

ANALYSIS OF TAXPAYER COMPLIANCE AS A STRATEGY FOR ENHANCING LOCAL OWN-SOURCE REVENUE IN KEBUMEN REGENCY

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Article Information: Received --- June,25 2026, Published --- August, 10 2026

Abstract

This study aims to analyze the level of community compliance in paying Rural and Urban Land and Building Tax (PBB-P2) as an effort to enhance local own-source revenue in Kebumen Regency. The study employs a descriptive quantitative approach. Data were obtained from the Audit Reports of the Audit Board of the Republic of Indonesia (BPK) on the Regional Government Financial Statements for Fiscal Years 2016–2024 and from the Regional Financial and Revenue Management Agency (BPKPD) of Kebumen Regency. The findings indicate that the outstanding balance of PBB-P2 receivables and administrative penalty receivables has generally increased over time, suggesting that taxpayers' awareness of fulfilling their tax obligations has not been sustainably established, despite the annual implementation of an administrative penalty waiver policy by the Kebumen Regency Government. This policy was intended to encourage taxpayers to settle their outstanding PBB-P2 liabilities. On the other hand, PBB-P2 revenue, local tax revenue, and local own source revenue showed an increasing trend throughout the study period. These findings suggest that the growth in regional revenue has not been fully accompanied by an improvement in voluntary taxpayer compliance. The study concludes that the administrative penalty waiver policy has not been sufficiently effective in fostering sustainable tax compliance. Therefore, more comprehensive strategies are required, including improving service quality, enhancing transparency in tax administration, strengthening tax collection systems, and building public trust in local government to improve taxpayer compliance and optimize local own source revenue.

Keywords: Tax Compliance, Administrative Penalty Waiver, Tax Receivables

INTRODUCTION

Tax compliance is viewed as a rational decision made by taxpayers based on a cost-benefit assessment between the advantages of not paying taxes and the risks involved, such as the likelihood of audits and the imposition of penalties or fines (Gemmell, 2016). Taxpayer compliance is a key determinant in optimizing local government revenue. However, tax non-compliance remains a complex challenge influenced by various factors. Previous studies have shown that strengthening the authority of tax administrations through mechanisms such as audits and penalties has the potential to improve compliance levels. Furthermore, understanding the dynamics between trust and authority is essential for tax administrations in designing effective strategies aimed at enhancing taxpayer compliance (Lukovszki et al., 2025).

In addition, tax morale, distributive justice, and procedural justice have a significant influence on tax compliance. Taxpayers are more likely to fulfill their tax obligations when they perceive the distribution of tax revenues as fair, thereby increasing their engagement with tax responsibilities (Ratnawati et al., 2025). However, tax amnesty has not been found to significantly affect the relationship between trust and tax compliance in Malaysia and Indonesia. Therefore, the implementation of effective initiatives aimed at fostering taxpayer trust, particularly in

Indonesia, is necessary to improve compliance levels (Novita et al., 2024). Tax compliance is strongly influenced by the dynamics between taxpayers and governmental authorities, highlighting the impact of corruption, tax evasion, and digitalization processes in shaping compliance behavior. These findings emphasize the importance of promoting awareness of ethical behavior as a means of enhancing tax compliance and encouraging taxpayers to fulfill their legal obligations.

Other studies have shown that improving tax compliance is essential for increasing government revenue and strengthening fiscal capacity (Surugiu et al., 2025). Promoting tax compliance requires collaboration among policymakers, tax authorities, tax consultants, and taxpayers to foster an environment of trust, mutual respect, and transparency. The findings suggest that building trust in the tax system and simplifying tax regulations are critical factors in enhancing taxpayer compliance (Melatnebar et al., 2025).

Local own-source revenue of Kebumen Regency during the 2016–2024 period exhibited a fluctuating yet generally increasing trend. This condition indicates that regional revenue performance is dynamic and influenced by various factors. Therefore, efforts to optimize revenue sources, particularly from the local tax sector, are necessary to maintain fiscal stability and enhance regional fiscal independence.

