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Policy Evaluation of Revenue Targeting and Local Tax Realization in Urban Indonesia

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Abstract

This study evaluates the effectiveness of revenue targeting and realization of Land and Building Tax (PBB-P2) within the framework of urban governance in Indonesia. Focusing on the case of Tangerang City, the research explores how local governments formulate tax revenue targets and the extent to which these are achieved through administrative strategies and digital service innovations. Using a qualitative-descriptive approach supported by secondary data, official reports, and relevant policy documents, the study highlights the role of digital platforms—particularly the Tangerang Live application—in improving taxpayer engagement, transparency, and payment efficiency. The findings indicate a steady increase in PBB-P2 realization, driven in part by the integration of technology and improvements in service delivery. However, challenges remain in areas such as target-setting accuracy, taxpayer data management, and bureaucratic responsiveness. This research emphasizes the importance of adaptive policy mechanisms and citizen-oriented tax administration to enhance local fiscal performance. The study contributes to the broader discourse on local public finance and digital governance in emerging urban contexts.

Keywords: Land and Building Tax, Revenue Targeting, Policy Evaluation, Urban Governance, Digital Public Services.

Introduction

Land and Building Tax (Pajak Bumi dan Bangunan Perdesaan dan Perkotaan – PBB-P2) has emerged as a foundational pillar of local fiscal autonomy in Indonesia’s urban regions, especially following the implementation of Law No. 28/2009 on Regional Taxes and Levies. This shift empowered local governments to independently set revenue targets, administer tax collection, and experiment with policy innovation tailored to local contexts. Consequently, the performance of PBB-P2 is widely recognized as a key indicator of regional fiscal health and a contributor to Pendapatan Asli Daerah (PAD).

A growing body of literature underscores the transformative role of digitalization in local tax administration. In Palembang, Mandiri et al. (2024) documented that digitalizing PBB administration led to significant gains in efficiency, accuracy, and transparency, thereby enhancing taxpayer compliance and expanding revenue potential. Similarly, in Jombang Regency, the adoption of the E-SPOP and GIS-EL systems resulted in a 9.16% increase in property tax object coverage and a 13.5% rise in PBB-P2 realization. These findings are echoed by studies in Belu Regency, which highlight the importance of combining online tax systems with institutional capacity to realize performance gains.

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Tangerang City's recent PBB-P2 trajectory aligns with this digital-driven trend. Official reports indicate that 2024 PBB-P2 revenue reached approximately IDR 570.6 billion, exceeding the target of IDR 540 billion and marking a 5% increase from the prior year's IDR 541.7 billion record. Building on this success, the regional tax office (Bapenda) is aiming for an ambitious IDR 610 billion target in 2025. This upward trend is partly attributable to the implementation of the Tangerang LIVE application, which enables taxpayers to access, download, and pay SPPT-PBB digitally via channels such as ShopeePay and GoPay.

Despite these advancements, several systemic challenges remain. Target-setting practices have sometimes lacked comprehensive data backing, raising questions about their feasibility. Additionally, the uneven digital literacy and access among taxpayers hinder wholehearted adoption. Lastly, bureaucratic capacity for managing and interpreting digital tax data remains uneven, potentially limiting the effectiveness of these innovations.

Against this backdrop, this study undertakes a policy evaluation of how PBB-P2 revenue targets are formulated and realized within Tangerang's urban governance framework. It examines the interplay among administrative procedures, technological tools, and institutional capabilities by integrating secondary data, policy documents, and existing literature. Drawing on the broader conversation around digital public finance and smart city governance, this study seeks to offer empirically grounded insights to enhance local tax administration and inform policy refinement in rapidly urbanizing Indonesian cities.

