

A Thorough Examination of PBB-P2 Potential and Its Pertinence to Local Revenue and Taxpayer Compliance in Badung Regency

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Abstract

The objective of this study is to analyze the impact of the Rural and Urban Land and Building Tax Potential (PBB-P2) and its relevance to local revenue (PAD) and taxpayer compliance in Badung Regency, both directly and indirectly. The present study employs a quantitative approach, utilizing the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method. Primary data was obtained through the distribution of questionnaires to 160 respondents who are active PBB-P2 taxpayers in Badung Regency. The findings indicated that PBB-P2 Potential and PBB-P2 Relevance exert a substantial influence on PAD. However, it is important to note that only PBB-P2 Relevance has been demonstrated to have a significant effect on Taxpayer Compliance, both directly and indirectly through PAD. Conversely, PBB-P2 Potential exerts minimal influence on Taxpayer Compliance, either directly or through PAD. PAD has been demonstrated to exert a substantial influence on taxpayer compliance, functioning as a pivotal mediator in the association between PBB-P2 relevance and taxpayer compliance. This finding suggests that taxpayers' perceptions of tax transparency and usefulness play a more significant role in encouraging compliance than the amount of regional fiscal potential. Consequently, the strategy to enhance taxpayer compliance must prioritize initiatives that cultivate public trust, ensure transparency in tax administration, and optimize the practical application of PAD in public services.

Keywords: PBB-P2 Potential; PBB-P2 Relevance; Local Own Revenue; Taxpayer Compliance.

1. Introduction

The Rural and Urban Land and Building Tax (PBB-P2) is a local fiscal instrument with the potential to contribute to the augmentation of Local Own Revenue (PAD). Following the transfer of authority from the central government to local governments as outlined in Law No. 28/2009, the management of PBB-P2 is expected to be more optimal, taking into account the characteristics and potential of each region. However, in practice, the contribution of PBB-P2 to PAD has not yet demonstrated maximum results.

A multitude of prior studies have demonstrated that, despite PBB-P2's considerable potential, its contribution to PAD remains minimal. Research conducted in Mataram City indicates that the realization of PBB-P2 revenue stands at 20.46% of its potential, contributing an average of 6.91% to the PAD (Nikmatika et al., 2024). A comparable scenario was identified in Blitar Regency, where the contribution of PBB-P2 amounted to approximately 10%, despite its documented effectiveness and efficiency (Oktavia et al., 2023).

Moreover, management constraints, encompassing human resources, limited information systems, and suboptimal accuracy of tax object data, also impede the realization of local tax revenue targets (Kumoro & Ariesanti, 2017; Putra & Rusli, 2019; Suarmanayasa et al., 2024). Conversely, a study conducted in Badung Regency revealed that the potential and realization of revenue from PBB-P2 and BPHTB statistically significantly affect PAD (Marta et al., 2020). However, taxpayer compliance remains a challenge. According to Cahayani et al (2018), additional research has indicated that factors such as tax morality, SPPT receipt, and income level also have a significant impact on taxpayer compliance.

Most previous studies have focused more on aspects of the potential and contribution of PBB-P2 to PAD, without The relationship between the perception of tax relevance by the community and its influence on taxpayer compliance is examined directly. The perceptions of taxpayers regarding the pertinence of PBB-P2, encompassing the transparency

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of financial allocation and the perceived advantages of local development, can serve as a pivotal element in fostering awareness and ensuring compliance.

In light of these conditions, the objective of this study is to examine the potential of PBB-P2 and its pertinence to local revenue and taxpayer compliance in Badung Regency. To assess the interrelationships among variables, this study employs a quantitative approach, utilizing the Structural Equation Modeling - Partial Least Squares (SEM-PLS) method. This approach was selected due to its capacity to accommodate the testing of latent variables consisting of multiple indicators and its suitability for processing primary data from questionnaires. Therefore, the present study addresses the empirical gap and proposes a more integrative analytical approach than previous studies.

