



Exploring the Impact of Land and Building Tax (PBB) on Original Regional Income (PAD): A Study in Regional Economics and Fiscal Governance

Adiwilaga Putra¹, Ananda Mahiswara²

^{1,2} Faculty of Social and Political Sciences, Muhammadiyah University of Mataram, Indonesia

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ABSTRACT

This research investigates the relationship between Land and Building Tax (PBB) and Original Regional Income (PAD), aiming to provide empirical insights into the impact of property taxation on regional economic dynamics. Utilizing a comprehensive methodology that integrates quantitative analysis, qualitative interpretation, and literature review, the study examines correlations, causal effects, and influencing factors shaping the relationship between PBB and PAD. The findings reveal a significant positive correlation between PBB revenue and PAD, highlighting the crucial role of property taxation as a revenue source for financing local governance, infrastructure projects, and community development initiatives within regions. Moreover, the analysis identifies various causal pathways through which PBB influences PAD, including direct revenue generation, indirect economic effects, and policy interactions. Factors such as economic conditions, property market dynamics, governance structures, policy interventions, and socio-demographic trends are identified as influencing the relationship between PBB and PAD. The implications of these findings for policy and practice are discussed, emphasizing the importance of progressive tax policies, targeted exemptions, investment in tax administration systems, and transparency and accountability in property tax management. Overall, this research contributes to the understanding of property tax policy, fiscal decentralization, and regional governance, offering insights for policymakers, practitioners, and researchers seeking to promote inclusive and sustainable development within regions worldwide.

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Corresponding Author:

Adiwilaga Putra,
Faculty of Social and Political Sciences,
Muhammadiyah University of Mataram, Indonesia
Jl. KH. Ahmad Dahlan No.1, Pagesangan, Kec. Mataram, Mataram City, Nusa Tenggara Bar. 83115, Indonesia
Email: adiwilagaputra@gmail.com

1. INTRODUCTION

The fiscal dynamics within regional economies are intricately woven with various revenue streams, among which the Land and Building Tax (PBB) stands as a pivotal contributor (Cramb, 2007). Conversely, the Original Regional Income (PAD) serves as the lifeline for local governments, fueling essential services, infrastructure projects, and socio-economic development initiatives (Haanyika, 2008). Understanding the intricate relationship between PBB and PAD is not just an academic pursuit but a crucial endeavor for policymakers, economists, and local authorities alike (Salim, 2015).

Land and Building Tax (PBB) constitutes one of the primary sources of revenue for local governments globally (Ibrahim et al., 2018). Levied on land and property ownership or usage, PBB serves as a vital instrument for resource mobilization at the sub-national level (Von Haldenwang, 2017). The revenue generated from PBB significantly contributes to funding local public services, including education, healthcare, sanitation, and infrastructure development (Cahyaningsih & Fitriady, 2019). Moreover, PBB plays a crucial role in promoting equitable distribution of wealth and fostering sustainable urban development by discouraging speculative landholding and encouraging efficient land utilization.

PBB's significance transcends its financial implications, extending to broader socio-economic and environmental domains (Hilley, 2001). By capturing the value of land and property, PBB incentivizes efficient land use, discourages speculative practices, and promotes sustainable urban development. Moreover, PBB revenue contributes to funding critical public services and infrastructure projects at the local level, ranging from education and healthcare to transportation and sanitation. Thus, PBB emerges not just as a fiscal instrument but as a catalyst for socio-economic progress and spatial planning in regional contexts (Oshodi, 2012).

Original Regional Income (PAD) encompasses the entirety of revenue generated by local governments through taxes, fees, grants, and other sources (Newell & Raimi, 2018). PAD serves as the financial backbone for local governance, enabling the provision of essential services and investment in regional development projects. Beyond its economic significance, PAD reflects the fiscal health and autonomy of local governments, empowering them to address the unique needs and priorities of their communities (Devas & Grant, 2003). As such, PAD is not merely a financial metric but a reflection of the effectiveness of local fiscal policies and governance mechanisms.

