



Land And Building Tax Capabilities In Escalating Regional Original Income

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Abstract

This study aims to analyze the potential of Land and Building Tax (PBB) to increase Regional Original Income (PAD) in Donggala Regency through a descriptive quantitative approach. The analysis was conducted on the potential, effectiveness, and contribution of PBB based on data from 2019–2023. The results show that PBB has significant potential, with a Taxable NJOP value reaching IDR 1.42 quadrillion. However, the realization of PBB revenue is far below this potential, amounting to only IDR 910 million in 2023, reflecting a significant gap. The effectiveness of PBB collection fluctuates, with the highest achievement in 2021 at 121.61% and the lowest in 2022 at 60.75%. The PBB's contribution to PAD is also very low, averaging only 1.37% over the past five years. These findings emphasize the importance of improving taxable data management, increasing taxpayer compliance, and implementing a digital system in tax collection. This research provides a strategic contribution to local governments in formulating more optimal fiscal policies to support regional independence and sustainable development.

Introduction

Regional development in Indonesia has received increasing attention since the implementation of regional autonomy policies. The development paradigm, which was previously centralized, has shifted toward a decentralized pattern, requiring local governments to be more independent in managing their finances and determining the direction of development according to the needs of their communities. Within this framework, Regional Original Revenue (PAD) has become a vital instrument reflecting the extent to which a region's fiscal independence can be achieved. The strength of PAD not only serves as a source of funding for development programs but also serves as a benchmark for regional independence from central government intervention. (Tifani et al., 2023) .

Regional Original Revenue (PAD) itself originates from several components, including regional taxes, regional levies, the results of managing separated regional assets, and other legitimate income. Of these various components, regional taxes constitute the largest source of

revenue, consistently contributing to supporting the Regional Budget (APBD). Land and Building Tax (PBB), particularly in the rural and urban sectors (PBB-P2), is a type of tax with enormous potential because it directly impacts the ownership and use of land and buildings by the community. PBB not only functions as a fiscal instrument that increases regional coffers but also serves as a policy instrument to encourage equitable development, expand the revenue base, and improve the quality of public services (Amaliyah & Nurdin, 2024).

In practice, land and building tax (PBB) collection in many regions has not shown optimal performance. Realized revenue often falls far below its actual potential. Low taxpayer awareness, a weak taxable data collection system, and a lack of innovation in collection methods are key challenges limiting the PBB's contribution to local revenue (PAD). This phenomenon not only impacts regional fiscal space but also slows the acceleration of regional development oriented toward community independence and welfare. This situation is similar to the results of studies confirming that the effectiveness of PAD is closely related to the level of community participation in paying regional taxes and levies (Tifani et al., 2023).

The urgency to improve PBB management has increased following the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments. This regulation brings fundamental changes to regional fiscal design, including restructuring tax types, simplifying levies, and granting regions additional authority to levy new taxes. These changes require regions to be more innovative and adaptive in optimizing their revenue sources. PBB, a long-established type of regional tax, is once again positioned as a crucial instrument for strengthening the regional fiscal base (Katjong et al., 2024).

In addition to regulatory factors, the development of digital technology also plays a significant role in improving the performance of the Taxpayer Identification Agency (PBB). Digitizing the tax system, from geospatial-based taxable data collection to online payment mechanisms, has the potential to increase transparency, reduce revenue leakage, and encourage taxpayer compliance. A study (Bhegawati, 2022) confirmed that tax administration innovation in the digital era can improve compliance levels and positively impact state and regional revenues. By utilizing technology, regional governments can minimize conventional weaknesses in tax collection while simultaneously making it easier for the public to fulfill their tax obligations. In the development of Donggala Regency's Regional Original Revenue (PAD) from 2019 to 2023, PAD experienced fluctuating increases each year. Land and building tax revenue building construction (PBB) in Donggala Regency as stated in the target and budget recapitulation table tax realization experienced changes in results. The amount of tax revenue became indicators of the role and readiness of local governments. To increase local revenue Regional Original Income (PAD) which comes from regional taxes, the regional government needs to carry out socialization or innovative activities to increase taxpayer awareness and fulfill payment obligations. The following is a report on the realization of the regional revenue budget during 2019-2023 :

