

ANALYSIS OF THE EFFECTIVENESS OF LAND AND BUILDING TAX AND ITS CONTRIBUTION TO STATE REVENUE

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| <p>Info Article</p> <p>Received: 11 Maret 2025</p> <p>Revised: 07 April 2025</p> <p>Accepted: 22 Mei 2025</p> <p>Publication: 30 Mei 2025</p> | <p>Abstract: <i>This study aims to analyze the effectiveness of Land and Building Tax (PBB) collection and its contribution to state revenues during the period from 2019 to 2023. The method employed is a descriptive quantitative approach, utilizing secondary data analysis derived from PBB revenue realization reports and State Budget (APBN) data. Effectiveness is measured by comparing PBB revenue realization with the target, while contributions are analyzed based on the proportion of PBB to total state revenues. The results show that PBB collection is highly effective, with an average effectiveness above 100% for five consecutive years. However, its contribution to state revenues is very low, ranging from only 0.89% to 1.29%. This finding suggests that, although PBB collection administration has been operating optimally, its fiscal potential has not been fully realized. This study recommends reforming the property tax system, including updating taxable object data, increasing public tax literacy, and digitizing the regional tax administration system, to significantly increase PBB's contribution to state revenues.</i></p> <p>Abstrak: Penelitian ini bertujuan untuk menganalisis efektivitas pemungutan Pajak Bumi dan Bangunan (PBB) serta kontribusinya terhadap penerimaan negara dalam kurun waktu 2019–2023. Metode yang digunakan adalah pendekatan kuantitatif deskriptif dengan analisis data sekunder yang diperoleh dari laporan realisasi penerimaan PBB dan data Anggaran Pendapatan dan Belanja Negara (APBN). Efektivitas diukur menggunakan perbandingan antara realisasi dan target penerimaan PBB, sedangkan kontribusi dianalisis berdasarkan proporsi PBB terhadap total penerimaan negara. Hasil penelitian menunjukkan bahwa pemungutan PBB tergolong sangat efektif, dengan rata-rata efektivitas di atas 100% selama lima tahun berturut-turut. Namun demikian, kontribusinya terhadap penerimaan negara tergolong sangat rendah, hanya berkisar antara 0,89% hingga 1,29%. Temuan ini mengindikasikan bahwa meskipun administrasi pemungutan PBB telah berjalan optimal, potensi fiskalnya belum dimanfaatkan secara maksimal. Penelitian ini merekomendasikan perlunya reformasi sistem perpajakan properti, termasuk pemutakhiran data objek pajak, peningkatan literasi perpajakan masyarakat, serta digitalisasi sistem administrasi pajak daerah untuk meningkatkan kontribusi PBB terhadap penerimaan negara secara signifikan.</p> |
| <p>Keywords: <i>Effectiveness, Contribution, Land and Building Tax, State Revenue</i></p> <p>Kata Kunci: Efektivitas, Kontribusi, Pajak Bumi dan Bangunan, Penerimaan Negara.</p> | |
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INTRODUCTION

Indonesia holds a strategic position as one of the largest economies in Southeast Asia and globally, supported by its abundant natural resources, advantageous geographic location, and large population. Its diverse economic structure, such as agriculture, manufacturing, services, trade, construction, and mining, reflects the complexity of managing national development and contributes significantly to the country's gross domestic product (GDP). Despite this potential, Indonesia, as a developing nation with over 270 million people, continues to face structural and institutional challenges, including regional inequality, persistent poverty, unemployment, and unequal infrastructure and human capital distribution, all of which hinder efforts toward inclusive and sustainable growth.