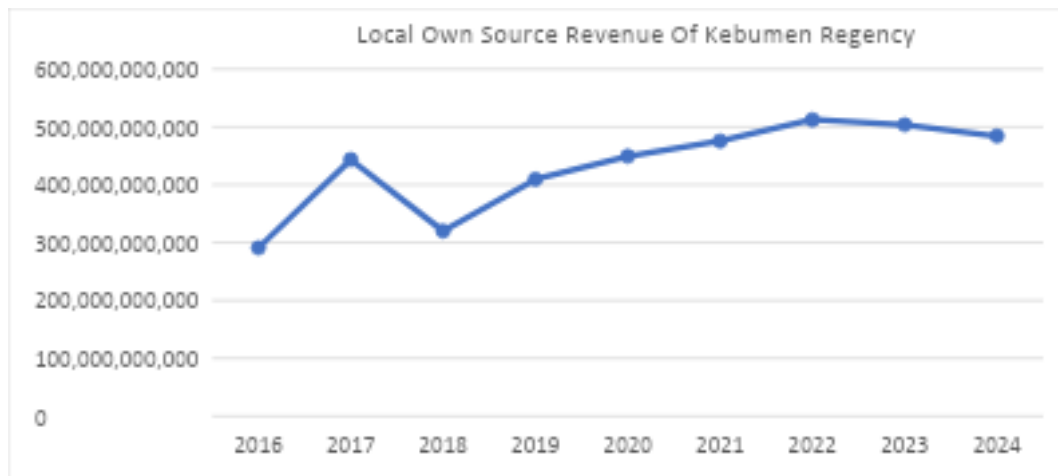


Figure 1. Local Own-Source Revenue of Kebumen Regency

The proportion of local tax revenue to local own-source revenue in Kebumen Regency during the 2016–2024 period exhibited a fluctuating yet generally increasing trend toward the end of the period, indicating that the role of local taxes in contributing to local own-source revenue has become increasingly significant. This condition suggests improvements in the optimization of local tax collection, although fluctuations remain due to economic dynamics and regional policy changes. Among the various types of local taxes, the rural and urban land and building tax (PBB-P2) contributed the largest share to regional revenue and played a significant role in supporting local government finances. However, in practice, the administration of PBB-P2 faces several challenges, particularly the low level of taxpayer compliance, as reflected by the existence of outstanding tax arrears and accumulated administrative penalties.



Figure 2. Percentage of Local Tax Revenue to Local Own-Source Revenue in Kebumen Regency

In an effort to improve taxpayer compliance and optimize local tax revenue, local governments need to implement strategic measures that are both innovative and responsive to community conditions. One policy that can be adopted is the waiver of administrative penalties on tax arrears. This policy is expected to encourage taxpayers to settle their outstanding principal tax liabilities promptly without being burdened by the accumulation of penalties, which has long been one of the factors discouraging tax payments.

Table 1. PBB-P2 Receivables and Administrative Penalty Data

Year of Receivable Recognition	Outstanding Balance of PBB-P2 Receivables and Administrative Penalty Receivables	
	Closing Balance of PBB-P2 Receivables (Rp)	PBB-P2 Administrative Penalty Receivables (Rp)
2024	4.022.877.555	201.145.949
2023	1.844.303.862	663.949.459
2022	1.346.267.066	646.208.224
2021	1.145.640.565	549.907.484
2020	1.210.035.684	580.817.155
2019	1.019.164.154	489.198.722
2018	973.392.321	467.228.420
2017	656.402.088	315.072.975
2016	11.646.159	5.590.320

Source: Processed by the author

Based on the data on outstanding PBB-P2 receivables and administrative penalty receivables from 2016 to 2024, tax receivables exhibited an increasing trend over time, accompanied by a substantial amount of administrative penalty receivables. This condition indicates that taxpayer compliance in paying PBB-P2 has not yet been optimal, particularly with regard to the timeliness of tax payments. The high accumulation of penalty receivables suggests

that some taxpayers tend to delay their tax payments, resulting in increasing tax liabilities due to the imposition of administrative sanctions.

A notable change occurred in 2023 and 2024 when administrative penalty receivables declined significantly from IDR 663 million to IDR 201 million. This decrease indicates the impact of the PBB-P2 administrative penalty waiver policy implemented by the local government to encourage taxpayers to settle their outstanding tax liabilities. However, in 2024, the balance of PBB-P2 receivables increased substantially to IDR 4.02 billion, indicating that the amount of outstanding principal tax arrears remained relatively high.