2. Literature Review

2.1. Property of Rural and Urban Land Tax (PBB-P2)

The Rural and Urban Land and Building Tax (PBB-P2) is a local tax imposed on the ownership or utilization of land and/or buildings. In accordance with Law No. 28/2009 concerning Local Taxes and Levies, the administration of PBB-P2 has been delegated to the jurisdiction of the district or city government since the year 2010. PBB-P2 is a property tax, the amount of which is determined based on the condition of the tax object, independent of the condition of the subject. According to Mardiasmo (2011), PBB is included in the objective tax group, meaning that the tax imposition is based on the object without considering the condition of the taxpayer. PBB-P2 plays a pivotal role as a reliable source of PAD, generating a substantial revenue stream. The potential of PBB-P2 can be measured from the selling value of the tax object (NJOP), the land area, the number of tax objects, and the coverage of the taxed administrative area. However, leveraging this potential necessitates the collection of precise data and the periodic recalibration of object values.

2.2. Tax Relevance

In this context, “tax relevance” is defined as the taxpayer's perception of the relationship between the tax paid and the benefits received by the community. The extent to which taxpayers perceive that taxes are utilized with transparency and exert a tangible influence on developmental initiatives is directly correlated with their sense of ownership and engagement in the tax payment process. According to the seminal work of Alm et al (1992), perceptions of fairness and tax benefits emerge as critical determinants of voluntary compliance. When taxpayers perceive a lack of clarity between community contributions and development outcomes, it can lead to a decline in compliance. Therefore, it can be concluded that tax relevance constitutes a component of a significant fiscal communication strategy, one which is instrumental in fostering public trust.

2.3. Original Local Government Revenue (PAD)

The term “Original Local Government Revenue” (PAD) refers to revenue derived from regional economic potential, which is subject to levies in accordance with local regulations. The PAD is comprised of several components, including the results of local taxes, local levies, the management of separated local assets, and other legitimate local revenues. PBB-P2, as a component of local taxes, plays a pivotal role in PAD due to its established and predictable nature. As posited by Halim (2007), the PAD is a quantifiable metric that gauges a region's capacity to autonomously finance the implementation of government functions, developmental initiatives, and community services. The elevated level of PAD is indicative of the degree of fiscal autonomy a region possesses. It is evident that enhancing the potential and effectiveness of PBB-P2 management has the capacity to fortify the region's capacity to augment PAD in a sustainable manner.

2.4. Taxpayer compliance

Taxpayer compliance is defined as the attitude and behavior of taxpayers in fulfilling tax obligations in accordance with applicable regulations. This includes aspects such as reporting, payment, and recording. The concept of compliance is typically divided into two categories: voluntary compliance and forced compliance, the latter of which is often the result of sanctions. Within the framework of PBB-P2, the degree of taxpayer compliance can be gauged by the timeliness of payments, the comprehension of tax liabilities, and the response to administrative sanctions. According to Kirchler (2007), within the slippery slope framework, tax compliance is influenced by two primary

factors: trust in tax authorities and the extent of authority power. Taxpayers demonstrate a propensity to adhere to tax regulations if they perceive the system to be fair, transparent, and professionally administered. Furthermore, tax awareness and morality have been identified as significant determinants (Cahayani et al., 2018).

2.5. Structural Equation Modeling – Partial Least Squares (SEM-PLS)

Structural Equation Modeling (SEM) is a multivariate statistical method used to examine the relationship between complex latent variables. SEM-PLS is a variance-based structural equation model (SEM) approach that is well suited for testing theoretical models based on primary data with small to medium sample sizes. SEM-PLS has the capacity to assess both direct and indirect effects within a single structural model. According to Ghazali & Latan (2020), Structural Equation Modeling with Partial Least Squares (SEM-PLS) is particularly well-suited for exploratory research, theory development, and cases where data does not conform to a normal distribution. Furthermore, SEM-PLS does not necessitate the implementation of multivariate assumptions. The present study utilizes the structural equation model with a partial least squares (SEM-PLS) approach to investigate the simultaneous impact of the potential and relevance of PBB-P2 on PAD and taxpayer compliance.