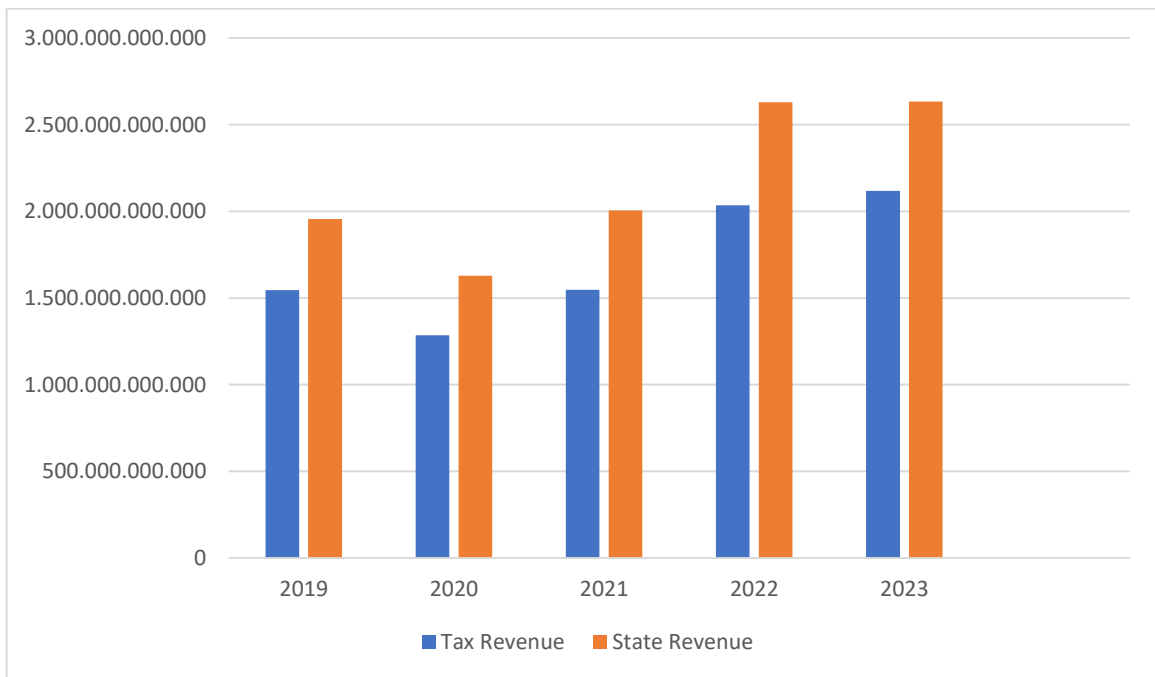
To achieve its medium- and long-term development goals, the Indonesian government requires adequate and sustainable financing to support strategic programs, including infrastructure development, education, health improvements, and social protection. In this context, domestic state revenue, particularly tax and non-tax state revenue (PNBP) is critical in reducing dependency on external financing, such as foreign debt, which can threaten fiscal and macroeconomic stability if not managed wisely. Therefore, strengthening and optimizing domestic revenue is essential for maintaining fiscal sustainability, expanding fiscal space, and enabling the government to implement countercyclical policies and long-term development agendas more effectively.

One of the main sources of financing for national development is state revenue. State revenue consists of tax revenue, non-tax state revenue (PNBP), and grants. Of these three components, tax revenue plays the most dominant role. Taxes serve not only as a fiscal instrument for raising funds but also as a tool for regulating the economy and creating income equality. State revenue plays a vital role in supporting the implementation of sustainable national development. Within the State Budget (APBN), state revenue is the primary source of funding for various strategic programs, including infrastructure development, education, health, and social protection. State revenue is classified into three main groups: tax revenue, non-tax state revenue (PNBP), and grant revenue. Of these three components, tax revenue makes the most significant contribution to total state revenue, both in nominal terms and as a proportion of gross domestic product (GDP).

Tax revenue has multiple functions, extending beyond fundraising to include regulatory and redistributive functions. Within the context of the fundraising function

(budgeting function), taxes serve as the backbone of government funding. Without adequate tax revenue, the state will struggle to finance both routine and development needs and will face the risk of high dependence on debt and unsustainable resources. Therefore, optimizing tax revenue is a top priority in national fiscal policy.