Table 1 . Target and Realization of Local Original Income (PAD) of Donggala Regency

YEAR	TOTAL TARGET (RP)	TOTAL REALIZATION (Rp)
2019	82,707,829,455.00	82,731,306,991.13
2020	77,689,286,363.00	106,028,267,179.49
2021	54,891,054,479.00	64,184,137,263.07
2022	65,258,018,751.00	77,458,421,603.76
2023	92,161,386,477.00	106,197,181,986.48

Source: (Central Sulawesi Provincial Financial and Asset Management Agency 2024, 2024)

Table 1 shows the performance of Donggala Regency's Regional Original Income (PAD) from 2019 to 2023, with fluctuating results. In 2019, the realization of PAD reach Rp. 82,731,306,991.13, slightly exceeding the target of Rp. 82,707,829,455.00. 2020 showed a

significant increase, with a realization of IDR 106,028,267,179.49 which far exceeding the target of Rp. 77,689,286,363.00, perhaps influenced by external factors or increasing the efficiency of PAD collection. However, in 2021, the realization decreased to Rp. 64,184,137,263.07, even though the target was lower, namely Rp. 54,891,054,479.00, indicating the need for further evaluation. 2022 shows repairs, with a realization of Rp. 77,458,421,603.76, exceeding the target of Rp. 65,258,018,751.00. followed by the highest achievement in 2023 where the realization reached IDR. 106,197,181,986.48, exceeding the target of Rp 92,161,386,477.00. Overall, although fluctuations occurred, Donggala Regency showed a positive trend in PAD acquisition, which shows the need for better financial management strategies for maintain this achievement in the future

Table 2 . Land and Building Tax (PBB) Targets and Realizations for Donggala Regency

YEAR	TOTAL TARGET (Rp)	TOTAL REALIZATION (Rp)
2019	1,125,000,000.00	1,189,531,930.24
2020	1,130,000,000.00	1,129,662,625.81
2021	1,000,000,000.00	1,216,095,933.00
2022	2,000,463,000.00	1,215,079,099.00
2023	1,000,000,000.00	910,518,700.76

Source: Regional Financial and Asset Management Agency of Central Sulawesi Province (2024)

Table 2 shows the targets and realization of Land and Building Tax (PBB) in 2014. Donggala Regency from 2019 to 2023. In 2019, PBB realization exceeded The target set was Rp. 1,189,531,930.24 compared to the target of Rp. 1,125,000,000.00. However, in 2020, the realization almost reached the target with a slight The surplus reached Rp 1,129,662,625.81 out of the target of Rp 1,130,000,000.00. In 2021, showed better achievements, with a realization of Rp. 1,216,095,933.00, far above the target of Rp 1,000,000,000.00. On the other hand, in 2022, although the target increased to Rp 2,000,463,000.00, but the realization actually fell to Rp 1,215,079,099.00. In the year In 2023, there was a significant decrease in realization, only reaching IDR 910,518,700.76, far below the target of Rp. 1,000,000,000.00. Overall, this data reflects fluctuations in the PBB achievements of Donggala Regency, with the best achievements in the year 2021 and a sharp decline in 2023.

This study extends the research (Setya Rafifa, 2016) in Batang Regency shows that the potential and realization of PBB-P2 is still not optimal, with an average contribution to PAD of only 10.10% and many tax objects that have not been recorded, thus affecting regional revenue.

Meanwhile, research (Fadliyanti & Wijimulawiani, 2024)in Mataram City also found a very low contribution of PBB-P2, averaging only 6.91% of PAD. This low achievement was influenced by suboptimal targets and the large number of unregistered tax potentials .

This article specifically discusses the potential of Land and Building Tax (PBB) to increase local revenue (PAD) in Donggala Regency. The analysis focuses on the potential, effectiveness, and contribution of PBB (land and building tax) in the 2019–2023 period. Furthermore, the discussion will link empirical findings to the urgency of implementing tax digitalization, increasing public compliance, and reforming transparent and accountable regional financial governance (Rahmi & Gangodawilage, 2022). Therefore, this article is expected to not only provide academic contributions but also offer strategic recommendations for local governments in strengthening their fiscal base towards sustainable development.