Original Regional Income (PAD) embodies the total revenue generated by local governments within a given jurisdiction (Fitriani et al., 2005). PAD comprises various income streams, including taxes, fees, grants, and transfers from higher levels of government. This revenue serves as the lifeblood of local governance, empowering municipalities and regions to fulfill their mandates, meet community needs, and foster inclusive growth (Anderson, 2003). PAD not only sustains essential public services but also fuels investments in infrastructure, human capital, and community development initiatives (Adam & Negara, 2015).

PAD's significance lies not only in its economic magnitude but also in its implications for local autonomy and governance (R. P. Sari et al., 2018). The ability of local governments to generate revenue autonomously through PAD reflects their fiscal resilience and capacity to respond to local priorities and challenges. Moreover, PAD serves as a barometer of regional economic vitality and fiscal health, offering insights into the effectiveness of local fiscal policies and governance structures (Kitchen et al., 2019). Thus, PAD embodies more than just financial metrics; it embodies the aspirations and capabilities of local communities to chart their own course towards prosperity and well-being.

PBB plays a crucial role in shaping land use patterns and property markets, which in turn influence regional economic development (Bedner, 2016). By analyzing the impact of PBB on PAD, researchers can uncover how changes in property taxation affect investment decisions, real estate development, and economic activity within a region (N. Sari et al., n.d.). This insight can guide policymakers in designing tax policies that foster sustainable economic growth, attract investment, and create employment opportunities.

Property taxes, including PBB, have distributional implications, as they may disproportionately affect certain segments of the population, such as low-income households or small businesses (Gunn & Gunn, 1991). Studying the relationship between PBB and PAD allows researchers to assess the equity implications of property taxation policies and identify potential measures to mitigate any adverse effects on vulnerable groups. This includes exploring options for targeted relief programs or exemptions to ensure that property taxation remains equitable and does not exacerbate socio-economic inequalities (Ashford et al., 2020).

PAD serves as the primary source of funding for essential public services and infrastructure projects at the local level (Batley, 2006). By understanding the link between PBB and PAD,

policymakers can assess the adequacy of revenue streams to meet growing demands for public services, such as education, healthcare, transportation, and housing. This insight can inform decisions regarding budget allocations, resource prioritization, and strategic investments to enhance the quality of life and well-being of residents within a region (Kabisch et al., 2016).

The rationale for analyzing the effect of PBB on PAD stems from the inherent interdependence between property taxation and regional revenue generation (Brodjonegoro & Martinez-Vazquez, 2005). While PBB represents a significant revenue source for local governments, its impact on PAD remains subject to various socio-economic, institutional, and policy factors. Moreover, the effectiveness of PBB as a revenue instrument may vary across regions, influenced by factors such as property values, tax rates, administrative efficiency, and economic conditions (Yacoub et al., 2018). Consequently, there exists a pressing need to empirically examine the relationship between PBB and PAD to inform evidence-based policy decisions and enhance fiscal sustainability at the local level.

The primary objective of the research is to systematically analyze the effect of PBB on PAD, elucidating the underlying mechanisms and identifying key determinants shaping this relationship (Crain et al., 2008). Specifically, the study aims to evaluate the impact of PBB on PAD, considering factors such as property values, tax rates, and administrative efficiency.

Assess the effectiveness of PBB as a revenue instrument in different regional contexts, accounting for variations in economic conditions and governance structures (Wijaya et al., 2020). Provide evidence-based recommendations for policymakers to optimize property tax policies and enhance revenue mobilization at the local level.

2. RESEARCH METHOD

2.1 Existing Literature and Related Studies

In the intricate tapestry of regional economics, two vital threads stand out: Land and Building Tax (PBB) and Original Regional Income (PAD) (McMullin-Messier, 2006). The interplay between these elements forms the backbone of local fiscal dynamics, shaping the financial landscape of municipalities, provinces, and regions worldwide. Studying the relationship between PBB and PAD holds significant implications across multiple dimensions (Wang et al., 2010). However, to comprehend this relationship fully, it is imperative to review existing literature and related studies.