3. Research Methods

The present study employs a quantitative approach with the objective of testing the causal relationship between variables, namely the potential of PBB-P2 and its relevance to local revenue (PAD) and taxpayer compliance in Badung Regency. Primary data was collected through the distribution of questionnaires to PBB-P2 taxpayers who participated in the study. The present study utilizes a total of 16 indicators, which are distributed across four distinct research variables. In accordance with the established guideline in Structural Equation Modeling - Partial Least Squares (SEM-PLS), the minimum sample size is determined to be 10 times the number of indicators, thereby ensuring a minimum sample of 160 respondents. This number is regarded as adequate to ensure the attainment of valid and reliable analysis results within the SEM-PLS model. The study employs a purposive sampling method, which entails the selection of respondents based on criteria deemed pertinent to the study's research objectives. The criteria for respondents are as follows: they must be active PBB-P2 taxpayers who have received a Tax Notice Payable (SPPT) for at least the last two years in Badung Regency. The purposive sampling method was selected to ensure that the data collected is derived from respondents who possess a comprehensive understanding of PBB-P2 tax obligations, thereby facilitating the provision of accurate and valid responses.

The research instrument employed was a questionnaire meticulously designed based on the indicators of the research variables. The questionnaire utilized a Likert scale ranging from 1 to 5 to ascertain the extent to which respondents concurred with each statement. The data processing and hypothesis testing were carried out using the Structural Equation Modeling - Partial Least Squares (SEM-PLS) method through SmartPLS software. The utilization of SEM-PLS is predicated on its capacity to assess intricate structural models endowed with multiple indicators, thereby obviating the necessity for the assumption of a normal distribution in the data. The analysis stages include the following: first, testing the measurement model (outer model) for indicator validity and reliability; and second, testing the structural model (inner model) to test the significance of the relationship between variable constructs through the t-statistic and p-value. This methodological approach has the potential to elucidate the simultaneous relationship and direct influence of potential and relevance variables of PBB-P2 on PAD and taxpayer compliance as a whole. The following hypotheses are proposed in this study, based on the research model that has been developed:

- 1) The hypothesis one (H1) posits that the potential of PBB-P2 exerts a substantial influence on local own-source revenue (PAD).
- 2) Secondly, the pertinence of PBB-P2 exerts a substantial influence on local revenue (PAD).
- 3) H3: The potential impact of PBB-P2 on taxpayer compliance is substantial.
- 4) H4: It is evident that the pertinence of PBB-P2 exerts a substantial influence on taxpayer compliance.
- 5) H5: It is postulated that local own-source revenue (PAD) exerts a substantial influence on taxpayer compliance.
- 6) H6: The implementation of potential PBB-P2 would exert a substantial influence on taxpayer compliance, thereby enhancing local own-source revenue (PAD).
- 7) H7: The pertinence of PBB-P2 exerts a substantial influence on taxpayer compliance through local revenue.

4. Results and Discussion

4.1. Overview of Respondents' Perceptions of Research Variables

Prior to conducting a test of the relationship between variables in the structural model, a descriptive analysis was conducted on the average score of each research variable. The objective of this analysis is to obtain an overview of respondents' perceptions of the variables studied. The findings of the descriptive analysis indicate that the Taxpayer Compliance variable has obtained the highest mean score of 4.6, which suggests that, in general, respondents demonstrated an obedient attitude towards the obligation to pay PBB-P2. This finding suggests that the community in Badung Regency exhibits a commendable level of fiscal compliance. Additionally, the PAD (Local Original Revenue) variable attained an average score of 4.5, indicative of respondents' favorable perceptions regarding the contribution of PBB-P2 in augmenting local revenue. This high value suggests that the community has evaluated the effectiveness of PAD management and determined that it has yielded tangible benefits.