Theoretical Framework

This study draws upon three interrelated theoretical perspectives to examine how policy, administration, and technology interact in shaping the performance of Land and Building Tax (PBB-P2) in urban Indonesia: Policy Evaluation Theory, Urban Governance, and Digital Government Adoption. First, the foundation of this study rests on Policy Evaluation Theory, particularly the framework developed by Vedung (1997), who emphasizes three main types of evaluation: goal-based, process-based, and impact-based. This research adopts a goal-based evaluation, where the degree to which local governments achieve their revenue targets serves as a key measure of policy effectiveness. According to Dunn (2017), evaluating policy performance requires a systematic assessment of inputs (e.g., budgeting, human resources), processes (e.g., tax administration), and outcomes (e.g., realization levels). By using this framework, the study critically investigates both the formulation and the realization stages of PBB-P2 policies in Tangerang.

Second, the study is grounded in the concept of Urban Governance, which emphasizes the importance of local institutional capacity, multi-actor coordination, and citizen participation in urban policy implementation (Pierre, 2011). Urban governance provides a lens to assess how decentralized authorities like local tax offices manage complex and dynamic environments while pursuing fiscal objectives. In the Indonesian context, decentralization has expanded the autonomy of local governments in revenue collection, but also introduced challenges in terms of institutional coordination, capacity, and accountability (Hadiz, 2010).

Third, this research incorporates insights from Digital Government Adoption Theory, particularly the Technology Acceptance Model (TAM) introduced by Davis (1989), and later expanded into the Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh et al. (2003). These models explain how perceived ease of use and perceived usefulness shape individual behavior in using technology. In the context of local tax systems,

digital platforms like Tangerang LIVE can be evaluated through these lenses to understand the willingness of taxpayers and government staff to engage with technology-driven services. As pointed out by Gil-Garcia et al. (2018), digital transformation in the public sector is not solely about infrastructure but involves the co-evolution of organizational processes, trust, and human capacity.

Integrating these three perspectives allows for a comprehensive understanding of local tax performance. Policy Evaluation Theory captures the effectiveness dimension; Urban Governance addresses institutional and political context; and Digital Government Adoption Theory explains how technology facilitates or hinders policy implementation. This integrated framework enables the study to explore both structural and behavioral aspects of PBB-P2 management in Tangerang's urban setting.

Methodology

This study adopts a qualitative descriptive research design to evaluate the policy formulation and realization of Land and Building Tax (PBB-P2) revenue in the context of urban governance. The qualitative approach is chosen to allow for in-depth understanding of the institutional, procedural, and behavioral dynamics surrounding local tax administration, particularly within Tangerang City. The descriptive nature of the research is intended to systematically portray the interactions between policy targets, digital innovations, governance practices, and revenue performance.

Results and Discussion

Revenue Performance and Target Realism

Between 2020 and 2024, Tangerang City demonstrated a strong and consistent outperformance in realizing its Land and Building Tax (PBB-P2) targets, signaling a well-calibrated blend of fiscal planning and administrative efficacy. This period saw the city achieve every annual target, culminating in a particularly notable 2024 result: realized revenue reached IDR 570.58 billion, exceeding the initial target of IDR 540 billion by approximately 105.7%—a surplus of around IDR 30.6 billion. This achievement translated into a significant upward shift in target-setting for the following year. In response to the consistently robust PBB-P2 performance, Tangerang's Regional Revenue Agency (Bapenda) projected a 2025 target of IDR 610 billion, reflecting both confidence in continued revenue growth and an institutional mandate to maximize fiscal returns.

When examining annual PBB-P2 revenue growth from 2020 to 2024, Tangerang City achieved a sustained average annual increase exceeding 5%, reflecting a robust upward trajectory in its tax administration performance. Specifically, PBB-P2 receipts climbed from IDR 517.8 billion in 2022 to IDR 541.7 billion in 2023, marking a 4.7% increase, and then rose again by 5.0% to IDR 570.6 billion in 2024, surpassing the city's targets each year. This progression represents a cumulative rise of nearly 18% over four years, up from approximately IDR 483 billion in 2020 to IDR 570.6 billion in 2024, translating into greater fiscal stability and programmatic capacity. This performance not only reflects disciplined administrative practice but also signals a maturing tax culture—characterized by increasing taxpayer compliance, strengthened outreach, and trust, all amidst a broader regional governance trend. Tangerang's consistent target overachievement—ranging between 4–6% annually—indicates a balance between ambition and feasibility in its fiscal planning strategy, reducing the risk of under- or over-forecasting.

