Multiparadigm Journal of Tax and Finance (MJTF)
Vol. 1, No. 1, August 2025, pp. 34-40
E-ISSN: 3090-3831 | DOI: doi.org/10.64021/mjtf.1.2.34-40.2025

Analysis of Factors Affecting the Effectiveness and Contribution of Land and Building Tax Receiving on Regional Original Income in Bandung City

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ARTICLE INFO

Article history:

Received : July 20, 2025
Revised : August 31, 2025
Published : September 13, 2025

Keywords:

Keyword1; Land and Building Taxes
Keyword2; Local Own Source Revenue

ABSTRACT

Purpose: This research aims to analyze the contribution of Land and Building Tax (PBB) to the Local Original Revenue (PAD) of the City of Bandung, evaluate the effectiveness of PBB collection in the last five years, and identify the factors influencing the effectiveness of its collection.

Methodology: The research uses an applied approach with a descriptive method. Quantitative data is obtained from primary and secondary sources through documentation and interviews at the Regional Revenue Agency of Bandung City. The analyses used include descriptive analysis, contribution analysis, and effectiveness analysis.

Findings: The research results show that the average contribution of property tax (PBB) is 22.43% to the local revenue (PAD) of Bandung City, which falls into the very significant contribution category. However, its contribution is fluctuating and has not been consistently optimal. The average effectiveness level of collections reaches 92.88% with annual achievement variations ranging from less effective to very effective. Factors affecting effectiveness include taxpayer compliance, enforcement of sanctions, quality of service, outreach, and technical collection constraints.

Conclusion: Land and building taxes play a significant role in supporting the local revenue of Bandung City, but the fluctuations in contribution and effectiveness indicate the need for sustainable optimization strategies.

Implication: This result contributes academically to regional tax studies by demonstrating the gap between nominal and substantive effectiveness, and practically encourages local governments to strengthen taxpayer compliance and collection governance to enhance the stability of property tax contributions.

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1. INTRODUCTION

Regional development in Indonesia requires stable funding sources, one of which comes from the taxation sector. Local taxes, as part of Local Original Revenue (PAD), play an important role in supporting regional autonomy and financing public services. One of the main components of local tax is the Rural and Urban Land and Building Tax (PBB-P2), which has strategic potential because its tax objects include nearly all land and buildings in urban areas (Hapsari, 2019). However, the realization of PAD in the city of Bandung during the period of 2017–2021 has never reached the target, even though the contribution of local taxes, including PBB, is relatively high. This situation raises questions regarding the effectiveness of PBB management in increasing PAD.

According to data from the Regional Revenue Agency (Bapenda) of the City of Bandung, the revenue from property tax has experienced significant fluctuations. In some years, the targets were not met, while in other years the targets were exceeded due to adjustments in the targets caused by economic conditions, such as the Covid-19 pandemic. This situation can be seen in Table 1 below.

Table 1.Target Data and Realization of Local Tax Revenue in Bandung City for the years 2017-2021

Year	Target	Realization	Achievement of the Target
2017	Rp2.400.097.139.060	Rp2.175.084.126.326	90,62%
2018	Rp2.644.000.000.000	Rp2.160.150.277.316	81,70%
2019	Rp2.559.095.636.533	Rp2.154.637.871.057	84,20%
2020	Rp1.751.231.714.893	Rp1.629.188.481.446	93,03%
2021	Rp1.808.750.000.000	Rp1.695.122.535.713	93,72%

Source: Finance and Assets Regional Agency of Bandung City (reprocessed)

The data shows that although the number of Tax Notification Letters (SPPT) has increased, the realization of land and building tax (PBB) revenue tends to be unstable. This emphasizes the importance of analyzing the contribution and effectiveness of PBB as a source of local revenue (PAD) for the city of Bandung, while also illustrating the presence of structural issues in its collection management.

Based on these conditions, this research aims to answer three main questions:

1. What is the contribution of the Land and Building Tax (PBB) revenue to the Local Original Revenue (PAD) of Bandung City during the period of 2017-2021?
2. What is the level of effectiveness of PBB revenue in Bandung City during the period of 2017-2021?
3. What are the factors that influence the effectiveness of PBB revenue in Bandung City during the period of 2017-2021?

The purpose of this research is to analyze the contribution and effectiveness of land and building tax (PBB) revenue, as well as to identify the factors influencing it. Academically, this research contributes to the study of regional taxation by providing the latest empirical evidence related to the effectiveness and contribution of PBB at the city level. This research also fills the gap of previous studies that focused mainly on other regions or only examined one aspect, thus having relevance both practically and theoretically in strengthening the governance of regional taxation.

2. LITERATURE REVIEW

Contribution of Land and Building Tax to Local Revenue

Property tax (PBB) is one of the main sources of regional tax revenue supporting Local Own-Source Revenue (PAD). Yulia's study (2009) in the city of Bandung shows that the effectiveness of PBB revenue during the period 2002–2008 is categorized as quite to very effective, yet its contribution to PAD is still low. This indicates a gap between the potential revenue and the actual contribution to regional fiscal independence.