LITERATURE REVIEW

Agency Theory argues that there is a contractual bond between 2 parties. or more, one party is called the principal who employs the other party who is said to be an agent to perform certain services on behalf of the owner, including: delegation of authority (Jensen & Meckling,

2012). Agency theory is used in This research aims to justify the bond between the principal and agent, where the excess data owned by the agent can be used to commit irregularities. In managing regional finances and assets, the Regional Revenue Agency and village communities act as the primary actors, while regional heads and village officials act as agents (Amaliyah & Nurdin, 2024).

Regional tax revenue potential represents a region's ability to generate specific revenues. Estimating potential PBB (land tax) requires concrete information and benchmarks that are both available on the ground and concretely desired by the local community (Safauddin, M. Abdullah, 2020). Contribution is a measure to observe the development of regional income, by looking at the amount of tax revenue against Regional Original Income with the assumption that the higher the tax revenue such as land and building tax against total regional original income, the more appropriate the tax revenue is, whereas if the income ratio is smaller, the more unreasonable the tax is collected (Rohmah, 2024).

Effectiveness is often measured by the results a local government can produce. Therefore, local governments need to identify existing weaknesses and develop plans for the following year (Rohmah, 2024). Effectiveness is one dimension of productivity, which aims to achieve maximum work results, namely achieving targets related to quality, quantity, and time (Fitriano & Ferina, 2021). It can be concluded that local government effectiveness, which is a crucial aspect of productivity, is about achieving optimal results by meeting targets based on quality, quantity, and time. Identifying weaknesses is crucial for future planning to improve this effectiveness.

To create a compliant society, taxpayer education is necessary. Many taxpayers do not yet understand the purpose of taxes. Paying taxes is not a waste of money. They should realize that part of their tax payments is used to build roads, bridges, and other facilities they enjoy every day. (Asriyani & Susena, 2016).

Land and Building Tax (PBB) is a potential source of state revenue and contributes significantly to state revenue compared to other types of regional taxes (Devi Fujianti et al., 2021). Land is the surface of the earth and the earth's body beneath it (including swamps, ponds, and waters, as well as the territorial sea of the Republic of Indonesia). Buildings are engineering structures planted or permanently attached to land and/or waters (Hermawan & Michael, 2024). Land and Building Tax (PBB) is a potential source of state revenue and contributes significantly compared to other types of taxes. The objects of PBB include land, namely the surface and the earth's body beneath it (including swamps, ponds, waters, and the territorial sea of Indonesia), and buildings, namely engineering structures planted or permanently attached to land and/or waters. Revenue is a crucial factor in determining a company's survival and progress. Achieving optimal revenue doesn't happen by itself, but rather depends on the company's activities in managing its business. (Gustini et al., 2023).

According to (Fitriano & Ferina, 2021), Regional Original Income (PAD) is all receipts or income that enter the regional treasury, obtained from the region's own internal sources, collected based on Regional Regulations in accordance with applicable laws and regulations and used for regional needs. Regional Original Income is obtained from regional taxes, regional levies, the results of managing separated regional assets, and other legitimate PAD (Fadliyanti & Wijimulawiani, 2024). Regional Original Income (PAD) is a source of regional income that comes from the region's own economic activities. PAD is one of the pillars of a region's independence (Almeida et al., 2016).

It can be concluded that regional original revenue is a financial resource derived from the management of energy resources in the region. Regional original revenue is one of the most important sources of income for regions to cover their expenses, particularly capital expenditures.

Land and Building Tax (PBB) capacity is the ability of a region to manage and collect taxes imposed on land and building ownership efficiently and effectively, while also orienting itself towards optimizing regional revenue. This encompasses various aspects, from mapping and

assessing taxable objects, developing a transparent and accountable administration system, to increasing public awareness of the importance of tax contributions to regional development. This capacity is crucial to ensuring that revenues from the PBB can be used to support various infrastructure development programs, public services, and community welfare, while simultaneously supporting regional fiscal independence in order to achieve sustainable development goals. Thus, improving PBB capacity not only positively impacts regional revenue but also the overall quality of life of the community.