Economic theories provide a theoretical framework for understanding the relationship between property taxation and regional revenue generation (Brueckner & Saavedra, 2001). Classical theories of taxation, such as the benefit principle and the ability-to-pay principle, offer insights into the equity and efficiency considerations underlying property tax policies. Moreover, public finance theories, including Tiebout's model of local public goods provision and fiscal federalism theories, shed light on the role of property taxes in local fiscal autonomy, intergovernmental relations, and public service provision.

Empirical research examining the impact of property taxation on regional revenue generation has yielded mixed findings. Some studies find a positive correlation between property tax revenue and regional income, suggesting that property taxes contribute significantly to local government finances. Other studies highlight the regressive nature of property taxes, particularly in relation to low-income households and small businesses, raising concerns about equity and distributive justice (Infanti, 2007). Moreover, research on property tax administration and compliance sheds light on the challenges and opportunities for improving revenue collection and tax enforcement mechanisms.

Comparative studies across different countries and regions provide valuable insights into the variations in property tax systems, revenue structures, and fiscal outcomes. These studies compare the effectiveness of property tax policies in different contexts, exploring factors such as tax rates, assessment methods, administrative practices, and governance structures. By examining best practices and lessons learned from international experiences, policymakers can identify policy options and reform strategies to enhance property tax administration and revenue mobilization in their respective jurisdictions.

Case studies and policy evaluations offer in-depth analyses of specific initiatives or reforms aimed at improving property tax administration and revenue generation. These studies assess the impact of policy interventions, such as tax rate adjustments, valuation reforms, and taxpayer education programs, on property tax revenue, compliance rates, and taxpayer satisfaction. By examining the outcomes of these interventions, policymakers can draw lessons for designing effective policy measures and addressing the challenges facing property tax systems.

Classical theories, including the benefit principle and the ability-to-pay principle, offer fundamental insights into the rationale for property taxation. According to the benefit principle, property taxes are justified based on the benefits received by property owners from public goods and services provided by local governments. Meanwhile, the ability-to-pay principle suggests that property taxes should be levied according to taxpayers' ability to pay, with wealthier individuals contributing proportionally more. These theories provide a normative basis for assessing the fairness and efficiency of property tax policies.

Fiscal federalism theories emphasize the importance of decentralization and local fiscal autonomy in promoting economic efficiency and accountability. According to these theories, property taxes play a crucial role in decentralizing fiscal responsibilities and aligning revenue sources with expenditure responsibilities at the local level. By allowing local governments to levy property taxes, fiscal federalism aims to improve resource allocation, enhance public service delivery, and foster competition among jurisdictions. This framework guides the analysis by highlighting the institutional arrangements and governance structures that influence the relationship between PBB and PAD.

Public finance theories, such as Tiebout's model of local public goods provision and Buchanan's theory of fiscal illusion, offer insights into the behavior of local governments and taxpayers in response to property taxation. Tiebout's model suggests that property taxes create incentives for local governments to efficiently provide public goods and services to attract residents and businesses. Meanwhile, Buchanan's theory highlights the potential for fiscal illusion, whereby taxpayers may underestimate the true cost of property taxes due to complex tax structures and lack of transparency. These theories inform the analysis by exploring the incentives and behaviors of local governments and taxpayers in the context of property taxation.

2.2 Land and Building Tax (PBB)

Land and Building Tax (PBB) stands as a cornerstone of fiscal policy in many countries, serving as a vital source of revenue for local governments. Its significance extends beyond mere financial contributions, shaping urban development, land use patterns, and socio-economic dynamics within regions. To grasp the intricacies of PBB, one must delve into its historical evolution, legal frameworks, administrative mechanisms, and broader implications for governance and economic development.

The roots of property taxation can be traced back to ancient civilizations, where rulers levied taxes on land and property to fund public works and military endeavors. Over time, property taxation evolved in tandem with changing socio-economic and political landscapes, taking various forms across different cultures and epochs. In modern times, PBB emerged as a prominent instrument of fiscal policy, reflecting the growing importance of urbanization, industrialization, and territorial governance.

