

## RECONSTRUCTION OF LOCAL TAX POLICY AFTER THE REPEAL OF THE LAW ON LOCAL TAXES AND LOCAL RETRIBUTIONS (A STUDY IN BANYUMAS REGENCY)

### RECONSTRUÇÃO DA POLÍTICA TRIBUTÁRIA LOCAL APÓS A REVOGAÇÃO DA LEI SOBRE IMPOSTOS E RETRIBUIÇÕES LOCAIS (UM ESTUDO NO MUNICÍPIO DE BANYUMAS)

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#### **Abstract**

The repeal of Law Number 28 of 2009 on Regional Taxes and Levies (PDRD) has substantially affected regional tax management, particularly concerning the authority and policies of local governments. This study aims to analyze the restructuring of regional tax policies within the framework of new regulations consistent with the principles of regional autonomy. Using a qualitative approach, the research emphasizes the construction of social realities through interactive processes and contextual events, with Banyumas Regency as the study area. The findings reveal that regional tax governance in Banyumas adheres to principles of social and economic justice, ensuring that tax revenues are allocated for development and public services. In response to the repeal of the PDRD Law, the Banyumas Regency Government issued Regent's Decree Number 970/552/2022 to form the Regional Tax Optimization Task Force. This strategic initiative focuses on analyzing and evaluating tax collection performance to enhance

#### **Resumo**

A revogação da Lei nº 28 de 2009 sobre Impostos e Taxas Regionais (PDRD) afetou substancialmente a gestão tributária regional, particularmente no que diz respeito à autoridade e às políticas dos governos locais. Este estudo visa analisar a reestruturação das políticas tributárias regionais no âmbito de novas regulamentações consistentes com os princípios da autonomia regional. Utilizando uma abordagem qualitativa, a pesquisa enfatiza a construção das realidades sociais por meio de processos interativos e eventos contextuais, tendo como área de estudo o município de Banyumas. Os resultados revelam que a governança tributária regional em Banyumas adere aos princípios da justiça social e econômica, garantindo que a receita tributária seja destinada ao desenvolvimento e aos serviços públicos. Em resposta à revogação da Lei PDRD, o Governo do Município de Banyumas emitiu o Decreto do Prefeito nº 970/552/2022 para formar a Força-Tarefa Regional de



efficiency and effectiveness. Furthermore, the enactment of Law Number 1 of 2022 on Central and Regional Financial Relations seeks to harmonize central and regional taxes, simplify administration, broaden the tax base, and strengthen regional development through continuous supervision and evaluation to support community welfare.

**Keywords:** Regional Tax Policy. Levies. Local Government. Regional Autonomy. Banyumas Regency.

*Otimização Tributária. Esta iniciativa estratégica concentra-se na análise e avaliação do desempenho da arrecadação tributária para aumentar a eficiência e a eficácia. Além disso, a promulgação da Lei nº 1 de 2022 sobre Relações Financeiras Centrais e Regionais busca harmonizar os impostos centrais e regionais, simplificar a administração, ampliar a base tributária e fortalecer o desenvolvimento regional por meio de supervisão e avaliação contínuas para apoiar o bem-estar da comunidade.*

**Palavras-chave:** Política Tributária Regional. Taxas. Governo Local. Autonomia Regional. Regência de Banyumas.

## 1 INTRODUCTION

Article 18 of the 1945 Constitution of the Republic of Indonesia states that Indonesia is divided into provinces, regencies, and cities, each with its own government. Regional governments have the right to manage governmental affairs based on the principle of autonomy, while matters that are not their responsibility are carried out based on the principles of deconcentration and assistance tasks. This division establishes a relationship of authority and finance between the central and regional governments. Article 18A, paragraph (2) of the 1945 Constitution of the Republic of Indonesia mandates that financial relations, public services, and the utilization of resources between the central and regional governments be regulated fairly and in accordance with the law.