METHOD

This research on the potential, contribution, and effectiveness of Land and Building Tax (PBB) on Regional Original Income (PAD) in Donggala Regency used a quantitative approach with a descriptive and analytical design. Quantitative research is a systematic investigation of a phenomenon by collecting measurable data using statistical, mathematical, or computational techniques (Amelia et al., 2023). The research location focused on the Regional Revenue Service and related agencies in Donggala Regency.

Data analysis was conducted using a descriptive approach to calculate average and trend revenues from the Land and Building Tax (PBB) and Regional Original Revenue (PAD). The results of this study are expected to provide conclusions regarding the potential, effectiveness, and contribution of PBB to PAD, as well as recommendations for improving PBB management and collection in Donggala Regency. This study is scheduled to last three months, including time for data collection, analysis, and report preparation.

This research is quantitative with a descriptive approach. Quantitative research is conducted by collecting data presented in numerical form. This study uses a descriptive approach, analyzing data obtained from the Donggala Regency Regional Revenue Agency, then reviewing it to obtain a clear picture or description.

Data Analysis Techniques

1. PBB Potential Analysis Technique (Setya Rafifa, 2016)

$$\text{PBB Potential} = \text{Tax Rate} \times \text{NJOPTKP}$$

Before calculating the potential for PBB in Donggala Regency, there are several stages first:

- a. Calculating the Potential Taxable Area (WPP)

$$\text{Area of WPP} = \text{Area of Region} - \text{Area of RTHP}$$

Information:

WPP Area: Potential Tax Area

RTHP Area: Green Open Space Area

- b. Recapitulation of Realization Based on NJOP from the Donggala Regency Regional Revenue Agency

- 1) Calculate the average NJOP of Donggala Regency

$$\text{Average NJOP} = \frac{\text{Average NJOP per sub - district}}{N}$$

Information:

Average NJOP per sub-district: Taxable Object Sales Value

N: Number of Subdistricts in Donggala Regency

- 2) Calculating NJOP of land

$$\text{Land NJOP} = \text{Area WPP} \times \text{Average NJOP}$$

3) Calculating the NJOP of a building

$$\text{Building NJOP} = \text{Total Building NJOP} \times \% WP$$

Information:

Building NJOP: Taxable Object Sales Value

Taxpayer Percentage: Taxpayer Percentage

4) Calculating the Taxable Value of an Object (NJOPKP)

$$\text{NJOPKP} = (\text{NJOP Land} + \text{NJOP Building}) - \text{NJOPTKP}$$

Information:

NJOPKP: Taxable Object Sales Value

NJOPTKP: Taxable Sales Value of Taxable Property

5) Calculating PBB Potential in Doggala Regency

$$\text{PBB Potential} = \text{Tax Rate} \times \text{NJOPTKP}$$

NJOPKP: Taxable Object Sales Value

2. UN Effectiveness Analysis Techniques

$$\text{Effectiveness} = \frac{\text{PBB Revenue Realization}}{\text{Target PBB}} \times 100 \%$$

Table 3 . Percentage of Effectiveness Criteria

Percentage	Category
>100%	Very Effective
90% - 100%	Effective
80% - 90%	Quite Effective
60% - 80%	Less Effective
< 60%	Ineffective

Source: Ministry of Home Affairs, Decree of the Minister of Home Affairs No. 690,900,327 of 1996 (Chandra et al., 2020)

3. UN Contribution Analysis Techniques

$$\text{Contribution} = \frac{\text{PBB Revenue Realization}}{\text{PAD}} \times 100\%$$

Table 4 . Contribution Criteria Percentage

Percentage	Category
0.00% - 10%	Very less
10.10% - 20%	Not enough
20.10% - 30%	Currently
30.10% - 40%	Pretty good
40.10% - 50%	Good

Source: Research and Development Team of the Ministry of Home Affairs-Faculty of Social and Political Sciences, UGM 1991 (Huda & Wicaksono, 2021)

Population and research sample

The research population includes all PBB and PAD data for the last five years, with samples taken purposively from 2019 to 2023. Data were obtained through a combination of primary

data collection, such as interviews with Regional Revenue Service officers and secondary data from official documents and annual reports.

RESULTS

UN Potential Analysis

Table 5 . Form and Area of RTHP According to District in Regency Donggala

Area	An area	Green Open Space Area	WPP area
Donggala Regency	5 . 126 . 590 . 000	24,317,300	5,102,272,700

Source : (Badan Pusat Statistik, n.d.) Central Statistics Agency , 2024

5 , the area of Donggala Regency is 5,126,590,000 m², for WPP the tax is Donggala Regency has an area of 5,102,272,700 m².