Consequently, enhancing the tax system is essential for ensuring fiscal sustainability, bolstering national economic autonomy, promoting social equity, and advancing the Sustainable Development Goals (SDGs). This requires inter-institutional synergy, active public participation, and a strong political commitment to implementing fair, transparent, and efficient tax reforms. Within the Indonesian state budget (APBN), tax revenue is a key pillar of state revenue, contributing an average of 84.7% of total state revenue during the 2019-2023 period (Ministry of Finance, 2024). This can be seen in Figur 1 below.



Source: Central Statistics Agency and Directorate General of Taxes, 2024

Figure 1. Realization of Tax Revenue and State Revenue 2019-2023

The data above shows that tax revenue is a major pillar of the state budget. The tax revenue structure comprises various types of taxes, including both direct and indirect taxes. Taxes are a significant source of revenue for national development. Taxes are divided into two categories: central and regional taxes. Central taxes are collected by the central government and used to meet the needs of the states. Regional taxes in Indonesia vary, including the Land and Building Tax. Land and Building Tax is a regional tax that

serves as a source of regional income, with considerable potential for financing regional development and governance. (Amalia et al., 2024).

Land and Building Tax (PBB) is a tax on the ownership and/or use of land and buildings, which has been a source of revenue at both the central and regional levels. Land and Building Tax, especially in the rural and urban sectors (PBB-P2), has great potential as a source of financing for regional development. This tax is imposed on the ownership or use of land and/or buildings, which are broad tax objects and can be found in almost all regions of Indonesia. Since the transfer of authority for managing PBB-P2 from the central government to regional governments in 2014, it is hoped that regional governments will be able to explore the potential revenue from this sector more optimally. Since the implementation of the fiscal decentralization policy, some authority for managing PBB, especially for the rural and urban sectors, has been delegated to regional governments, while the plantation, forestry, and mining sectors (PBB-P3) are still managed by the central government. Therefore, the effectiveness of PBB management and revenue is crucial to analyze, considering both technical aspects of collection, taxpayer compliance, and policy, which supports revenue optimization.

However, in practice, PBB revenues do not fully reflect their potential. PBB management and collection still face numerous complex challenges. These issues include low levels of taxpayer compliance, inaccurate data on taxable objects and subjects, weak tax administration systems, and limited human resources and technology used by local governments. Furthermore, public resistance to tax obligations persists, driven by a lack of understanding of the importance of taxes for regional development.

Therefore, a comprehensive study is needed to analyze the various factors influencing the effectiveness of regional tax collection, particularly the Land and Building Tax. This research is crucial not only for describing actual conditions on the ground but also as a basis for formulating appropriate policies and strategies to increase regional tax revenue potential. With more effective, transparent, and accountable tax management, tax contributions to regional development can be significantly increased.

Furthermore, the use of information technology in the tax administration system is also a key aspect that requires attention. Digitizing tax services, such as the e-PBB system or payments through electronic channels, has been proven to increase efficiency, facilitate taxpayer access, and reduce the potential for revenue leakage. Clear regulatory support, public education, and capacity building for regional tax officials must also be integral to regional tax system reform efforts.

According to (Simbolon, 2021) research, although the implementation of PBB (land tax) collection is considered effective, its impact on increasing regional revenue is still insignificant. Furthermore, various obstacles remain, including low taxpayer compliance, limited data and collection infrastructure, and disparities in fiscal capacity between regions. Based on a study carried out by (Aryani et al., 2024) research indicates that although PBB is a potential source of regional revenue, its implementation still falls short of significantly boosting PAD. This raises questions about the current effectiveness of PBB collection and its contribution to total state revenue. This decline in effectiveness is caused by several factors, including a lack of taxpayer awareness, the need for re-registration of taxable objects, and setting targets that do not align with actual conditions. This study also emphasizes the importance of public outreach and coordination between local governments and relevant agencies to improve the effectiveness of PBB-PP collection (Pali et al., 2022).