The PBB-P2 Potential variable obtained an average score of 4.3, indicating that respondents assessed the tax objects in their area as having great potential to generate local revenue. This assessment is predicated on the hypothesis that the fiscal capacity of the land and building sector can be further optimized. Conversely, the PBB-P2 Relevance variable exhibited an average score of 3.8, denoting the lowest value among the other variables. This finding suggests that a segment of respondents may not fully comprehend the direct correlation between their tax contributions and the benefits they receive in the form of development or public services. This finding is significant as it serves as a crucial evaluation material for local governments, enabling them to enhance transparency and accountability in the management of tax funds. A comprehensive descriptive analysis reveals that respondents' perceptions of the four variables are predominantly in the high category. However, there is still room for improvement, particularly with regard to the perceived tax relevance.

4.2. Measurement Instrument Feasibility Test

Prior to conducting an investigation into the relationship between variables in the inner model, outer model analysis was conducted to ascertain the validity and reliability of the research instrument. The findings of the study indicate that all indicators exhibit a loading factor value greater than 0.7 and an Average Variance Extracted (AVE) value greater than 0.5, thereby demonstrating convergent validity. Construct reliability is also declared good because all constructs have a Cronbach's Alpha and Composite Reliability (CR) value above 0.70, which indicates that each construct has high internal consistency. Furthermore, discriminant validity has been demonstrated through the application of the Fornell-Larcker criteria and the implementation of a cross-loading analysis. This analysis indicates that the AVE square root value of each construct exceeds its correlation with other constructs, and each indicator exhibits the highest loading on the measured construct. Consequently, it can be concluded that all variables in this model have met the validity and reliability criteria, thus justifying the progression to the inner model testing stage.

4.3. The Impact of Potential and Relevance of PBB-P2 on PAD and Taxpayer Compliance

The present research model has been developed for the purpose of identifying the pattern of relationship between PBB-P2 Potential and its Relevance to Local Own-Source Revenue (PAD) and Taxpayer Compliance, either directly or through a mediation mechanism. Figure 1 shown, the results of structural modeling employing the SEM-PLS approach are presented. This approach offers a visual representation of the direction of influence between variables, the magnitude of the path coefficient, and the level of significance of each relationship tested.

Figure 1 presents the results of structural modeling, which show the direction and magnitude of the relationship between the study's variables. The model incorporates two exogenous variables: PBB-P2 Potential and PBB-P2 Relevance. It also includes a mediating variable, Regional Original Revenue (PAD), and an endogenous variable, Taxpayer Compliance. Each path in the model reflects the estimated effect analyzed simultaneously, either directly or through the role of mediation. The coefficient values displayed herein indicate the strength of the relationship between constructs, while the significance sign helps identify relationships that have been statistically proven to have an effect. Subsequent to the implementation of structural modeling with the SEM-PLS approach, the subsequent step is to assess the significance of the relationship between variables in the model. This evaluation is conducted via the bootstrapping method, a statistical technique that utilizes resampling to generate a sample from a population. The bootstrapping method is employed to calculate the path coefficient value, the t-statistic, and the p-value. These

statistical metrics serve as a foundation for inferring the significance of the relationship between variables. The determination of statistical significance is achieved by evaluating the t-statistic value, which must exceed 1.96, and the p-value, which must be less than 0.05 at the 5% level of significance. Tabel 1 offers a concise synopsis of the outcomes from the empirical investigation into the direct and indirect interrelationships between the variables within the research model.