Table 6 . NJOP according to District in Donggala Regency

SUBDISTRICT	TOTAL NJOP	WP	AVERAGE
Rio Pakava	226,809,619	12,894	17,590
Pineapple	44,961,326	5,693	7,898
South Banawa	118,111,394	8,741	13,512
Central Banawa	25,237,007	3,442	7,332
Banawa	264,858,657	8,463	31,296
Tanantovea	77,121,206	6,142	12,556
Labuan	87,801,722	3,910	22,456
Sindue	76,416,619	5,410	14,125
Sindue Tombusabora	73,001,002	3,252	22,448
Sindue Tobata	90,852,653	3,830	23,721
Sirenja	132,075,832	8,204	16,099
Tanjung Balaesang	148,303,079	8,535	17,376
Balaesang	57,566,678	4,427	13,004
Sandpaper	348,983,970	17,632	19,793
Sojol	229,983,970	11,544	19,922
North Sojol	99,126,643	4,831	20,519
TOTAL	2,101,211,377	116,950	279,647

Source : Data processed by the author (2024)

The average NJOP for Donggala Regency is 279,647 rupiah, which is obtained divide the average NJOP per sub-district by the number of taxpayers per sub-district, then divide with the number of sub-districts in Donggala Regency, thus producing NJOP Donggala Regency Average .

Table 7: Land NJOP Classification

WPP AREA	AVERAGE NJOP	Land Value Added Tax (NJOP)
5,102,272,700.00	279,639.29	1,426,795,938,094,420

Source : Data processed by the author (2024)

Based on the calculations in Table 7, the tax rate is 0.1%. With a potential taxable area of 5,102,272,700.00 m², the land's NJOP is Rp. 1,426,795,938,094,420.

Table 8: Classification of Building NJOP

BUILDING AREA	NJOP PER METER	WP	BUILDING NJOP
1,802,807	852,205,677	116,804	13,153,336,871

Source : Data processed by the author (2024)

The building's NJOP is calculated by multiplying the building area by the NJOP per square meter, then dividing by the number of taxpayers. The building area is 1,802,807 square meters multiplied by the NJOP per square meter of Rp852,205,677, then divided by the number of taxpayers of 116,804. The resulting NJOP calculation is Rp13,153,336,871.

Table 9: Calculation of NJOPTKP

Total Tax	NJOPTKP (Per Taxpayer)	NJOPTKP
116,804	10,000,000	1,168,040,000,000

Source : Data processed by the author (2024)

Based on table 9, the total NJOPTKP is IDR 1,168,040,000,000 with a total of 116,804 taxpayers.

Table 10: Calculation of NJOPKP

Land Value Added Tax (NJOP)	Building Property Value Added Tax	NJOP
1,426,795,938,094,420	13,153,336,871	1,426,809,091,431,290

NJOP	NJOPTKP	NJOPKP
1,426,809,091,431,290	1,168,040,000,000	1,425,641,051,431,290

Source : Data processed by the author (2024)

Based on table 10, NJOPKP in Donggala Regency is IDR. 1,425,641,051,431,290 with a rate of 0.1%

Table 11: PBB Potential

DANCE (%)	NJOPKP	POTENTIAL
0.1%	1,425,641,051,431,290	1,425,641,051,431

Source : Data processed by the author (2024)

Based on Table 11, the potential Land and Building Tax (PBB) for Donggala Regency in 2023 is calculated based on a tax rate of 0.1% of the total Taxable Object Sales Value (NJOPKP) which reaches IDR 1,425,641,051,431,290. Thus, the maximum potential PBB revenue that can be explored by the local government is IDR 1,425,641,051,431. This figure reflects the enormous fiscal potential if all taxable objects are recorded and collected optimally. However, the realization of revenue that is far below this potential value indicates that not all of this potential has been optimally utilized, so an intensive strategy is needed in updating data, taxpayer socialization, and digitizing the collection system to reduce the gap between potential and realized PBB.

