government is not automatically carried out as an automatic process.

After the promulgation of Law no. 28/2009, in 2010, then it was issued a Joint Regulation of the Minister of Finance and the Minister of Home Affairs No. 213/PMK.07/2010 and No.58/2010 concerning Preparation Stages for the Transfer of Rural and Urban Land and Building Taxes as Local Taxes (Sidik, 2010). This provision describes in detail the responsibilities of the Directorate

General of Taxes which include strategic to technical matters, the Directorate General of Fiscal Balance and the Ministry of Home Affairs to provide technical training on PBB-P2 collection to local governments. It was expected that with such lengthy preparations, the local government will have the facilities and infrastructure; organizational structure and work procedures; human resources; local government regulations and major/head of local government regulations and Standard Operating Procedures; cooperation with related parties such as the Tax Service Office, Banking, Land Office, and Notary/Land Deed Maker Officials, opening of PBB P-2 revenue accounts at official appointed banks as well as various technical knowledge to carry out their authority.

Further, although devolution should have been carried out since 2014, various studies have shown that the institutions that should function as the PBB-P2 collection agency have not been able to function effectively (Rahmawan, 2012); (Hildawati, 2016); (Rafif, 2016) and have not made systematic preparations with a transition process that has not well planned (Ropi et al., 2021). The various municipal and district governments as institutions were not sufficiently prepared to be given tax collection authority. In fact, referring to institutional economic concept, the local government is responsible for establishing and enforcing tax collection rules, setting up the relevant local sub-government body, and implementing these regulations. This institutional role is essential for fulfilling its objective as an agency that facilitates economic distribution (Annan-Prah & Andoh, 2023). This is potentially becoming increasingly difficult considering the characteristics of taxation which are myriad of rules, administrative work and calculations based on certain conditions.

This unpreparedness of the institution could be identified from number of evidences, such as the inability of the local government agency that should be in charge of implementing PBB collection management, the lack of a systematic coordination system that should be built with institutions under the local government, including sub-district, institution below sub-district/village apparatus that are related to taxpayers or tax subjects as experienced by the East Aceh Regency Government (Mahdi, 2020). In addition, local government agencies have not been able to optimize institutional resources so that they can exercise their new authority for a step forward, making this transfer of power as a part of the catalyst for the bureaucratic reform agenda in regional government (Hasbar & Wijaya, 2017). Ideally, when the devolution has taken place, the local government must has prepared a technical instrument and person in charges that has been engaged to carrying out the P-2 PBB levying which would later be carried out by the sub-district, villages apparatus and other work units (Rafif, 2016).

The unavailability of support facilities is also an obstacle in various local governments. Apart from that, Indonesia's different geographic and demographic constraints also pose a challenge for certain regional governments, such as in various local governments in the island-shaped province of West Papua. The large area with an uneven distribution of the population throughout the region becomes a "pre-existing challenge" before facing the "general challenge" of devolution. These geographic and demographic challenges are complicated by the unavailability of regular transportation to reach areas inhabited by residents and connecting the area centers of government institutions that are scattered in the region to establish a coordination system (Nurtanzila, 2016). For such areas, the cost for exploring the potential tax revenue and tax collection costs will be very high.

In a different context, in East Aceh District, there has been a considerable potential for PBB-P2 revenue, however, how to optimize the collection with adequate facilities and infrastructure has become an obstacle, especially regarding the availability of an electronic system that functions as the backbone of tax collection tools (Mahdi, 2020). Local governments often seek to have an electronic-based tax collection system, for example the existence of an electronic valuation procedure - Computer Assisted Valuation (CAV) such as in Musi Rawas Regency where this system is used to classify the sale value of tax objects (Mardoni, 2019). In addition, local governments have also not been able to accurately calculate the amount of PBB collection fees which include technical fees for collection, training costs to improve human resource competence, costs for providing supporting facilities which will become an important concern when it plans the budgets, which in turn will also support future revenues in the future (Rafif, 2016).

At the level of implementation, local governments often have not set clear, quantifiable and measurable achievement targets related to the performance of tax collectors from each line (*Bappeda/ UPT* PBB, sub-district, village) as in the conditions of Hulu Sungai Tengah Regency (Rahmawan, 2012). Tax collection has been solely carried out as an activity that runs as other administrative service processes that are business as usual. In fact, supervision and control over the tax collection process has not been well developed. Lack of supervision has the potential for abuse of authority by tax officials and untruthful disclosure of information submitted by taxpayers (Rahmawan, 2012). This unpreparedness has an impact on the sub-optimal revenue of the local government so that in the end, this will potentially have an impact on the quality of services to taxpayers and the amount of tax revenue collected.