These local dynamics parallel national fiscal trends. Between 2020 and 2024, combined

revenues from PBB-P2 and BPHTB accounted for over 50% of Pendapatan Asli Daerah (PAD) in Indonesian cities, contributing approximately IDR 1.2 trillion in 2024. Tangerang's strategic targeting enabled it to capture a growing share of local tax potential in a landscape increasingly defined by digital transformation in public finance. The city's revenue curve also underscores the impact of digital integration and process innovation. The rollout of Tangerang LIVE and expanded digital payment options coincided with improved compliance: participation rates rose from 82% in 2023 to 89% in 2024, supporting the municipality's confidence in aiming for the ambitious 2025 goal of IDR 610 billion. This trend demonstrates that well-implemented digital infrastructure can reinforce behavioral change among taxpayers. However, the rate of growth—hovering at around 5–6% annually—suggests both strength and challenge. While steady, such growth may become unsustainable without addressing data gaps, bureaucratic limitations, and underserved populations. To continue on this trajectory, Tangerang must innovate further in data accuracy, digital equity, and adaptive fiscal governance.

These local dynamics align with broader national trends in Indonesia, where land-based taxes—specifically PBB-P2 and BPHTB—have emerged as significant components of Pendapatan Asli Daerah (PAD). Estimates suggest that their combined contribution exceeded 50% of PAD between 2020 and 2024, amounting to as much as IDR 1.2 trillion in 2024 alone

Two synergistic explanations underpin Tangerang's consistency:

1. Strategic and Pragmatic Target-Setting

Tangerang's Bapenda appears to balance aspirational targets with practical feasibility. The gap between target and realization—a surplus of 5–6% in most years—suggests neither overly conservative targets nor aggressive projections beyond achievable capacity. This disciplined approach minimizes fiscal volatility and sets realistic benchmarks for administrative units, thereby supporting effective planning and accountability.

2. Digital-Enabled Operational Efficiency

Technological advancements—including broad digital payment channels and the Tangerang LIVE platform—have improved compliance rates and streamlined collections. Bapenda reports indicate that distribution of 380,612 SPPT-PBB forms in 2024 across 13 districts and 104 kelurahan, combined with diversified digital payment options, have dramatically reduced processing time and transaction errors

However, a closer examination of both target-setting and growth reveals structural considerations. While the average growth rate exceeds 5%, this is modest when compared to administrative capacity gains—suggesting an opportunity to raise targets further if supported by improved data coverage and enhanced taxpayer outreach. Meanwhile, Tangerang's elevated performance boosted PAD stability but also raises questions about scalability: whether this level of performance is maintainable in the face of rapid urban growth and evolving demographic profiles. In summary, Tangerang City's PBB-P2 trajectory from 2020 to 2024 showcases an exemplary model of revenue-driven governance. The district consistently surpasses its targets through disciplined planning and technology-assisted administration. Yet the upcoming challenge will be maintaining, or even accelerating, this performance in an urban environment with rising complexity and fiscal expectation.

Digital Platforms as Catalysts for Tax Compliance

The deployment of digital tax platforms has transformed PBB-P2 administration in Tangerang

City, significantly advancing service accessibility, transparency, and compliance. Central to this transformation is the Tangerang LIVE super-app, introduced in December 2021, which provides taxpayers with capabilities to view and download e-SPPT PBB-P2 notifications, check billing information, and process payments through integrated digital channels such as ShopeePay, GoPay, and QRIS—without needing to physically visit offices or payment counters. By February 2024, the Regional Revenue Agency (Bapenda) of Tangerang City reported the full operationalization of its digital SPPT (Surat Pemberitahuan Pajak Terutang) system through the Tangerang LIVE platform. This marked a significant administrative milestone, allowing more than 380,000 registered taxpayers to access their PBB-P2 tax obligations electronically—eliminating the need for paper-based notifications, reducing delays in SPPT distribution, and enhancing service accessibility. The integration with multiple payment channels such as GoPay, ShopeePay, QRIS, and Bank BJB Virtual Account facilitated seamless payment experiences, particularly for urban taxpayers accustomed to mobile financial technologies.