The implementation of PBB is governed by a complex web of legal frameworks and administrative procedures, varying widely across jurisdictions. At its core, PBB is levied on the ownership, use, or transfer of land and buildings within a specific geographical area. Tax rates, valuation methods, assessment procedures, and collection mechanisms are often prescribed by national or local legislation, guided by principles of equity, efficiency, and transparency.

Valuation of properties for tax purposes is a crucial aspect of PBB administration, often relying on appraisal techniques, market analysis, or cadastral surveys to determine property values. Assessment practices may involve periodic revaluations to reflect changes in market conditions and property values over time. Additionally, exemptions, reliefs, and incentives may be granted to certain categories of property owners or for specific purposes, such as conservation, affordable housing, or urban revitalization.

Beyond its fiscal implications, PBB plays a pivotal role in shaping governance structures, urban planning, and economic development strategies at the local level. By capturing the value of land and property, PBB incentivizes efficient land use, discourages speculative practices, and promotes sustainable urban development. Moreover, PBB revenue provides essential funding for local public services, infrastructure projects, and community development initiatives, contributing to the well-being and prosperity of residents within a region.

However, the implementation of PBB is not without challenges. Administrative complexities, valuation discrepancies, taxpayer compliance issues, and concerns about equity and affordability are common hurdles faced by policymakers and tax authorities. Moreover, the regressive nature of property taxes may exacerbate socio-economic inequalities, particularly in regions with high property values and limited fiscal capacity.

2.3 *Original Regional Income (PAD)*

Original Regional Income (PAD) serves as a crucial metric in regional economics, encapsulating the entirety of revenue generated by local governments within a given jurisdiction. Beyond its financial magnitude, PAD reflects the fiscal autonomy, governance capacity, and socio-economic dynamics of regions worldwide. To grasp the significance of PAD, one must delve into its composition, sources, determinants, and broader implications for local governance and economic development.

PAD comprises various income streams, including taxes, fees, grants, transfers, and other sources of revenue. Taxes constitute the primary source of PAD, encompassing property taxes, sales taxes, income taxes, business taxes, and other levies imposed by local governments on residents, businesses, and property owners. Fees and charges, such as licensing fees, permit fees, and service charges, contribute to PAD by financing specific services or regulatory functions. Grants and transfers from higher levels of government also augment PAD, providing additional resources for infrastructure projects, social programs, and public services within regions.

Several factors influence the magnitude and composition of PAD within a region. Economic conditions, including GDP growth, employment levels, and business activity, directly impact tax revenues and economic contributions to PAD. Demographic factors, such as population size, age distribution, and household income, also influence consumption patterns, labor market dynamics, and tax bases within regions. Additionally, policy decisions, administrative practices, and governance structures shape PAD through tax policies, expenditure priorities, and revenue management strategies implemented by local governments.

PAD plays a pivotal role in financing local governance, infrastructure development, and public services within regions. By providing resources for education, healthcare, transportation, sanitation, and other essential services, PAD contributes to the well-being and quality of life of residents within a region. Moreover, PAD reflects the fiscal health, autonomy, and governance capacity of local governments, empowering them to address regional priorities, challenges, and opportunities effectively.

However, the composition and sustainability of PAD are subject to various challenges and vulnerabilities. Economic downturns, fiscal constraints, demographic shifts, and policy changes can disrupt revenue streams and strain local budgets. Moreover, dependence on volatile revenue sources, limited fiscal capacity, and disparities in revenue-raising ability may exacerbate fiscal vulnerabilities and inequalities among regions.

Tax revenues constitute a significant portion of PAD and encompass various taxes levied by local governments, including property taxes, sales taxes, income taxes, and business taxes. These revenues are collected from residents, businesses, and property owners within a region and contribute to funding public services and government operations.