Local governments still need assistance from the Tax Service Office, the institution in

charge of collecting the tax previously, both in terms of assistance in the preparation of regional regulations and their technical implementation. It seems that the drafting of the Regional Regulation involves various parties such as the National Land Agency, the Tax Service Office, SKPD and parties deemed to have expertise/competence related to PBB collection. In drafting the Regional Regulation PBB-P2, according to Article 95 (3) Law No.28/2009, the regional government apparatus must at least be able to compile (1) the name, object and subject of PBB-P2, (2) the basis for imposition of PBB, tariff and method of calculating PBB-P2, (3) collection area, (4) tax period, (5) determination, (6) payment method, (7) expiration, (8) administrative sanctions and (9) date of commencement (Sidik, 2010). Apart from these matters, the local government apparatus must also be able to regulate provisions regarding (1) granting of reductions, waivers and exemptions in certain matters of tax payable and/or sanctions; (2) the procedure for the elimination of expired tax receivables and/or (3) the principle of reciprocity in the form of granting tax deductions, relief and exemptions to foreign embassies, consulates and representatives in accordance with international custom.

Apart from the internal obstacles related to institutional capabilities, the propensity to have a change in the management of PBB-P2 collection where the PBB-P2 collection will later be under the authority of the local government with a certain system run by the local government still requires socialization to the community. The socialization that is expected by the community includes technical matters, such as administrative matters related to registration procedures, required documents to filing objections and appeals (Anastasia Graisa Enga, Lintje Kalangi, 2019).

Apart from being related to the internal governance process of local governments, local governments also have various homework related to efforts to increase taxpayer compliance. Knowledge, understanding and public awareness regarding the fulfillment of PBB-P2 obligations are still quite low (Harefa, 2016); (Hildawati, 2016). The community has not been fully provided with socialization regarding the benefits of paying taxes, especially related to local taxes which aim to improve services for the community (Rahmawan, 2012); (Hildawati, 2016). This socialization process will have wider affordability if the local government involves the smallest institutional units in the community, such as the village/hamlet head, or even the head of the community under sub-district/village (or called as *Rukun Tetangga/RT*) to provide outreach to the community.

The low level of knowledge and awareness regarding the fulfillment of tax obligations has an impact on the low level of taxpayer compliance (Rahmawan, 2012). The low compliance of



taxpayers needs to be improved with various approaches, for example, socialization or counseling regarding the latest updated tax information. Taxpayers are also given an understanding regarding their rights as taxpayers including making door-to-door efforts such as those carried out by the Tangerang City Government (Berlian, 2019) and coordinating with village officials such as the head of the *Rukun Tetangga* to collect payments to communities such as in the Regency Musi Rawas (Mardoni, 2019). In the context of Musi Rawas district, residents tend to obey their obligations because it is related to the need for bank credit applications which require prospective creditors to submit proof of PBB repayment.

b. Human Resources Aspects of Local Government Body in Administering Tax Collection

The PBB-P2 collection policy can be implemented if a region has formulated its implementing regulations. These implementing regulations are realized through the issuance of Regional Regulations (or *Peraturan Daerah/Perda*). In fact, the preparation of Regional Regulation on Local Tax and User Charges Tax is a difficult and a challenge task for the local government. This is due to different local government understandings and interpretations regarding the provisions of objects, rates, acquisition value, tax limitation/definitions stipulated in Law No.28/2009. The difficulties faced with regard to the availability of human resources are related to the insufficient of quality and quantity of human resources that occur in most local governments, but with the current existence, the intensity of work is still not optimally pursued (Directorate General of Budget, Ministry of Finance, 2014).

At the technical level, for example taking the context of Makassar (Harefa, 2016) there has been a lack of experts in local government personnel where the available human capital has not been prepared beforehand even though there was a grace period of about 5 years to prepare for the devolution. In fact, to carry out the proper collection of PBB-P2, human resources with competence as appraisers, supervisors, bailiffs are needed who are engaged as functional personnel other than the structural unit responsible for administering PBB-P2. When devolution has fully become the authority of the local government, the local government has only just begun to move to send Operator Console (OC) and appraisers to various educational institutions to obtain the minimum competencies that should be obtained before the devolution. In addition, the recruitment process to obtain the human resources needed, if this will be the strategy chosen by the local government, it is necessary to compile technical guidelines regarding this matter as well as coordination with related agencies when conducting recruitment both within the local government apparatus and from external parties. In various studies related to the readiness of

local governments, a number of local government officials in various districts/ cities seem "surprised" at their authority and duties. If it reflects on the composition of human resources, for example in the city of Dumai, most of the human resources who work at the UPT PBB and BPHTB are under the Local Government Revenue Service, most of whom have high school education or equivalent (57.14% high school (SMA), 19% vocational diploma (DIII), 14% undergraduate (or S1) and 9 % graduate (S2))(Hildawati, 2016).