Effectiveness of Property Tax Collection in Various Regions

Several studies in other areas support similar findings. Adelina (2012) in Gresik Regency found that the effectiveness of property tax collection is very high, but its contribution is below 10%. Putri (2018) in Gorontalo also reported that the effectiveness of the collection is not yet optimal, while the contribution remains low. Sukmawati (2017) in Banyumas even noted that the effectiveness of collection exceeds 100% (very effective), yet the contribution is still categorized as low.

Variations in Findings on Effectiveness and Contributions

The research by Wicaksono & Setiawan (2017) in Jember shows that the effectiveness of property tax collection varies from quite effective to less effective, while its contribution to local revenue is classified as very low. Meanwhile, Yeni (2020) in Bekasi City found that the average effectiveness of property tax revenue was very high (>100%), but its contribution was only about 16%, which is still considered low.

Research Gaps and Study Relevance

Previous results indicate a common pattern: the effectiveness of Property Tax (PBB) collection is relatively good in many areas, but its contribution to Local Own Revenue (PAD) is still limited. Factors such as taxpayer compliance, enforcement of sanctions, quality of service, and the intensity of tax socialization are suspected to influence this condition. Therefore, research is needed to examine the contribution, effectiveness, and determining factors of Property Tax effectiveness in the context of Bandung City to provide the latest empirical picture while filling the gaps in previous research.

3. METHODS

This study uses a quantitative approach with a descriptive applied method. The focus of the research is directed at the contribution and effectiveness of Property and Building Tax (PBB) on the Regional Original Income (PAD) of Bandung City, as well as the factors that influence it. The object of the research is the Bandung City Revenue Agency (Bapenda), with a data observation period from 2017 to 2021. The selection of the object is based on the strategic role of the agency as the manager of PBB revenues at the city level.

The data used consists of primary and secondary data. Primary data was obtained through interviews with officials from Bapenda responsible for property tax (PBB), while secondary data includes reports on the realization of property tax revenue and local revenue (PAD) in the city of Bandung, official documents, and other supporting archives. In addition, documentation methods were used to collect historical data regarding the targets and realization of regional tax revenue.

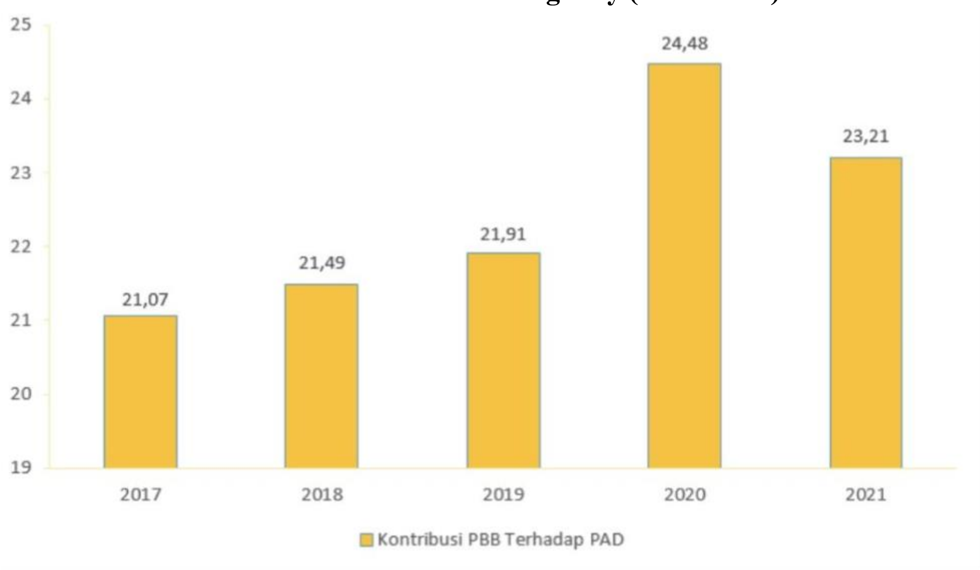
Data analysis is carried out using three main techniques, namely descriptive analysis to describe the general condition of property tax (PBB) revenue, contribution analysis to measure the role of property tax against local revenue (PAD), and effectiveness analysis to assess the achievement of realization compared to the revenue targets. The results of the analysis are then combined with field findings from interviews to identify the factors influencing the effectiveness of property tax collection in the city of Bandung.

4. RESULTS AND DISCUSSION

A. The Contribution of Property Tax to the Local Revenue of Bandung City

The contribution analysis shows that the Land and Building Tax (PBB) provides an average contribution of 22.43% to the Local Revenue (PAD) of Bandung City during the period of 2017–2021. Based on contribution criteria, this value falls into the very contributory category. This figure makes PBB the type of tax with the highest contribution compared to other regional taxes.