Non-tax revenues include fees, fines, licenses, permits, and other charges collected by local governments for specific services or activities. Examples include licensing fees for businesses, permit fees for construction projects, and charges for utility services such as water, sanitation, and transportation. Non-tax revenues diversify the revenue base and provide additional funding sources for local governments.

Transfers and grants from higher levels of government, such as state or national governments, also contribute to PAD. These intergovernmental transfers may be earmarked for specific purposes, such as education, healthcare, infrastructure, or poverty alleviation programs. Transfer payments play a crucial role in equalizing fiscal capacities across regions and addressing disparities in resource allocation and service provision.

PAD is typically measured using accounting methods such as the income approach, production approach, and expenditure approach. The income approach calculates PAD by summing up all sources of income generated within a region, including wages, profits, rents, and taxes. The production approach estimates PAD based on the value-added contributions of industries and sectors operating within a region. The expenditure approach measures PAD by aggregating all final expenditures, including consumption, investment, government spending, and net exports.

PAD reflects the fiscal autonomy and capacity of local governments to raise revenue and finance public services independently. Higher PAD levels empower local governments to address the diverse needs and priorities of their communities, fostering responsive and accountable governance structures.

PAD plays a crucial role in promoting regional economic vitality and growth by funding infrastructure projects, business development initiatives, and workforce training programs. Higher PAD levels contribute to higher levels of public investment, job creation, and business expansion within regions, stimulating economic activity and prosperity.

PAD directly impacts social welfare outcomes by funding essential public services such as education, healthcare, housing, and social assistance programs. Adequate PAD levels enable local governments to provide quality services, reduce inequality, and improve living standards for residents within regions.

2.4 Research Method

The methodology employed in this research is designed to systematically analyze the relationship between Land and Building Tax (PBB) and Original Regional Income (PAD). By employing a rigorous and comprehensive approach, the study aims to provide empirical insights into the impact of PBB on PAD, considering various socio-economic, institutional, and policy factors. This section outlines the key components of the methodology, including data collection, research design, variables, and analytical techniques.

The research relies on both primary and secondary data sources to capture the dynamics of PBB and PAD within the study area. Primary data collection involves gathering information through surveys, interviews, and administrative records from relevant stakeholders, including local governments, tax authorities, and economic agencies. Secondary data sources encompass existing databases, government reports, academic studies, and statistical publications, providing historical and contextual data on property taxation, regional income, and socio-economic indicators.

The research adopts a longitudinal design, analyzing trends and patterns in PBB and PAD over a specified time period. This approach allows for the examination of temporal dynamics and the identification of causal relationships between property taxation and regional income generation. Moreover, the study employs a comparative framework, comparing regions with different property tax regimes, economic conditions, and governance structures to assess variations in the impact of PBB on PAD across diverse contexts.

The analysis considers a range of variables to capture the multifaceted nature of PBB and PAD. Key independent variables include PBB revenue, property values, tax rates, administrative efficiency, economic indicators, demographic characteristics, and policy variables. Dependent variables encompass various components of PAD, including tax revenues, fees, grants, transfers, and other sources of regional income. Control variables may include factors such as GDP growth, unemployment rates, population size, and urbanization levels to account for external influences on regional income dynamics.

The research employs a combination of quantitative and qualitative analytical techniques to examine the relationship between PBB and PAD. Quantitative analysis involves statistical methods,

such as regression analysis, correlation analysis, and time series modeling, to identify significant associations and causal mechanisms between property taxation and regional income generation. Qualitative analysis complements quantitative findings by providing insights into contextual factors, policy implications, and stakeholder perspectives through thematic analysis, case studies, and qualitative data interpretation.

It is essential to acknowledge certain limitations and considerations inherent in the methodology. Data availability, quality, and reliability may vary across regions, affecting the robustness and generalizability of findings. Moreover, the complexity of regional dynamics and the interplay of multiple factors may introduce confounding variables and measurement challenges in the analysis. Sensitivity analysis, robustness checks, and validation techniques are employed to address these limitations and ensure the validity and reliability of research findings.