Several previous studies have examined the effectiveness and contribution of Rural and Urban Land and Building Tax (PBB-P2) to Regional Original Revenue (PAD) in various regions. Research by Anita et al. (2024), conducted in Kediri City from 2019 to 2023, showed that PBB-P2 realization was classified as very effective, with an average effectiveness of 101.69%. However, its contribution to PAD only reached an average of 21.15% and was classified as moderate. The strategy of digitizing payments and providing incentives to taxpayers was considered to play a crucial role in achieving this goal.

Meanwhile, research by (Okhtianty & Hastuty, 2024) in Medan City, covering the 2017–2021 period, found that the average effectiveness of PBB revenue was 90.88%, with the highest effectiveness in 2021 at 100.45%. Its contribution to PAD was moderate, with an average of 25.19%, which is even higher compared to other types of regional taxes in the city. Internal factors, such as the less-than-optimal distribution of SPPT, and external factors, such as low public awareness, were the causes of the decline in PBB revenue. A similar study by (Bakhtiar Ass et al., 2025) in Maros Regency for the 2018–2022 period also found that the effectiveness of PBB-P2 revenue was very good, with an average of 101%, but its contribution to PAD was still very low, at only 10.62%. This finding suggests that, although PBB-P2 management has been operating effectively, its contribution to total PAD still needs to be optimized through improvements in regional tax management strategies.

Based on this background, this study aims to analyze the effectiveness of PBB (land tax) revenue and quantify its contribution to state revenue both qualitatively and quantitatively. The results are expected to provide a more comprehensive understanding of PBB's strategic position within the Indonesian tax system and serve as evaluation material for developing fairer and more efficient fiscal policies.

METHOD

This study employs a descriptive quantitative approach, utilizing secondary data analysis methods, to assess the effectiveness of the Land and Building Tax (PBB) and its contribution to state revenue. Primary data were obtained from PBB and APBN/APBD revenue realization reports published by the Directorate General of Taxes and the Ministry of Finance, covering the last five years (2019–2023) to ensure a comprehensive and adequate analysis of tax revenue development trends.

According to (Halim 2004 in Sulistiana et al., 2022) , effectiveness is a measure that indicates the extent to which predetermined outcomes have been achieved. In the context of tax revenue, effectiveness can be calculated by comparing actual tax revenue with the target. To determine the level of effectiveness, the following formula is used:

$$\text{Effectiveness} = \left(\frac{\text{Realization of PBB Tax}}{\text{Targets of PBB Tax}} \right) \times 100\% \dots\dots\dots (1)$$

The criteria used to assess the effectiveness of the land and building tax are:

Table 1 Classification of Land and Building Tax Effectiveness Value Criteria

| No. | Percentage | Criteria |
|-----|---------------|-----------------|
| 1 | Above 100% | Very Effective |
| 2 | 90 – 100% | Effective |
| 3 | 80 – 90% | Quite Effective |
| 4 | 60 – 80% | Less Effective |
| 5 | Less than 60% | Ineffective |

Source: Ministry of Home Affairs, Decree of the Minister of Home Affairs No. 690.900.327

Meanwhile, according to (Halim 2004 in Sulistiana et al., 2022), the contribution of a tax type can be calculated by comparing the revenue from that tax type to the total tax revenue or regional original revenue. This figure demonstrates the strategic role of this tax type in supporting government finances. To determine the contribution of land and building tax revenue to regional original revenue, the following formula is used:

$$\text{Contribution} = \left(\frac{\text{Revenue of PBB Tax}}{\text{Total of State Revenue}} \right) \times 100\% \dots\dots\dots (2)$$

The criteria used in assessing the effectiveness of regional levies are:

Table 2 Classification of Land and Building Tax Contribution Value Criteria

| No. | Percentage | Criteria |
|-----|--------------|-------------|
| 1 | 0.00% - 10% | Very less |
| 2 | 10.00% - 20% | Not enough |
| 3 | 20.00% - 30% | Currently |
| 4 | 30.00% - 40% | Pretty good |
| 5 | 40.00% - 50% | Good |
| 6 | Above 50% | Very good |

Source: Ministry of Home Affairs, Decree of the Minister of Home Affairs No. 690.900.327

RESULTS AND DISCUSSION

Land and Building Tax (PBB) is a type of property tax imposed on the ownership or use of land and buildings in Indonesia. The PBB collection system involves several stages, starting from data collection of taxable objects, assessment, determination, and billing. The PBB (land and building tax) collection process in Indonesia is structured and multi-stage. The first stage involves data collection and registration of taxable objects, where local governments verify and validate the data through the Regional Tax Management Information System (SIMPDP). In parallel, taxpayers are required to independently report their property assets by completing a Tax Object Notification Letter (SPOP), which serves as the initial database for tax calculations. This mechanism is designed to create a comprehensive and accurate database of taxable objects.

During the tax assessment and determination stage, the Taxable Object Sales Value (NJOP) is determined using two main approaches: a zoning system for homogeneous areas and individual assessments for high-value properties. Based on this NJOP, the tax authority then issues a Tax Assessment Letter (SKP) containing the amount of tax payable. This SKP serves as a legally binding document and serves as the basis for implementing tax obligations. This determination process adheres to the principle of fairness, taking into account various factors, including the location, physical condition, and intended use of the property.

The payment and collection phase provides taxpayers with flexibility through various payment channels, including designated banks and financial institutions. To

ensure compliance, administrative sanctions are imposed in the form of a 2% monthly fine (with a maximum of 24%) for payments made after the due date. Progressive collection mechanisms are implemented, ranging from warning letters to asset seizure for taxpayers who continue to fail to fulfill their obligations after certain deadlines.

Following the 2014 reforms, a transfer of collection authority divided the administration of PBB (land and building tax) into two clusters. Rural and Urban PBB (PBB-P2) falls entirely under the jurisdiction of district/city governments, while PBB for the plantation, mining, and forestry sectors (PBB-P3) remains centrally managed by the Directorate General of Taxes. This division of authority creates a dualistic system that requires intensive coordination between the central and regional governments, as well as alignment of taxable object assessment standards to maintain uniformity and fairness in national tax collection.

In practice, the management and collection of Land and Building Tax (PBB) by local governments face various technical and administrative challenges. One major challenge is the accuracy of taxable data, which is often not updated regularly, leading to a disparity between the determined tax value and the actual conditions on the ground. This situation is exacerbated by low tax literacy among the public, particularly in rural areas. Many taxpayers do not understand the PBB reporting and payment mechanisms, as well as the long-term benefits of complying with tax obligations.

On the other hand, there is a trend towards progressively developing the use of information technology in tax administration systems. The implementation of digital information systems, such as e-SPPT (Electronic Tax Payable Notification Letter) and e-BPHTB, in several regions has shown a positive impact on service efficiency and increased revenue realization. Digitization enables faster, more transparent service processes with minimal direct interaction, which in turn can reduce the potential for corrupt practices in tax collection.

Furthermore, the effectiveness of the Land and Building Tax (PBB) as a source of regional revenue depends heavily on local fiscal management policies. Regional autonomy enables district/city governments to establish PBB tariffs, incentives, and exemptions tailored to the socio-economic conditions of their communities. For example, some regions have implemented PBB reduction incentives for retirees, veterans, or the poor as a form of distributive justice in local fiscal policy. However, it is important to remember that the provision of incentives must be accompanied by a fiscal impact analysis to avoid disrupting the sustainability of regional revenues.

In the context of national tax reform, optimizing the Land and Building Tax (PBB) is also linked to the extensification and intensification of the tax base. Extensification aims to expand the scope of taxable objects and subjects through re-registration and the registration of new objects, whereas intensification focuses on increasing compliance, enhancing law enforcement, and improving the administrative system.