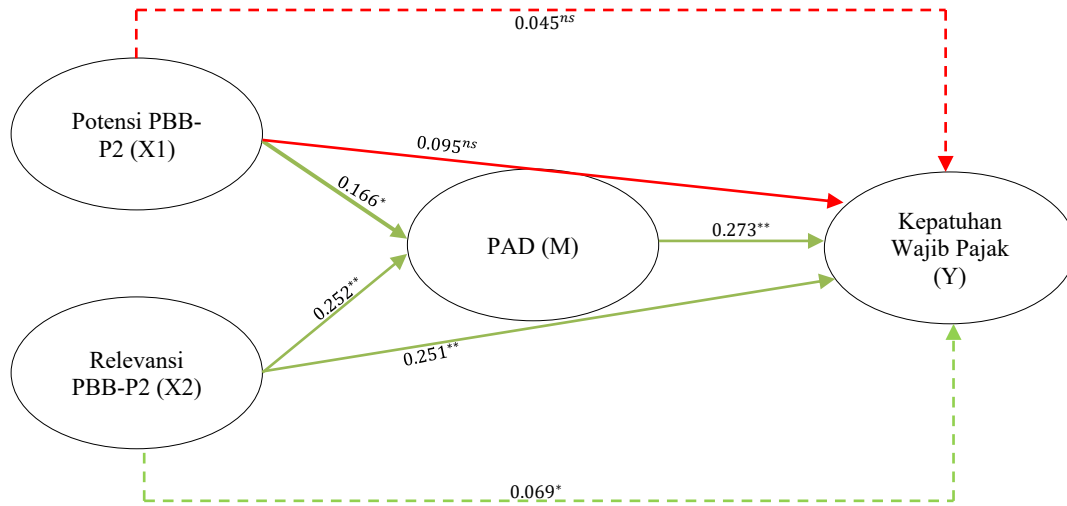


Figure 1. Structural Model

Table 1. Test Results of Direct and Indirect Influence

No	Relationship between Variables	Coefficient	t-statistic	p-value	Description
1	Potential PBB-P2 → PAD	0.166	2.319	0.020	Significant
2	Relevance of PBB-P2 → PAD	0.252	3.396	0.001	Significant
3	PBB-P2 Potential → Taxpayer Compliance	0.095	1.240	0.215	Not Significant
4	Relevance of PBB-P2 → Taxpayer Compliance	0.251	3.396	0.001	Significant
5	PAD → Taxpayer Compliance	0.273	3.572	0.000	Significant
6	PBB-P2 Potential → PAD → Taxpayer Compliance	0.045	1.957	0.050	Not Significant
7	Relevance of PBB-P2 → PAD → Taxpayer Compliance	0.069	2.379	0.017	Significant

Data source processed, 2025

Tabel 2 showed the results of the analysis demonstrate that PBB-P2 has a significant impact on PAD. This indicates that as the tax potential of a region, such as the area and NJOP value of the tax object, increases, the contribution to increasing PAD also increases. This finding aligns with prior research, including Marta et al (2020); Nikmatika et al (2024), which demonstrated a positive and significant relationship between PBB-P2 potential and PAD revenue. This finding underscores the pivotal role that the tax base's fiscal capacity plays in augmenting local revenue. In addition, the findings of this study demonstrate that the PBB-P2 has a substantial impact on PAD. This study corroborates the findings of Oktavia et al (2023) and Kumoro & Ariesanti (2017), which underscore the pivotal relationship between the effectiveness of PBB-P2 revenue and the public's perception of the utility of taxes in their lives. The impact of PBB-P2 on PAD is found to be substantial. This indicates that as the tax potential of a region, such as the area and NJOP value of the tax object, increases, the contribution to increasing PAD also increases. This finding aligns with prior research, including Marta et al (2020); Nikmatika et al (2024), which demonstrated a positive and significant relationship between PBB-P2 potential and PAD revenue. This finding underscores the pivotal role that the tax base's financial capacity plays in augmenting local revenue. In addition, the findings indicate that PBB-P2 exerts a substantial influence on PAD. This study corroborates the findings of Oktavia et al (2023) and Kumoro & Ariesanti (2017), which underscore the pivotal relationship between the perceived efficacy of PBB-P2 revenue and the public's evaluation of the role of taxation in their personal lives. Study by Hasanah et al (2025) highlights the importance of

optimizing PBB-P2 potential mapping through the use of Geographic Information System (GIS) technology to improve data accuracy and tax collection efficiency. In addition, research by Christina (2023) emphasizing the need for effective socialization to the community regarding the allocation and utilization of PAD funds originating from PBB-P2 to increase trust and support for the regional taxation system.