Previous studies have shown that taxpayer compliance remains a complex issue influenced by a variety of behavioral, social, and institutional factors. Research on taxpayer attitudes and compliance behavior reveals that rationalist taxpayers tend to exhibit lower levels of compliance than moralist taxpayers (Bruns et al., 2025). Indonesia's relatively low tax ratio reflects suboptimal tax collection and limited public awareness of the importance of taxation, highlighting the need for stronger efforts to improve taxpayer compliance (Romadhon & Diamastuti, 2020). Religiosity has been found to have a significant positive effect on the success of land and building tax collection, indicating that higher levels of religiosity lead to greater taxpayer compliance and increased tax revenue (Resti & Afendi, 2025). Meanwhile, other studies suggest that the settlement of PBB-P2 receivables can be achieved through a combination of policy incentives, improvements in data management systems, expanded payment access, public education, and cross-sector collaboration (Wahyudi & Acep, 2025). In addition, perceptions of tax fairness and trust in tax authorities are important determinants of taxpayers' compliance intentions, highlighting the interconnected nature of these factors in shaping tax compliance behavior (Günay, 2025).

In the context of PBB-P2, these issues are reflected in the persistently high level of outstanding tax receivables, indicating taxpayer non-compliance in terms of both payment timeliness and willingness to fulfill tax obligations. The PBB-P2 administrative penalty waiver policy was introduced as a form of relief for taxpayers and as an effort by the local government to reduce the level of tax arrears. This strategy for optimizing local own-source revenue through the waiver of PBB-P2 administrative penalties is intended to increase short-term tax revenue while also promoting sustainable taxpayer compliance.

This study analyzes the level of taxpayer compliance as an effort to enhance local own-source revenue in Kebumen Regency. The study is expected to contribute theoretically by enriching the literature on tax compliance and the waiver of PBB-P2 administrative penalties, while also providing practical insights for optimizing local own-source revenue through the PBB-P2 sector. The findings are expected to serve as a basis for the continuous evaluation of PBB-P2 taxpayer compliance. Specifically, this study aims to analyze the level of taxpayer compliance among residents of Kebumen Regency in fulfilling their PBB-P2 obligations. The assessment of taxpayer compliance is linked to the amount of PBB-P2 administrative penalties and the level of outstanding tax receivables. Tax compliance is reflected not only in the realization of tax payments against assessed liabilities but also in taxpayers' ability to avoid the accumulation of administrative penalties in the form of fines. Therefore, the relationship between the level of administrative penalties and outstanding PBB-P2 receivables serves as an important indicator for evaluating taxpayer compliance behavior in fulfilling tax obligations.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Fiscal Decentralization

Fiscal decentralization governs the financial relationship between the central government and local governments. Local governments are granted the authority and responsibility to regulate and manage their own governmental affairs, including the management of regional revenues through local taxes and levies as the primary sources of local own-source revenue

(Undang-Undang Nomor 1 Tahun 2022, 2024). This regulation positions local taxes and levies as strategic instruments for enhancing regional fiscal independence. Local taxes are mandatory contributions paid by individuals or entities to local governments without direct compensation, whereas local levies are charges imposed for services or facilities provided by local governments. Through this strengthened regulatory framework, the central government grants broader authority to local governments to optimize the collection of taxes and levies in accordance with the unique potential and characteristics of each region.

Tax Compliance Theory and the Concept of Tax Compliance

Tax compliance theory explains that an increase in the likelihood of taxpayers being subject to monitoring, combined with the imposition of more severe penalties, is associated with higher levels of tax compliance and a lower tendency to engage in tax evasion. Conversely, when the probability of detection is low and sanctions are relatively lenient, taxpayers are more likely to evade taxes. Therefore, governments can reduce tax evasion by strengthening monitoring mechanisms, conducting rigorous tax audits, and implementing effective enforcement measures and penalty systems (Allingham, 1972).