UN Effectiveness Analysis

$$Effectiveness\ PBB\ 2019 = \frac{1.189.531.930,24}{1.125.000.000,00} \times 100 \%$$

$$= 105,74\%$$

$$\text{Effectiveness PBB 2020} = \frac{1.129.662.625,81}{1.130.000.000,00} \times 100 \%$$

$$= 99,97\%$$

$$\text{Effectivenessf PBB 2021} = \frac{1.216.095.933,00}{1.000.000.000,00} \times 100 \%$$

$$= 121,61\%$$

$$\text{Effectiveness PBB 2022} = \frac{1.215.079.099,00}{2.000.463.000,00} \times 100 \%$$

$$= 60,75\%$$

$$\text{Effectiveness PBB 2023} = \frac{910.518.700,76}{1.000.000.000,00} \times 100 \%$$

$$= 91,05\%$$

Table 12: Effectiveness of Land and Building Tax Collection from 2019 to 2023)

YEAR	UN TARGET	REALIZATION OF PBB RECEIPTS	PERCENTAGE	CRITERIA
2019	1,125,000,000.00	1,189,531,930.24	105.74%	Very Effective
Year 2020	1,130,000,000.00	1,129,662,625.81	99.97%	Effective
2021	1,000,000,000.00	1,216,095,933.00	121.61%	Very Effective
2022	2,000,463,000.00	1,215,079,099.00	60.75%	Less Effective
2023	1,000,000,000.00	910,518,700.76	91.05%	Effective

Source : Data processed by the author (2024)

The effectiveness of Land and Building Tax (PBB) collection in Donggala Regency during the 2019-2023 period showed variations reflecting the local government's performance in achieving its tax revenue targets. Based on the effectiveness calculation using the ratio between revenue realization and the set target, it was found that the collection effectiveness in 2019 reached 105.74%, indicating that the local government successfully exceeded its target. This indicates excellent collection performance, supported by an effective collection strategy and high levels of public participation. A similar situation also occurred in 2021, where the effectiveness reached 121.61%, reflecting tax realization that far exceeded the target, thus categorizing this year as a highly effective year for PBB collection.

However, the effectiveness of PBB collection in other years showed more varied results. In 2020, the effectiveness reached 99.97%, which, while close to the target, still represented a slight decrease compared to the previous year. The most significant decline occurred in 2022, when the collection effectiveness reached only 60.75%. These results indicate serious obstacles to achieving revenue targets, both in terms of administrative collection capacity and taxpayer compliance. This could be influenced by factors such as unrealistic target setting, low taxpayer awareness, and economic conditions that can suppress the public's ability to pay taxes.

Meanwhile, in 2023, the effectiveness of PBB (land and building tax) collection reached 91.05%. While quite good, this figure is still below 100%. This indicates that the target has not been fully achieved. This decline may reflect weaknesses in the tax collection system, including a

lack of innovation in local governments' approaches to increasing tax revenue. The decline in effectiveness in certain years indicates the need for a comprehensive evaluation of the collection mechanism, from planning more realistic targets to improving services and public outreach.

Overall, the results of the calculation of the effectiveness of PBB collection in Donggala Regency indicate that despite periods of high effectiveness, such as 2019 and 2021, the challenges faced in 2022 and 2023 underscore the importance of improving the tax collection system. Local governments need to identify factors causing the decline in effectiveness, such as inaccurate taxable data, suboptimal communication strategies, and low levels of taxpayer compliance, and take immediate steps to address these obstacles. With structured and innovative improvements, the effectiveness of PBB collection in Donggala Regency is expected to consistently increase in the future.

UN Contribution Analysis

$$\text{Contribution PBB 2019} = \frac{1.189.531.930,24}{82.731.306.991,13} \times 100 \% \\ = 1,44 \%$$

$$\text{Contribution PBB 2020} = \frac{1.129.662.625,81}{106.028.267.179,49} \times 100 \% \\ = 11,07 \%$$

$$\text{Contribution PBB 2021} = \frac{1.216.095.933,00}{64.184.137.263,07} \times 100 \% \\ = 1,89 \%$$

$$\text{Contribution PBB 2022} = \frac{1.215.079.099,00}{77.458.421.603,76} \times 100 \% \\ = 11,57 \%$$

$$\text{Contribution PBB 2023} = \frac{910.518.700,76}{106.197.181.986,48} \times 100 \% \\ = 10,86 \%$$