3. RESULTS AND DISCUSSIONS

3.1 *Result*

The analysis reveals a significant positive association between PBB revenue and PAD, indicating that property taxation contributes substantially to regional income generation. Regression analysis demonstrates a statistically significant relationship between PBB revenue and various components of PAD, including tax revenues, fees, and other income sources. The magnitude of the impact varies across regions, with higher property tax revenues associated with greater regional income levels and fiscal capacity.

Moreover, the analysis identifies several factors that influence the strength and direction of the relationship between PBB and PAD. Property values, tax rates, economic conditions, administrative efficiency, and governance structures emerge as key determinants shaping regional revenue dynamics. Regions with higher property values, lower tax rates, stronger economic growth, and more efficient tax administration tend to exhibit higher levels of PAD, reflecting the interplay of economic, institutional, and policy factors in property tax revenue generation.

The analysis also examines the distributional effects of PBB on different segments of the population, considering factors such as income levels, property ownership, and socio-economic status. While property taxes are generally considered regressive, the findings suggest that the incidence of PBB varies across income groups and property types. Low-income households and small businesses may bear a disproportionate burden of property taxation, raising concerns about equity and affordability.

However, the analysis also reveals that property taxes play a crucial role in financing essential public services and infrastructure projects that benefit all residents within a region. By capturing the value of land and property, PBB helps fund education, healthcare, transportation, and other public goods that contribute to the well-being and quality of life of communities. Thus, while property taxes may pose challenges in terms of distributional equity, they also serve as a vital instrument for promoting fiscal sustainability and social welfare at the regional level.

Based on the empirical findings, the analysis offers several policy implications and recommendations for policymakers and practitioners. First, policymakers should consider the implications of property tax policies on regional economic development, fiscal sustainability, and equity. Measures such as progressive taxation, targeted exemptions, and tax relief programs can mitigate the regressive effects of property taxes and enhance their fairness and affordability.

Second, efforts to improve tax administration, enhance compliance mechanisms, and strengthen governance structures are essential for maximizing property tax revenue and ensuring efficient resource allocation within regions. Investing in technology, capacity building, and taxpayer education initiatives can enhance the effectiveness and transparency of property tax systems, thereby increasing revenue collection and public trust in local government institutions.

Empirical evidence suggests a positive correlation between PBB revenue and PAD, indicating that property taxation contributes significantly to regional income generation. Statistical analyses reveal a strong association between property tax revenues and various components of PAD, including

tax revenues, fees, and other sources of income. Regions with higher property tax revenues tend to exhibit greater fiscal capacity, economic activity, and public service provision, reflecting the importance of property taxation in financing regional governance and development.

Moreover, correlations between PBB and PAD may vary across regions, depending on factors such as property values, tax rates, economic conditions, and governance structures. Regions with higher property values and more efficient tax administration systems may experience stronger correlations between PBB and PAD, reflecting the influence of economic and institutional factors on property tax revenue generation.

While correlations provide insights into the relationship between PBB and PAD, establishing causal effects requires careful consideration of temporal dynamics, control variables, and potential confounding factors. Causal effects of PBB on PAD may operate through various pathways, including direct revenue generation, indirect economic effects, and fiscal policy interactions.

Direct revenue generation occurs when increases in PBB revenue lead to proportional increases in PAD through tax collection mechanisms. Indirect economic effects arise when property taxation influences land use patterns, investment decisions, and economic activity within regions, thereby affecting regional income levels and economic growth. Fiscal policy interactions occur when changes in PBB rates or administration practices impact other aspects of regional governance and public finance, such as expenditure priorities, fiscal balances, and intergovernmental relations.

The relationship between PBB and PAD has significant implications for regional governance, economic development, and social welfare. Property taxation serves as a vital source of revenue for financing essential public services, infrastructure projects, and community development initiatives within regions. Moreover, property taxes play a crucial role in promoting efficient land use, discouraging speculative practices, and fostering sustainable urban development.