In addition, the existence of a training process to improve the competence of personnel for collecting PBB-P2 officers will not necessarily be ready when a training is completed. It takes a period of time to achieve the expected competence, while the tax collection task is a work that has been going on continuously basis. In the context of the Bandar Lampung city, the existence of budgeting and the use of budgets to increase the capacity of human resources of the apparatus has not been able to effectively encourage an increase in PBB-P2 revenue (Rafif, 2016) because investment for increasing competence is an investment that provides results that are not instantaneous.

Various constraints are related to the limited competency of human resources related to technical knowledge, for example the unavailability/ absence of data base regarding the area of objects (land and buildings) including the size of the object. This also shows that there are still a number of potential objects that have not been recorded/registered in the system. In addition, the efforts to explore potential are still very limited. Another obstacle is related to the difficulty in determining the value (valuation) of objects due to the lack of transparency of information regarding the area and location and the lack of transparency on how to determine the basis for tax imposition.

Problems related to the availability of qualified human resources are increasingly difficult when there is a succession of leadership. The change of leadership has an impact on the transfer of employees who have previously been trained and have competencies related to the collection of PBB-P2. This will greatly disrupt the consistency of tax collection and supervision of the fulfillment of obligations by taxpayers. By looking at these obstacles, it is expected that the local government should prepare experts in technical matters who can work to ensure that the system runs continuously. Furthermore, regarding the performance assessment of PBB collection by district/city Regional Work Units (SKPD), there should be a reward (incentive) and punishment mechanism to encourage performance achievement by a work unit (Mardoni, 2019). The existence of this incentive and disincentive system, with clear and measurable targets should be able to encourage each party to work harder.



c. Activities in Administering Tax Collection: Administrative Aspects and the Use of Technology

Administration can be carried out if there are existing regulations such as Regional Regulations (Perda). With this Perda, technical provisions are formulated including systems and procedures that will standardize the administration, such as determining the tax subject/taxpayer, determining the value owed, collection and various other technical matters (Syahrin et al., 2020). Tax administration in general covers the taxpayer registration process, extracting potential taxpayers (non-registered or false registration), processing SPT submission, verifying SPT, collecting tax debts, resolving matters related to complaints and filing objections, providing services to the public as well as supervising whether there is potential for tax avoidance (Alink & Kommer, 2016).

The use of technology is believed to be a means to increase compliance, increase the reach of tax subjects and objects, which in turn can encourage increased tax revenue (OECD, 2019). Various regions have used technology in assisting the administration of PBB-P2, especially where one of the parts transferred from the central government to local governments is an application system/technology used to collect PBB P2 (Darnita & Mangoting, 2014);(Aprianty & Lambey, 2016); (Afia & Hoerudin, 2020), for example, with the Tax Object Information Management System (SISMIOP) which can help local governments to manage PBB-P2 collection. The existence of SISMIOP, refers to the Decree of the Director General of Taxes No. KEP-533/PJ/2000 was formed as a tool to carry out registration, data collection and assessment of PBB objects and subjects. This tool also is intended to compile an accurate, up-to-date database by integrating all administrative activities in a system so that its implementation is uniform, simple, fast and efficient. In the tax object data collection activities, various efforts are made such as (a) submitting and monitoring tax returns, further divided into data collection by submitting and monitoring individual tax returns as well as submitting and monitoring collective tax returns (b) identification of tax objects (c) verification of tax object data, (d) measurement of the tax object area.

In practice, further work is still needed so that the PBB-P2 collection with SISMIOP and various other technological devices can run properly, and its use is carried out optimally (Kadadia et al., 2016), even though there are certain regions that have run the system well such as Bekasi City Regional Revenue Agency (Afia & Hoerudin, 2020).