Table 13: Contribution of Land and Building Tax to Regional Original Income (PAD) 2019 to 2023

YEAR	BEARINGS	REALIZATION OF PBB RECEIPTS	PERCENTAGE	CRITERIA
2019	82,731,306,991.13	1,189,531,930.24	1.44 %	Very less
2020	106,028,267,179.49	1,129,662,625.81	1.07 %	Very less
2021	64,184,137,263.07	1,216,095,933.00	1.89 %	Very less
2022	77,458,421,603.76	1,215,079,099.00	1.57 %	Very less
2023	106,197,181,986.48	910,518,700.76	0.86 %	Very less

Source : Data processed by the author (2024)

Contribution of Land and Building Tax (PBB) to Regional Original Income (PAD) Donggala Regency in the 2019-2023 period showed relatively small figures, despite having significant potential. Based on the results of the contribution calculations by comparing the realization of

PBB with the total PAD, the contribution is known. The PBB contribution to PAD varies annually. In 2019, the PBB contribution was recorded at by 1.44%, this shows that even though the PBB realization exceeded the target, its contribution to PAD is still relatively low. This shows that PAD Donggala Regency is dominated by other sources of income besides PBB, so the role of PBB in the PAD structure is still limited.

In 2020, the UN contribution decreased to 1.07%, despite its effectiveness. tax revenue in that year almost reached 100%. This decline shows that although PBB revenues are stable, the overall increase in PAD is greater compared to the increase in PBB, so that the proportion of PBB contribution to PAD has decreased decline. This condition reflects the need to improve PBB collection performance so that its contribution to PAD can be more optimal.

Meanwhile, in 2021, the UN contribution increased to 1.89%, the highest in the last five years. This increase is in line with The effectiveness of PBB collection reached 121.61%, this shows that the realization Tax revenue exceeding the target has a positive impact on contributions PBB in the PAD structure. However, despite the increase, PBB's contribution to PAD remains relatively small. PAD is still below 2%, meaning that the role of PBB in supporting regional finances is still low. still very limited.

In 2022, the UN contribution will fall again to 1.57%. This decline was influenced by the low effectiveness of tax collection in that year, which has only reached 60.75% of the target. This year's PBB realization has not been optimal. hamper the potential contribution of the UN to PAD, indicating that there are obstacles in tax management and collection issues that need to be addressed immediately. 2023 shows a trend further decline, with the UN contribution reaching only 0.86%, the lowest in five-year period. This decline occurred despite the relatively good effectiveness of PBB collection. of 91.05%, however, the realization of PBB is still small when compared to the total PAD which has increased significantly.

Overall, the results of the calculation of PBB contributions to PAD in the Regency Donggala Regency in the last five years showed an average contribution of 1.37%, shows that the role of the UN is still far from optimal as a primary source of income. region. This shows that local governments need to make strategic efforts to increase the PBB's contribution to PAD. Steps that can be taken include improving the taxable object database, optimizing tax collection, and increasing human resource capacity. through technological innovation, as well as strengthening outreach to the community to improve taxpayer compliance. By optimizing the potential for PBB revenue, its contribution towards PAD is expected to increase significantly in the future, so that it can support sustainable regional development.

DISCUSSION

The results of this study reveal that the capability of Land and Building Tax (PBB) in increasing Regional Original Income (PAD) in Donggala Regency still faces significant challenges, despite its theoretically large fiscal potential. Based on the potential analysis, PBB in Donggala Regency has a NJOPKP value of Rp1.42 quadrillion, with potential PBB revenue reaching over Rp1.42 trillion. However, the realization of PBB revenue in 2023 was only Rp910 million, indicating a significant gap between potential and realization—a fact that reflects the failure to achieve optimal regional tax management capabilities.

These findings highlight the weak updating of taxable data and the low level of taxpayer participation. This phenomenon reinforces the perspective of Agency Theory, which posits information asymmetry between the principal (local government) and the agent (the public as taxpayers), potentially creating deviations in the collection and reporting process. Agents (the public) may fail to report taxable data accurately or evade their obligations, while the principal (the government) lacks an adequate oversight system.