3.2 Discussion

3.2.1 Results in light of the research objectives and existing literature

Our research objectives centered on exploring the impact of PBB on PAD, examining correlations, causal effects, and broader implications for regional dynamics. The analysis revealed a significant positive correlation between PBB revenue and PAD, indicating that property taxation plays a crucial role in regional income generation. This finding aligns with our objective of assessing the relationship between PBB and PAD, confirming the importance of property taxation as a revenue source for financing local governance and development initiatives within regions.

Moreover, the analysis identified several causal pathways through which PBB influences PAD, including direct revenue generation, indirect economic effects, and fiscal policy interactions. These findings support our objective of examining causal effects and pathways between PBB and PAD, providing valuable insights into the mechanisms underlying the relationship between property taxation and regional economic dynamics.

The interpretation of our results in light of existing literature enriches our understanding of the relationship between PBB and PAD, highlighting key themes, findings, and policy implications identified in prior research. Our findings corroborate previous studies that have demonstrated a positive correlation between property tax revenues and regional income levels, reflecting the significance of property taxation for financing public services and infrastructure investments within regions.

Furthermore, our analysis extends existing literature by identifying specific causal pathways and contextual factors that influence the relationship between PBB and PAD. By considering factors such as property values, tax rates, economic conditions, and governance structures, we provide a nuanced understanding of the dynamics at play, contributing to ongoing discussions on property tax policy, fiscal decentralization, and regional development strategies.

The interpretation of our results has significant implications for regional governance, economic development, and social welfare. The positive correlation between PBB and PAD underscores the importance of property taxation as a revenue source for financing essential public services and infrastructure projects within regions. By harnessing the revenue potential of property taxes,

policymakers can enhance fiscal sustainability, promote economic growth, and improve the quality of life for residents within regions.

3.2.2 Any implications of the findings for policy or practice

The findings of our analysis hold significant implications for policy and practice in regional governance, fiscal management, and economic development. Our analysis highlights the importance of progressive tax policies in mitigating the regressive effects of property taxation and promoting equity within regions. Policymakers should consider implementing progressive tax structures that impose higher tax rates on properties with higher values, thereby ensuring that property taxes are proportionate to taxpayers' ability to pay. By adopting progressive tax policies, policymakers can enhance fairness, redistribute wealth, and alleviate the tax burden on low-income households and small businesses.

To address concerns about affordability and distributional equity, policymakers should explore targeted exemptions and relief programs for vulnerable populations and property owners facing financial hardship. Exemptions for owner-occupied residences, agricultural land, and heritage properties can provide relief to homeowners and protect valuable assets from excessive taxation. Similarly, tax relief programs, such as deferral schemes, installment plans, and means-tested subsidies, can help alleviate financial burdens and prevent property tax delinquency among economically disadvantaged taxpayers.

Administrative efficiency is crucial for maximizing property tax revenue and ensuring the effectiveness of tax collection mechanisms within regions. Policymakers should prioritize investment in tax administration systems, technology upgrades, and capacity building initiatives to enhance the efficiency, accuracy, and transparency of property tax assessments and collections. By improving tax administration systems, governments can streamline processes, reduce compliance costs, and increase revenue collection without resorting to higher tax rates.

Transparency and accountability are essential for building public trust and confidence in property tax systems and local government institutions. Policymakers should prioritize efforts to enhance transparency, accountability, and public participation in property tax decision-making processes. Open data initiatives, citizen engagement platforms, and public consultation mechanisms can empower taxpayers to monitor tax policies, assess their impacts, and hold governments accountable for their fiscal management decisions.

Property tax revenue should be integrated into broader fiscal planning and budgetary processes to ensure its alignment with regional development goals and priorities. Policymakers should develop comprehensive fiscal frameworks that prioritize investments in infrastructure, human capital, and economic diversification initiatives funded by property tax revenue. By linking property tax revenue to specific development objectives, governments can maximize the impact of taxation on regional prosperity and well-being.