Subsequent developments in tax compliance research indicate that taxpayer compliance is influenced not only by rational economic considerations but also by psychological, social, and moral factors. Perceptions of other individuals' tax behavior significantly affect attitudes toward tax payments, highlighting the need for strategies to combat tax evasion and restore public trust (Castañeda-Rodríguez, 2025). Furthermore, principles of accountability, democratic governance, effective and transparent legal frameworks, and public trust are essential for promoting both tax compliance and tax morale (Torgler, 2011). Meanwhile, tax evasion and tax compliance are complex phenomena. Economic theories, psychological research, and tax enforcement mechanisms that rely heavily on deterrence measures, such as audits and penalties, may unintentionally reduce voluntary compliance with tax obligations. Therefore, it is important to implement strategies that encourage voluntary tax compliance and foster taxpayers' willingness to fulfill their tax responsibilities (Pickhardt & Prinz, 2014).

Other studies have shown that the behavior of fellow citizens is an important determinant of taxpayer compliance (Prinz et al., 2014). The principles of tax fairness, encompassing both procedural and distributive dimensions, significantly enhance compliance with tax obligations. Trust also strengthens the ethical implications of taxation and positively influences taxpayer compliance (Ratnawati et al., 2025). Furthermore, tax compliance requires collaboration among policymakers, tax authorities, tax consultants, and taxpayers to foster trust and transparency within the tax system (Melatnebar et al., 2025). Meanwhile, high levels of trust and a strong power environment lead to greater tax compliance and lower levels of tax evasion. However, among already compliant taxpayers, the threat of audits and penalties may result in lower rather than higher compliance, reflecting a potential reaction of resistance or defiance toward tax authorities (Azmi & Daud, 2024).

Recent developments in the literature indicate that tax compliance is influenced not only by economic factors but also by psychological, social, moral, trust-related, and behavioral factors. Trust in government, transparency, good governance, tax fairness, and the behavior of fellow taxpayers are important determinants of tax compliance. In addition, tax enforcement approaches that place excessive emphasis on audits and penalties may reduce voluntary compliance and generate resistance among taxpayers who are already compliant. Therefore, improving tax compliance requires strategies that promote trust, transparency, collaboration, and voluntary compliance among governments, tax authorities, and taxpayers and public.

RESEARCH METHODS

This study employs a descriptive quantitative research design and was conducted in Kebumen Regency. The selection of the study area was based on the consideration that Kebumen

Regency has a significant amount of transferred tax receivables originating from the central government and has implemented a progressive policy through the waiver of administrative penalties on land and building taxes. The study utilizes secondary data consisting of PBB-P2 receivables and PBB-P2 administrative penalty receivables covering a ten-year period from 2016 to 2024. The data were obtained from the Audit Reports of the Audit Board of the Republic of Indonesia (BPK) on the Regional Government Financial Statements for Fiscal Years 2016–2024. Documentation techniques were employed to collect data available in the database of the Regional Financial and Revenue Management Agency (BPKPD) of Kebumen Regency.

RESULTS AND DISCUSSION

This study aims to explore taxpayer compliance with the rural and urban land and building tax (PBB-P2), which is regarded as a mechanism for increasing local own-source revenue in Kebumen Regency. The study employs a descriptive quantitative approach. The findings indicate that the pattern of tax payments among taxpayers in Kebumen Regency remains fluctuating. This condition is reflected in the development of outstanding PBB-P2 receivables, administrative penalty receivables, PBB-P2 revenue, its contribution to local tax revenue, and its contribution to local own-source revenue during the 2016–2024 period, as presented in the attached data.

Table 2. PBB-P2 Receivables, PBB-P2 Administrative Penalty Receivables, PBB-P2 Revenue, Local Tax Revenue, and Local Own-Source Revenue

PBB-P2 Receivables, PBB-P2 Administrative Penalty Receivables, PBB-P2 Revenue, Local Tax Revenue, and Local Own-Source Revenue Data						
Years	PBB-P2 Receivables (Rp)	PBB-P2 Administrative Penalty Receivables (Rp)	Category	PBB-P2 Revenue (Rp)	Local Tax Revenue (Rp)	Local Own- Source Revenue (Rp)
2024	4.022.877.555	201.145.949	current	58.136.414.662	150.435.815.533	484.175.268.010
2023	1.844.303.862	663.949.459	non current	56.989.372.545	153.827.021.471	503.769.968.307
2022	1.346.267.066	646.208.224	doubtful	56.649.407.691	161.527.412.983	512.353.433.799
2021	1.145.640.565	549.907.484	doubtful	48.772.429.933	112.759.804.549	475.506.299.005
2020	1.210.035.684	580.817.155	doubtful	48.454.001.000	101.127.427.460	449.191.869.493
2019	1.019.164.154	489.198.722	doubtful	48.222.131.277	110.614.568.810	409.465.808.142
2018	973.392.321	467.228.420	bad debt/ written off	42.250.596.905	96.777.578.237	319.971.469.301
2017	656.402.088	315.072.975	bad debt/ written off	34.003.478.227	79.479.454.753	443.512.538.190
2016	11.646.519	5.590.320	bad debt/ written off	25.583.432.490	62.844.699.529	290.914.495.827