Overall, the Land and Building Tax serves not only as a source of regional revenue but also as a policy instrument to encourage sustainable and equitable spatial management. Through the PBB, local governments can direct land and building use to align with spatial planning designations, control land speculation, and provide price signals to property market players. Therefore, policy reform and strengthening institutional capacity in PBB management are crucial agendas to support inclusive and sustainable regional development.

In addition to administrative and policy aspects, collaboration between stakeholders is crucial for the success of local PBB management. Local governments cannot work alone in reforming PBB management. Active involvement from the private sector, non-governmental organizations (NGOs), academics, and local communities is crucial in designing and implementing strategies that are tailored to the community's specific needs. For example, universities can be involved in developing research-based geospatial information systems, while NGOs can help bridge communication between the government and communities in hard-to-reach areas.

Furthermore, strengthening human resource (HR) capacity within local governments is a crucial foundation for implementing an effective PBB system. Many regions still face limitations in the number and competence of tax officials capable of managing data, operating digital systems, and providing public education. Continuous training programs, improving employee welfare, and developing internal incentive systems can encourage professionalism and dedication in local tax management.

Equally important, regular evaluation of PBB policies is also necessary to ensure they remain relevant to social, economic, and environmental dynamics. For example, in the context of climate change and the increasing risk of natural disasters, there is an urgent need to review PBB tax policies in disaster-prone areas or environmental conservation zones. Tariff adjustments, tax exemptions, or the establishment of environmental incentive zones can be strategic steps in integrating ecological aspects into regional fiscal policies.

Thus, ideal PBB management prioritizes not only fiscal revenue but also social justice, environmental preservation, and good governance. Moving forward, the transformation of PBB management requires a holistic approach that encompasses regulatory reform, improvements to the information system, institutional capacity building, and active community involvement. Only in this way can PBB become an effective instrument in supporting the achievement of sustainable development goals at the local level.

In a global and national context that increasingly emphasizes the principles of sustainable development, the Land and Building Tax (PBB) also has the potential to be used as a fiscal instrument to support this agenda. One approach gaining popularity in various countries is the implementation of a land value tax, where the tax rate is focused more on the value of the land rather than the buildings. This approach is considered fairer because land values tend to increase due to infrastructure development and government policies, rather than the efforts of individual landowners. Therefore, implementing this type of tax can reduce land speculation and encourage productive land use.

In Indonesia, the transition to this approach still requires an in-depth study and the availability of accurate data. However, this policy direction aligns with efforts to increase the efficiency of land use, reduce land ownership inequality, and promote sustainable spatial development. Integration between PBB policy and regional spatial plans (RTRW) is crucial to ensure alignment between fiscal and spatial objectives.

Furthermore, fair and transparent implementation of the Land and Building Tax (PBB) also contributes to increased public trust in local governments. When the public perceives that PBB is levied objectively and transparently, and that the revenue is used to finance public services such as road repairs, education, and healthcare facilities, tax compliance tends to increase. Therefore, it is crucial for local governments to implement the principles of tax transparency and fiscal accountability, for example, by providing public reports on the use of PBB funds and involving the public in the budget planning process.

Finally, as the smart city concept develops, PBB management must also be geared towards supporting the digital transformation of Indonesian cities. The use of technologies such as geographic information systems (GIS), big data analytics, and artificial intelligence in taxable data collection and tariff policy formulation can improve the accuracy, speed, and efficiency of the local tax system. This step also opens up

opportunities for cross-sector integration, such as between tax systems, building permits, land ownership, and environmental information systems.

In other words, the future of the PBB as a local fiscal instrument lies not only in its ability to generate revenue but also in its contribution to creating equitable land governance, sustainable cities, and more participatory and tax-conscious societies. Therefore, strengthening regulations, institutions, and technological innovation are three key pillars in building a PBB system that is adaptive to current challenges and aligned with long-term development goals.