However, in contrast to the initial supposition, PBB-P2 Potential does not have a significant effect on Taxpayer Compliance, either directly or indirectly through PAD. This finding aligns with the research results documented in Putra & Rusli (2019); Suarmanayasa et al (2024), which asserts that despite the substantial tax potential, its realization is frequently suboptimal due to the noncompliance of some taxpayers. This suggests that potential is more administrative in nature and less directly related to individual motivation in fulfilling their tax obligations. Conversely, the pertinence of PBB-P2 exerts a substantial impact on taxpayer compliance, manifesting in both direct and indirect manners through PAD. Taxpayers who perceive that PBB-P2 is utilized in a transparent manner and provides tangible benefits to the community tend to exhibit a more compliant attitude. This result corroborates the findings in Cahayani et al (2018), which emphasize that perception, tax morality, and perceived benefits are important factors in building voluntary compliance. Additionally, the impact of PAD on taxpayer compliance has been demonstrated to be substantial. This suggests that the efficacy of local governments in managing PAD and repatriating it to the community in the form of tangible development and public services will have a positive effect on increasing taxpayer trust and compliance. This finding aligns with the perspective outlined in Journal 8, which posits that PAD realization transcends its fiscal dimensions, serving as a catalyst for enhanced public engagement in tax obligations. Research by Kurnia (2024); Pontoh et al (2025) found that transparency in the management of tax funds and community participation in regional development planning can increase government accountability and encourage taxpayer compliance. Furthermore, a study by Putri (2024); Sukma & Nabila (2025) highlights the importance of fair and consistent law enforcement against tax violations to create a deterrent effect and increase overall compliance.

The findings of this study suggest that the Potential of PBB-P2 exerts a substantial influence on Local Owned Revenue (PAD), yet it demonstrates no considerable impact on Taxpayer Compliance, either in a direct or indirect manner. In contrast, the relevance of PBB-P2 has been demonstrated to exert a substantial influence on PAD, as well as on taxpayer compliance, both in a direct capacity and through the medium of PAD as a mediating variable. This finding underscores the notion that perceptions of tax benefits and transparency exert a more substantial influence on shaping fiscal compliance than the mere magnitude of potential taxes. This finding aligns with the prevailing conditions in Badung Regency. Preliminary findings from 2023 show that Badung's PAD reached approximately IDR5.6 trillion. The primary contributors to this revenue were Hotel and Restaurant Taxes (PHR) and Fees on Acquisition of Land and Building Rights (BPHTB). While PBB-P2 does not represent the primary contributor, it nevertheless plays a substantial role in the realization of approximately Rp267 billion from the targeted Rp379 billion, representing 70.32% of the targeted achievement. This suggests that, despite the considerable potential of PBB-P2, its full realization has yet to be achieved, as there are numerous tax objects that remain underreported or have not been updated with optimal precision. Case study in Badung Regency by Paramitha & Putri (2024) shows that the implementation of the online PBB-P2 payment system and data integration with related agencies can increase the efficiency of tax collection and reduce the potential for leakage. In addition, research by Prayoga (2021) recommend improving the quality of service to taxpayers, such as providing easily accessible information and being responsive to complaints, to increase taxpayer satisfaction and compliance.

It is imperative to delve into the intricacies of the realization and target of PBB-P2 in Badung Regency over the past five years, as a means of assessing the efficacy of regional management. Table 2 illustrates the target and realization of PBB-P2 in Badung Regency for the 2020-2024 period.

Table 2. Target and Realization of PBB of Badung Regency in 2020-2024

No	Year	PBB		Percentage (%)	Fluctuation (%)
		Target (Rp)	Realization (Rp)		
1	2020	Rp. 159.735.592.816	Rp. 147.068.176.988	92.07	-
2	2021	Rp. 205.374.333.621	Rp. 170.296.962.037	82.92	-9.15
3	2022	Rp. 446.818.012.419	Rp. 204.093.627.435	45.68	-37.24
4	2023	Rp. 379.824.424.520	Rp. 267.075.787.990	70.32	24.64
5	2024	Rp. 366.052.292.394	Rp. 254.295.854.931	69.47	-0.85

<https://sie.bapenda.badungkab.go.id>, 2025

Table 2 indicates that while the PBB-P2 target exhibited a substantial increase, particularly in 2022, the actual realization experienced a significant decline, reaching only 45.68%. In subsequent years, there has been an upward trend in the percentage of realization; however, it has not yet returned to the level of achievement that was attained in 2020, when it reached 92.07%. This finding indicates that the structural constraints encountered in the collection and updating of tax object data persist as a substantial challenge.