Source: BPKPD

Based on Table 2, the data indicate that the write-off of PBB-P2 receivables and administrative penalty receivables occurred only during the 2016–2018 period, when these receivables were classified as uncollectible and subsequently written off. In the following years, however, both outstanding tax receivables and administrative penalty receivables continued to increase. This condition suggests that the administrative penalty waiver policy has not been fully

effective in fostering sustainable taxpayer awareness and compliance. The Government of Kebumen Regency implemented the PBB-P2 administrative penalty waiver policy as an effort to encourage taxpayers to settle their tax arrears and to increase PBB-P2 revenue and local own-source revenue. Nevertheless, the data show that the accumulation of PBB-P2 receivables continued to rise from 2016 to 2024. This phenomenon indicates that some taxpayers still tend to postpone tax payments and wait for future relief or tax amnesty programs. Therefore, the increase in PBB-P2 revenue during the study period does not necessarily reflect a rise in voluntary taxpayer compliance but appears to be influenced by incidental policy measures implemented by the local government.

Nevertheless, the condition in 2024 shows a more positive indication. Although the outstanding balance of PBB-P2 receivables remained relatively high, these receivables were classified as current receivables because they had only reached an age of two years when the data were analyzed in 2026. In addition, the amount of administrative penalties declined significantly in 2024. This reduction in administrative penalties may be interpreted as an indication of increased taxpayer awareness in fulfilling their PBB-P2 obligations.

Although taxpayer compliance remains a challenge overall, the developments observed in 2024 suggest that the administrative penalty waiver policy has started to demonstrate its effectiveness in encouraging the settlement of outstanding tax liabilities and improving short-term compliance with PBB-P2 payments. To sustain and strengthen this progress, local governments need to enhance taxpayer education, improve service quality, and optimize tax collection mechanisms. These efforts are expected to increase PBB-P2 revenue and strengthen its contribution to local own-source revenue in Kebumen Regency.

CONCLUSION

The findings indicate that the level of taxpayer awareness regarding PBB-P2 in Kebumen Regency during the 2016–2024 period remained suboptimal. This is evidenced by the increasing trend in outstanding PBB-P2 receivables and administrative penalty receivables throughout most of the study period. Although the Government of Kebumen Regency consistently implemented an administrative penalty waiver policy to encourage taxpayers to settle their outstanding tax liabilities, the data show that the write-off of receivables and administrative penalties occurred only during the 2016–2018 period. After that period, the balance of outstanding receivables increased again, indicating that the policy has not yet been effective in fostering sustainable taxpayer compliance.

The increase in PBB-P2 revenue, local tax revenue, and local own-source revenue throughout the study period indicates that the PBB-P2 sector continues to make an important contribution to regional revenue. However, this increase in revenue does not fully reflect a corresponding rise in voluntary taxpayer awareness, as it is still accompanied by high levels of outstanding receivables and administrative penalties. This condition suggests that some taxpayers continue to exhibit a tendency to delay their tax payments. Nevertheless, developments in 2024 provide a more positive indication. The significant decline in PBB-P2 administrative penalties suggests an increase in taxpayers' fulfillment of their tax obligations. This condition indicates the emergence of greater taxpayer awareness and willingness to settle their PBB-P2 liabilities.

Based on Tax Compliance Theory, taxpayer behavior tends to be influenced by considerations of economic benefits and risks. As a result, the compliance that emerges is more administrative in nature rather than voluntary. Therefore, optimizing PBB-P2 revenue and increasing local own-source revenue cannot rely solely on the administrative penalty waiver policy. Instead, it requires more comprehensive efforts, including improving the quality of tax services, enhancing transparency in tax administration, strengthening tax collection systems, and building public trust in local government to foster sustainable taxpayer compliance.

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