1. Analysis of the Effectiveness of Land and Building Tax (PBB)

This study analyzes the effectiveness of Land and Building Tax (PBB) collection using an analysis developed by (Halim 2004 in Sulistiana et al., 2022). This method was chosen because it provides objective quantitative measurements for evaluating tax collection performance, particularly in comparing actual revenue against established targets. The data used covers a five-year period (2019-2023) to provide a comprehensive overview of PBB collection trends.

Table 3 PBB Revenue Targets and Realization 2019-2023

| No. | Year | Target (Rp) | Realization (Rp) | Percentage of Achievement | Criteria |
|-----|------|----------------|------------------|---------------------------|----------------|
| 1 | 2019 | 19,103,600,000 | 21,145,900,000 | 111% | Very Effective |
| 2 | 2020 | 13,441,940,000 | 20,953,610,000 | 156% | Very Effective |
| 3 | 2021 | 14,830,600,000 | 19,028,150,000 | 128% | Very Effective |
| 4 | 2022 | 20,903,790,000 | 23,488,510,000 | 112% | Very Effective |
| 5 | 2023 | 26,870,000,000 | 33,568,190,000 | 125% | Very Effective |

Source: Secondary data processed by researchers

Based on the above analysis, PBB collection during the 2019-2023 period showed very positive results. In 2019, effectiveness reached 111%, followed by a significant increase in 2020 of 156%. The following years (2021-2023) also recorded consistent performance with effectiveness levels above 100%, namely 128%, 112%, and 125%, respectively. These results indicate that PBB revenue realization consistently exceeded government-set targets; thus, all study years were classified as "Very Effective."

The consistently high effectiveness achieved over five consecutive years demonstrates that the PBB collection system is operating optimally. Several factors likely contributed to this result, including improved tax administration effectiveness, expansion of the taxable object database, and the implementation of technology in the collection

process. The highest achievement occurred in 2020, despite a significant reduction in the target, possibly due to additional efforts in tax collection or updating taxable object data during the COVID-19 pandemic.

The findings of this study provide important implications for policymakers. First, the high collection effectiveness indicates that the strategies implemented so far are successful, but need to be maintained through continuous innovation. Second, fluctuations in targets between years, particularly the decline in 2020-2021, need to be evaluated to ensure they align with economic conditions. Recommendations include: (1) increasing the capacity of regional tax information systems, (2) regularly updating the NJOP database, and (3) strengthening coordination between the central and regional governments in managing PBB.

Although PBB revenue realization shows excellent results, there are inconsistencies in target setting from year to year. For example, there was a significant decrease in the target in 2020 compared to the previous year. This requires further analysis, as a disproportionate decrease in the target can create a false impression of effectiveness. This means that success in exceeding targets is not solely due to improved performance, but could also be due to targets that are too low.

2. Analysis of Land and Building Tax (PBB) Contribution to State Revenue

This study analyzes the contribution of the UN to state revenue using a quantitative method based on a theoretical framework by (Halim 2004 in Sulistiana et al., 2022). This contribution analysis is important for evaluating the strategic role of the PBB in the state revenue structure, particularly in the context of fiscal decentralization and optimizing property tax potential.

Table 4 Realization of PBB and State Revenues 2019-2023

| No. | Year | PBB Realization (Rp) | State Revenue (Rp) | Contribution Percentage | Classification |
|-----|------|----------------------|--------------------|-------------------------|----------------|
| 1 | 2019 | 21,145,900,000 | 1,955,136,200,000 | 1.08% | Very less |
| 2 | 2020 | 20,953,610,000 | 1,628,950,530,000 | 1.29% | Very less |
| 3 | 2021 | 19,028,150,000 | 2,006,334,000,000 | 0.95% | Very less |
| 4 | 2022 | 23,488,510,000 | 2,630,147,000,000 | 0.89% | Very less |
| 5 | 2023 | 33,568,190,000 | 2,634,148,900,000 | 1.27% | Very less |

Based on the contribution analysis above, this study reveals that the realization of Land and Building Tax (PBB) consistently provides a very low contribution to total state revenue during the 2019-2023 period. The percentage of PBB contribution falls within

the range of 0.89% to 1.29%, with an average of 1.10%, which is categorized as "Very Low" based on the criteria outlined in Home Affairs Decree No. 690,900,327 of 2006. This condition indicates that, although the nominal PBB revenue has increased from IDR 21.14 trillion in 2019 to IDR 33.56 trillion in 2023, this growth is not comparable to the much more substantial increase in total state revenue.