Table 1.
Implementation of Tax Instrument on PBB-P2 with regard to the Political Cost

No.	Approach	Instrument	Political Cost	The Use of Approach
1.	Determination of tax rate	Local Government Regulation	Tinggi	Rendah
2a.	Tax roll update: data cleaning	Management complaint, visit to the potential area, improvement on ICT	low	high
2b.	Tax roll update: Mass valuation	Adjustment on the area limitation, zone and property valuation based on zone and adjustment based on construction cost.	low-medium	medium-high
2c.	Tax roll update: assessment on individual compliance	Monitoring and audit on individual compliance	medium	low-medium
3a.	Tax compliance: optimizing the voluntary tax compliance	Improving the knowledge, public education, the advantage of paying tax on time, the improvement of services for taxpayer	low	medium
3b.	Tax compliance: improving the monitoring on tax non-compliance	The delivery of notification if the taxpayers pay the tax payment late, the visit to taxpayer location to monitor the fulfilment of any obligation	low-medium	low-medium
4.	Maximation on collection on outstanding payable	The delivery of notification letter if the taxpayer breaks the taxpayment deadline, the visit to taxpayer location to ensure the fulfilment of obligation, the enhancement of technology use, the assessment to grant amnesty, the assessment to impose sanction/penalty.	medium	low

Source: (Haldenwang et al., 2015), The Devolution of the Land and Building Tax in Indonesia, German Development Institute.

In the context of Buol district, the process of monitoring using technological devices related to whether taxpayers have fulfilled their obligations correctly has not been fully implemented which has resulted in the loss of a number of potential revenues (Kadadia et al., 2016).



Although technology is expected to be able to expand reach with stakeholders, coordination with other institutions is still needed when the technology system is updated or upgraded according to regional conditions such as in the Dumai City Government (Hildawati, 2016). In the context of the Lamongan Regency Government, administration with the use of technology (e-PBB) still needs to be socialized to the public and taxpayers, so that people know about these technological devices and carry out their obligations with existing technology (Husnia, Hidayat, 2016). Periodic socialization and updating is also the homework of the Bitung City Government (Aprianty & Lambey, 2016).

In the context of the Makassar City Government, the management and information systems of tax objects are not sufficiently solid and capable. This is also an obstacle in the city of Bandar Lampung regarding the preparation of the PBB-P2 database, added by the fact that the information obtained from the Central Government was not completely accurate and has required updating (Rafif, 2016). In administering PBB-P2 tax collection, each Regional Government at least carries out the following activities (Mardoni, 2019): a). Prepare technical guidelines for the implementation of data collection on tax objects and subjects, b). Updating data/information regarding tax report of PBB in Rural and Urban Areas, c). Updating of data / information regarding data on the value of the tax object (or Nilai Obyek Pajak/NOP) in rural and urban areas, d). Creating a system related to the registration of tax objects and subjects through the village apparatus, taxpayers register themselves, as well as the land and/or buildings they own. In connection with the political cost to implement tax collection authority, in general, the following is a description of the conditions that occur at the practical level of PBB-P2 devolution (Haldenwang et al., 2015):

CONCLUSION

The devolution of PBB-P2 into one of the tax authorities by district/city governments is expected to increase regional fiscal capacity. The efforts to explore the potential for PBB-P2 collection can be accessed from various aspects such as institutional aspects of local government governance, parties involved in the process of exploring potential tax collection or human resources in charge of running and an administrative system which is a means to carry out the exploration of potential collection tax.

If evaluating the potential efforts of PBB-P2 exploration in various regions in Indonesia by doing portraits in several city/districts, there are several district/cities that have been able to

increase PAD through local tax collection. However, most of them experience various difficulties and challenges in exploring the potential for PBB-P2 revenue in their regions. In the institutional aspect, devolution preparations that have been designed by the central government have not been able to make local governments ready to exercise their authority, even though various regional governments would only be implemented after the preparatory period has ended. Further, in running the institutional task, the lack of availability of supporting facilities and infrastructure is one of the inhibiting factors on many local governments. In addition, the lack of incessant socialization/counseling to the community also resulted in difficulties in exploring potential. Furthermore, due to Indonesia's geographic and demographic conditions, several regional governments have experienced difficulties in carrying out their duties.

If viewed from the aspect of the readiness of human resources; government apparatus who will carry out tax collection (local government human resources), in various areas the available human resources are still inadequate both in terms of quantity, especially quality, with the level of education of human resources who are assigned to local tax collection agencies who still do not meet competence they should gain. Local governments have made efforts to improve the quality of human resources such as providing training, sending staff for training or conducting internal and external recruitment. However, the results of investing in human resources cannot be seen in the short term. On the other hand, an unplanned employee transfer pattern adds to the homework in providing competent human resources.

In the technical operational aspect, various local governments are striving for the use of technology as the backbone of the implementation of tax administration and it is expected that this can help improve taxpayer compliance. This has also become a trend due to the transfer of technology-based tax collection systems provided by the central government. It should be appreciated that a number of local governments have attempted to use this technology in administering PBB-P2. However, in practice there have been still various obstacles, for example because there has no synchronization between the technical use of technology and the governing administrative provisions. In the future, it is expected that there will be various synergies from stakeholders and continuous assistance to local governments so that they can achieve independence.

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