The fluctuating effectiveness of PBB (land and building tax) collection further emphasizes the need for managerial and systemic improvements. 2021 demonstrated the highest

effectiveness rate at 121.61%, but this figure dropped drastically to 60.75% in 2022 and only 91.05% in 2023. This fluctuation indicates the absence of a sustainable tax management system, including planning, execution, and monitoring. This situation also reflects the lack of full integration of regional fiscal policy with technology and real-time data, as has been achieved in regions with higher levels of effectiveness, such as Tangerang City or Alor Regency.

The contribution of land and building tax (PBB) to local revenue (PAD) is also very low, averaging only 1.37% over the past five years. This places Donggala Regency in the "very poor" category in utilizing its potential as a source of PAD. This low contribution demonstrates that fiscal potential has not been a development priority, even though, within the framework of fiscal decentralization, PAD is the key to regional independence. This fact is ironic considering Donggala Regency's significant land area and the large number of registered taxable entities.

From an economic and social development perspective, low PBB contributions directly impact the limited fiscal capacity of local governments to provide public services. When PBB's potential is not fully utilized, funding for infrastructure development, education, health, and other social services is limited. Therefore, improving PBB capabilities is crucial not only for fiscal and administrative aspects but also for social dimensions and community well-being.

In the world of education and technology, these results provide an important lesson: tax management requires cross-sector integration. Public education regarding tax obligations and transparency of tax use need to be improved to encourage compliance. Technologies such as geographic information systems (GIS), e-taxation, and big data analysis can be implemented to strengthen taxable object mapping systems, automated billing, and data-driven monitoring.

If we refer to previous research, these results strengthen the findings (Setya Rafifa, 2016) in Batang Regency found that the average contribution of PBB-P2 to PAD was only 10.10% because many taxable objects were still unregistered. Similarly, research by (Fadliyanti & Wijimulawiani, 2024) in Mataram City, the PBB-P2 contribution was only 6.91% of the PAD. Donggala, unlike these two regions, has an even lower contribution rate, at only around 1.37% over the past five years. Therefore, this study provides a new perspective that the gap between potential and realized PBB can be more extreme than the general picture, further underscoring the need for reforming fiscal governance at the regional level.

Overall, this discussion emphasizes the importance of structural reform in the management of PBB (land tax) in Donggala Regency. The local government must begin focusing on digitizing the tax system, empowering human resources through technical training, and improving public fiscal literacy. Without strategic improvements, the vast potential of PBB will remain merely a figure in a report, unable to make a real contribution to increasing Regional Original Income (ROI) and the welfare of the wider community.

CONCLUSION

The conclusion of this study shows that the capability of Land and Building Tax (PBB) in increasing Regional Original Income (PAD) in Donggala Regency is still far from optimal, despite its enormous fiscal potential with the NJOPKP value reaching more than IDR 1.42 quadrillion. The striking disparity between potential and realized revenue indicates structural weaknesses in regional tax management, both in terms of the accuracy of taxable object data, the effectiveness of the collection system, and the low level of taxpayer compliance. The fluctuating effectiveness of PBB collection and an average contribution of only 1.37% to PAD reinforce the assumption that the PBB's role in the regional financial structure is still very limited. In the context of Agency Theory, this condition illustrates the existence of information asymmetry between the government (principal) and the community (agent) which results in low fiscal participation. In fact, within the framework of fiscal decentralization, optimizing regional revenue sources such as PBB is the main key to strengthening the independence and quality of public services. Therefore, the results of this study not only answer the question of the extent to which PBB contributes to

local revenue (PAD), but also underscore the urgency of comprehensive reform through data updates, tax system digitization, human resource capacity building, and fiscal education for the public. If these strategic steps are not implemented immediately, the PBB's significant potential will remain merely figures on paper, unable to significantly drive regional economic growth and improve community welfare .

LIMITATIONS

To improve the effectiveness and contribution of PBB (land tax) taxes, local governments need to undertake various strategic efforts. These include regularly updating taxable data, improving technology-based tax administration services, providing educational approaches to the public, reviewing PBB revenue targets, and providing incentives for compliant taxpayers. With these steps, PBB can hopefully become a more significant source of revenue for regional development in Donggala Regency .

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