2022 recorded the lowest contribution of 0.89%, with state revenues reaching IDR 2,630 trillion, while the realization of the Land and Building Tax (PBB) was only IDR 23.48 trillion. This phenomenon indicates a structural imbalance in the national tax system, with the property sector, which should be a potential source of revenue, actually contributing minimally. This discrepancy highlights the need for reform of Indonesia's property tax system, encompassing regulatory aspects, assessments of taxable objects, and enhanced regional tax administration capacity. Optimizing the PBB can be achieved by updating data on taxable objects and subjects, digitizing the administrative system, and adjusting rates and incentive policies to make them fairer and more proportional. Furthermore, increasing taxpayer awareness through public education and transparency in the use of PBB funds is also an important factor in encouraging compliance and increasing revenue.

Findings from an analysis of the Land and Building Tax (PBB) contribution to state revenues indicate that PBB's potential as a source of state revenue has not been optimally utilized. This has several important implications, both in the national fiscal context and for strengthening regional financial autonomy.

First, the still-very-low PBB contribution indicates weaknesses in Indonesia's property tax collection and management system. High dependence on revenue from other sectors, such as income tax and value-added tax, creates fiscal risks if economic turmoil affects these sectors.

Second, within the framework of fiscal decentralization, PBB actually has significant potential to become a source of independent funding for local governments. However, limitations in tax databases, human resources, and tax administration infrastructure prevent regions from fully exploiting PBB's potential. This contributes to inter-regional fiscal disparities and weakens regional capacity to provide public services.

CONCLUSION

Based on an analysis of Land and Building Tax (PBB) revenue data for the 2019–2023 period, this study reveals that PBB collection has been highly effective, as

evidenced by consistently exceeding annual targets. The PBB effectiveness rate has been above 100% for the past five years, with a peak of 156% in 2020. This indicates that the PBB collection administration process, from collecting taxable object data and NJOP assessment to billing, has been operating optimally. Several factors contributing to this effectiveness include the implementation of a digital system for tax data collection, increased coordination between central and regional governments, and stricter enforcement of regulations against delinquent taxpayers. However, despite the high collection effectiveness, this study also found that the PBB's contribution to total state revenue remains very minimal, ranging from 0.89% to 1.29%.

The low contribution of the PBB indicates a structural imbalance in Indonesia's tax system, where the vast potential of the property sector has not been fully tapped. In fact, PBB should be a reliable source of revenue, considering that property is a fixed asset whose value tends to be stable and even increase annually. Several factors contribute to the low PBB contribution, including an incomplete and inaccurate taxable object database, particularly for new or unregistered properties. Furthermore, low taxpayer awareness in certain regions also impacts revenue realization. Furthermore, the relatively low PBB rate policy (0.5% of the NJKP) also limits potential revenue, while the taxable object's selling price (NJOP) often does not reflect actual market prices.

Overall, the findings of this study confirm that the PBB (Regional Land and Building Tax) has significant fiscal potential but has not been fully utilized. With the implementation of targeted reforms, the PBB can become a crucial pillar in strengthening the country's fiscal resilience and supporting sustainable development financing. Efforts to optimize the PBB will not only increase state revenue but also strengthen accountability and transparency in regional financial governance. Therefore, further study of the impact of fiscal decentralization policies on PBB performance at the regional level is crucial to ensure that this potential is fully realized in the future.

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