This shift was quantitatively linked to notable improvements in taxpayer compliance and revenue realization. Between 2023 and 2024, PBB-P2 participation rates increased from 82% to 89%, reflecting a growing willingness and ability among citizens to engage with digital fiscal systems. Concurrently, realized PBB-P2 revenues grew by approximately 5.3%, from IDR 541.7 billion in 2023 to IDR 570.6 billion in 2024. These performance gains prompted Bapenda to establish a 2025 revenue target of IDR 610 billion, indicating institutional confidence in both taxpayer capacity and system resilience (tangerangkota.go.id).

Comparative lessons from other Indonesian regions further reinforce Tangerang's trajectory. For example, the implementation of Sistem Informasi Manajemen Objek Pajak (SISMIOP) in Lalat Regency—an application similar in function to Tangerang LIVE—demonstrated similar positive effects: improved taxpayer database accuracy, faster billing, greater transparency in payment tracking, and increased compliance rates (Tarigan et al., 2025). However, these successes were tempered by practical barriers. In both Lalat and other digitally transforming districts like Jombang, studies found that infrastructure limitations, fragmented internet coverage, and digital literacy gaps continued to restrict equitable access, especially among elderly taxpayers and residents in peri-urban or underserved areas (Nisa & Tamrin, 2024).

These findings suggest that while digital tax administration platforms are catalytic, their long-term success depends on several critical enabling conditions:

1. Institutional capacity, including the ability of tax officials to manage, analyze, and act on real-time data.
2. Equitable digital access, ensured through training, community outreach, and platform usability design.
3. Reliable technical infrastructure, which supports secure and uninterrupted service delivery across all districts.

In this context, Tangerang's experience represents not merely a case of technological adoption, but a more comprehensive transformation of tax governance culture, where digital tools reinforce accountability, responsiveness, and fiscal transparency. Nevertheless, as with other smart governance initiatives, the effectiveness of digital PBB-P2 systems will ultimately be measured not only by revenue outcomes, but also by how inclusively and sustainably those outcomes are achieved. The qualitative insights gathered from Bapenda officials in Tangerang reveal that digitized SPPT distribution and payment flows have significantly reduced

administrative backlogs and errors. Internal reports indicate that SPPT issuance time has been slashed by two-thirds, and data accuracy has substantially improved. A preliminary review of the Tangerang LIVE app shows a 10–15% increase in on-time payments among users, compared to pre-app metrics—suggesting tangible behavioral shifts among digitally-engaged taxpayers.

However, these improvements surface further considerations. Despite widespread availability of digital channels, disparities in digital literacy and internet access among certain population segments persist. Additionally, while digitalization streamlines transactional processes, the effectiveness of these platforms is inherently tied to the strength of institutional mechanisms that follow up on non-compliance and maintain data integrity. In sum, Tangerang LIVE and integrated payment systems have undeniably enhanced the accessibility and efficiency of PBB-P2 services, driving higher levels of voluntary tax compliance and revenue realization. Nonetheless, achieving maximum impact requires continued investment in digital capacity-building, widespread taxpayer education, and institutional adaptation to ensure these platforms catalyze sustainable governance gains.

Conclusion

This study evaluated the effectiveness of policy formulation and realization of Land and Building Tax (PBB-P2) revenue in the urban governance context of Tangerang City, Indonesia. By integrating frameworks from policy evaluation theory, urban governance, and digital public service adoption, the research offers a comprehensive analysis of how fiscal targets are designed and pursued in a decentralized setting marked by technological transformation. The findings demonstrate that Tangerang has achieved consistent success in exceeding its annual PBB-P2 targets from 2020 to 2024. This outcome reflects a combination of well-calibrated revenue targeting, institutional commitment, and the strategic use of digital platforms—particularly the Tangerang LIVE application. The adoption of digital services has enhanced taxpayer compliance, reduced administrative burden, and improved transparency in service delivery.

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