Notably, the Badung Regency has also witnessed a consistent rise in its taxpayer base, with the number of taxpayers increasing from 222,826 in 2022 to 236,139 in 2024. In strategic regions, such as South Kuta alone, there has been an increase from 61,832 taxpayers in 2022 to 67,760 in 2024. This increase in the number of taxpayers is indicative of the administrative expansion of the potential tax base. However, the increase in the number of SPPT is not automatically proportional to the increase in tax revenue realization.

This discrepancy between potential and realization underscores the notion that the substantial fiscal potential inherent in PBB-P2 does not inherently lead to an increase in taxpayer compliance. This finding aligns with the previous research that indicated PBB-P2's potential impact on taxpayer compliance is not statistically significant, either directly or indirectly through PAD. Instead, perceptions of the relevance and tangible benefits of PBB-P2 in people's lives serve as the primary determinants of compliance.

The Head of Bapenda Badung also noted that certain taxpayers had not fulfilled their obligations despite having received SPPT, and there were still tax objects that had undergone changes in function but had not been reported to the local tax authority. These conditions serve to reinforce the research results that the potential of PBB-P2, although considerable, does not automatically reflect the level of taxpayer compliance. Conversely, if taxpayers perceive that their tax contributions are utilized with transparency and provide tangible benefits for regional advancement, their compliance inclination is likely to escalate, as evidenced by the substantial impact of the PBB-P2 Relevance variable on Taxpayer Compliance.

5. Conclusion

The results of the analysis, which employed the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method, yielded several key findings concerning the impact of the Potential and Relevance of PBB-P2 on Local Owned Revenue (PAD) and Taxpayer Compliance in Badung Regency. The following conclusions were derived from this study:

- a. The potential of PBB-P2 has a significant effect on local revenue. This indicates that as the potential of tax objects owned by a region increases, the contribution to PAD also increases.
- b. The pertinence of PBB-P2 exerts a substantial influence on PAD, signifying that the favorable perception of taxpayers regarding the utilization of taxes in a transparent and beneficial manner fosters the realization of more optimal PAD.
- c. The findings indicate that the potential of PBB-P2 has no significant effect on taxpayer compliance, either directly or through PAD as a mediating variable. This suggests that the region's tax potential does not directly influence taxpayer behavior regarding tax payment.
- d. The pertinence of PBB-P2 exerts a substantial influence on taxpayer compliance, manifesting both directly and indirectly through PAD. This finding indicates that taxpayer perceptions of the benefits and transparency of tax management play a significant role in enhancing compliance.
- e. The impact of PAD on taxpayer compliance is significant, suggesting that augmenting local revenue from the tax sector can enhance public trust and compliance with the tax system.

In light of the aforementioned conclusions, the following recommendations are proposed for consideration by local governments and relevant stakeholders. Firstly, local governments are advised to enhance their transparency measures and public education initiatives concerning the allocation and utilization of PBB-P2 funds. This recommendation is made with the objective of fostering a positive perception among taxpayers, thereby ensuring that they perceive their tax contributions to have a direct and tangible impact on local development initiatives. Administrative approaches that exclusively prioritize the augmentation of tax potential must be supplemented by taxpayer awareness-based methodologies, such as through tax campaigns, testimonials highlighting benefits, and public reports. PAD management must prioritize the enhancement of public services in a manner that is both authentic and impartial. This approach ensures that the augmented local revenue is perceptibly experienced by the community, thereby fostering a

sense of reciprocity and incentivizing tax compliance. It is imperative that tax collection policies encompass more than merely legal-formal aspects; they must also take into account the psychological and social dimensions of taxpayers as part of a comprehensive, long-term compliance enhancement strategy. It is recommended that future research focus on the development of models that incorporate additional variables, such as trust in local government, the efficacy of tax information systems, and tax morality. This approach is intended to provide a more comprehensive understanding of taxpayer compliance behavior.

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