Figure 1. Graph of the Contribution of Land and Building Tax to the Regional Revenue of Bandung City (2017–2021)



Source: Author's Data Processing (2022)

Although the contribution of property taxes (PBB) is considered significant, the contribution pattern still fluctuates and has not been consistently optimal. This finding shows that the role of PBB as a support for local revenue is quite strong, but the management of its collection still needs to be improved for a more stable contribution. This condition aligns with the research of Adelina (2012), Sukmawati (2017), and Putri (2018), which all found relatively low contributions of PBB in other regions, thus the position of Bandung City can be said to be better because its contribution is already in the very contributing category.

B. Effectiveness of Property and Building Tax Collection

The effectiveness of property tax collection shows a fluctuating trend. In 2017, the effectiveness achievement was 93.90% (effective), dropping to 78.90% (less effective) in 2018, then increasing to 88.61% (sufficiently effective) in 2019. In 2020-2021, the realization of revenue exceeded targets, with effectiveness of 101.04% and 101.95% respectively, which falls into the very effective category. On average, the effectiveness of property tax collection over five years is 92.88%, which is classified as effective.

Table 2. Percentage of Effectiveness of Land and Building Tax Acceptance in Bandung City

Year	% Effectiveness	Effectiveness Criteria
2017	93,90	Effective (90%-100%)

2018	78,90	Less Effective(60%-80%)
2019	88,61	Quite Effective (80%-90%)
2020	101,04	Very Effective (Lebih dari 100%)
2021	**101,95**	**Very Effective (Lebih dari 100%)**
Rata-Rata	**92,88**	**Efektif (90%-100%)**

Source: Author's Data Processing (2022)

Table 2 clearly shows the pattern of fluctuations in effectiveness: a decrease in 2018, a gradual increase in 2019, and then a spike in 2020–2021 due to the lowering of revenue targets during the Covid-19 pandemic. Thus, the high nominal effectiveness in the last two years does not fully reflect the optimization of real revenue potential. This is consistent with the findings of Wicaksono & Setiawan (2017) in Jember and Yeni (2020) in Bekasi, which indicate that the effectiveness of PBB is often more influenced by fiscal target policies than by collection capacity.

C. Factors that Affect Effectiveness

The results of the interview with Bapenda officials revealed five main factors affecting the effectiveness of property tax collection, namely:

1. Uneven taxpayer compliance, even though the number of tax assessment notices continues to increase.
2. The implementation of administrative sanctions that could encourage compliance, but has not yet been carried out consistently.
3. The quality of services that plays a role in building public trust, but is still limited.
4. Tax outreach and education that helps raise awareness, but the intensity has not been optimal.
5. Technical and administrative constraints such as limitations in information systems and the capacity of the apparatus.

This finding emphasizes that the effectiveness of property tax collection is not only determined by the achievement of targets, but also by structural factors and taxpayer behavior. Thus, this study adds an important dimension to the literature on local taxation, which previously focused more on numerical contributions and effectiveness.

Academically, this research fills the gap in the literature by demonstrating that although the contribution of property tax (PBB) in the city of Bandung falls into the very high contribution category, the fluctuations in revenue remain an issue that reduces consistency in optimization. Furthermore, this study highlights the difference between nominal effectiveness (based on target-realization) and substantive effectiveness (based on real potential).

Practically, the research results recommend increasing taxpayer compliance, strengthening administrative sanctions, improving service quality, and modernizing information systems. With these strategies, revenue effectiveness can be more sustainable, and the contribution of PBB to local revenue (PAD) will not only be high in category but also consistent each year.

5. CONCLUSION

This research found that the Land and Building Tax (PBB) contributed an average of 22.43% to the Regional Original Income (PAD) of Bandung City in the period 2017–2021, which falls into the category of very contributory although fluctuating, hence not consistently optimal. The effectiveness rate of PBB collection during the research period averaged 92.88%, with annual achievements varying from less effective to very effective. Factors influencing effectiveness include taxpayer compliance, the imposition of sanctions, quality of service, outreach, and technical constraints. Thus, this research answers the objective that PBB plays a significant role in PAD, the effectiveness of its collection is relatively good but unstable, and effectiveness is greatly influenced by structural factors and taxpayer behavior.

The theoretical implications of this research strengthen the literature on local taxation by emphasizing the distinction between nominal effectiveness (based on targets versus realizations) and substantive effectiveness (based on actual potential). Practically, the results of this study can serve as a foundation for local governments to enhance taxpayer compliance, improve service systems, and consistently apply sanctions to stabilize the contribution of land and building tax (PBB). The limitations of this research lie in its scope, which is restricted to one city and a five-year period, thus future research could expand the study to other regions or use comparative methods to provide a more comprehensive overview.

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