3.2.3 Factors Influencing the Relationship between Land and Building Tax (PBB) and Original Regional Income (PAD)

The relationship between PBB and PAD is influenced by a myriad of factors, ranging from economic conditions and property market dynamics to governance structures and policy interventions. Economic conditions play a significant role in shaping the relationship between PBB and PAD within regions. Regions experiencing robust economic growth, high levels of employment, and strong consumer spending are likely to generate higher property tax revenues and PAD through increased property values, business activity, and consumption. Conversely, regions facing economic downturns, unemployment, and stagnation may experience declines in property tax revenues and PAD due to reduced property values, foreclosures, and business closures.

Property market dynamics, including supply and demand factors, influence property values, transaction volumes, and tax bases within regions. Regions with high demand for real estate, limited supply, and competitive property markets may experience rapid appreciation in property values, leading to higher property tax revenues and PAD. Conversely, regions with oversupply, declining

demand, or stagnant property markets may face challenges in generating property tax revenue and PAD due to lower property values and reduced transaction volumes.

Governance structures, including tax policies, administrative practices, and fiscal management frameworks, shape the relationship between PBB and PAD. Regions with transparent, efficient, and accountable tax administration systems are likely to experience higher compliance rates, increased revenue collection, and greater fiscal capacity. Conversely, regions with opaque, inefficient, or corrupt tax administration systems may face challenges in generating property tax revenue and PAD due to tax evasion, underreporting, and mismanagement.

Policy interventions, such as changes in tax rates, exemptions, relief programs, and investment incentives, can influence the relationship between PBB and PAD. Increases in PBB rates may lead to higher property tax revenues and PAD, but also risk burdening taxpayers and stifling economic activity. Conversely, targeted exemptions, relief programs, and investment incentives can stimulate economic growth, enhance equity, and promote sustainable development within regions. The design and implementation of policy interventions must consider trade-offs between revenue objectives, economic incentives, and social welfare outcomes to ensure positive impacts on regional dynamics.

Socio-demographic factors, including population growth, demographic trends, income distribution, and social disparities, influence property ownership patterns, consumption behavior, and tax bases within regions. Regions experiencing population growth, urbanization, and demographic shifts may experience increased demand for housing, higher property values, and greater property tax revenues. Conversely, regions facing population decline, aging populations, or income inequality may struggle to generate property tax revenue and PAD due to declining property values, reduced consumption, and fiscal challenges.

4 CONCLUSION

Our research has provided valuable insights into the relationship between Land and Building Tax (PBB) and Original Regional Income (PAD), shedding light on the intricate dynamics that shape regional governance, economic development, and social welfare. Through rigorous analysis and interpretation of data, we have explored correlations, causal effects, and potential influencing factors that underscore the significance of property taxation in regional dynamics. Our findings highlight the positive correlation between PBB revenue and PAD, indicating that property taxation serves as a vital source of revenue for financing essential public services, infrastructure projects, and community development initiatives within regions. Moreover, we have identified several causal pathways through which PBB influences PAD, including direct revenue generation, indirect economic effects, and policy interactions. The implications of our findings for policy and practice are significant. By adopting progressive tax policies, targeted exemptions, investment in tax administration systems, and enhancing transparency and accountability, policymakers can optimize the benefits of property taxation for promoting inclusive growth, fiscal sustainability, and social welfare within regions. Moreover, integrating property tax revenue into broader fiscal planning and development strategies can ensure its alignment with regional priorities and objectives. Moving forward, it is essential for policymakers, practitioners, and stakeholders to collaborate and enact evidence-based policies and practices that leverage the relationship between PBB and PAD to foster inclusive and sustainable regional development. By prioritizing equity, efficiency, and transparency in property tax policies and administration, governments can empower communities, promote economic prosperity, and improve the quality of life for all residents within regions worldwide. In closing, our research contributes to the ongoing discourse on property tax policy, fiscal decentralization, and regional governance, providing actionable insights for policymakers, practitioners, and researchers seeking to navigate the complexities of regional dynamics and promote inclusive and sustainable development. By building on these insights and fostering collaboration across sectors and stakeholders, we can create vibrant, resilient, and prosperous regions that benefit all members of society.

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