An important policy, Law No. 28 of 2009 on Regional Taxes and Regional Levies (PDRD), regulates the collection of taxes and levies at the regional level. This gives local governments more autonomy in managing their revenue sources. To enhance regional development and reduce dependence on central balancing funds, this law is necessary. The Indonesian government supports decentralization and considers local governments as independent entities with the authority to manage their finances as much as possible, which is the basis of this law (Angellia, 2021, p. 425).

The regulation of taxes and levies that is simple, transparent, and fair is one of the important aspects of the PDRD Law, which aims to regulate various types of regional taxes, such as hotel taxes, restaurant taxes, and regional service levies, which can be adjusted to the conditions and needs of each region (Maya, Titus, and Metekohy, 2023,

p. 62). In addition, the PDRD Law allows regions to create tax and retribution collection models that align with local needs. For example, in the context of the Land and Building Acquisition Duty (BPHTB), some regions, such as Sorong Regency, are trying to implement taxes based on local wisdom and sharia (Naim and Latif, 2023, p. 282). This shows that each region can adjust its tax policies to local values, norms, and needs.

From a political perspective, the repeal of the PDRD Law can be influenced by political changes at the national and local levels. According to research conducted by Angellia et al., the contribution of taxes to regional development is very important, which is sometimes overlooked in political debates (Angellia, 2021, p. 427). This revocation can also be carried out in response to the public's demand for transparency and accountability in tax management. The regulatory changes should aim to improve the efficiency of tax collection and promote regional fiscal independence.

In 2022, the Government of Indonesia enacted Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law), as a follow-up to the mandate of Article 18A paragraph (2) of the 1945 Constitution. This law was drafted to improve the implementation of financial relations previously regulated in Law Number 33 of 2004 and Law Number 28 of 2009, which have now been revoked. Article 2, paragraph (2) of the HKPD Law regulates the authority of regional taxes, which include PBB-P2, BPHTB, advertising tax, and others, as well as the restructuring of regional taxes by classifying several types of consumption-based taxes into one type of tax, namely the Tax on Certain Goods and Services (PBJT). The purpose of this change is to align tax objects between the central and regional governments, simplify tax administration, facilitate monitoring, and support ease of doing business and the tax obligations of the community. Local governments need to promptly adjust their tax policies to align with the new provisions in the HKPD Law.

Article 187 of the UUKHKPD allows for adjustments at the regional level. In paragraph (b), it is stated that regional regulations regarding taxes and levies, which are made based on Law Number 28 of 2009 concerning Regional Taxes and Levies, will remain in effect for a maximum of 2 (two) years from the date this law is enacted. It is further emphasized in Article 192 that the implementing regulations of this law are to be made within 2 (two) years from the date this law comes into effect, which means the legal tolerance applies until January 5, 2024.

The tax conditions in Banyumas Regency during the implementation of the PDRD Law reflect the challenges faced by the local government in increasing regional original revenue (PAD). Various factors influence the effectiveness of the taxation system in this region, including taxpayer understanding, the structure of tax sanctions, and applicable policies. Banyumas Regency, like many other regions, faces challenges in tax management. The awareness of taxpayers and their understanding of tax regulations greatly influence their compliance in fulfilling tax obligations. The often low level of awareness and lack of knowledge about tax obligations frequently lead to tax evasion. Low tax compliance can be caused by a tax system that is considered complicated and the public's low trust in the government's effectiveness in using tax funds (Isnaini and Karim, 2021, p. 28).

The structure of tax sanctions during the enforcement of the PDRD Law also contributes to the phenomenon of low tax compliance. Inconsistent and ineffective sanctions often reduce the deterrent effect for taxpayers who violate tax regulations (Effendi and Sandra, 2022, p. 3). However, other challenges also arise, such as the suboptimal law enforcement related to local tax revenue. The mismatch between existing regulations and their implementation on the ground results in low realization of local revenue from the tax sector.

The enactment of the UUHKPD at the beginning of 2022 was certainly not without purpose. As stated in the Consideration Recital letter (g), Law Number 28 of 2009 concerning Regional Taxes and Regional Levies needs to be improved in accordance with the development of circumstances and the implementation of fiscal decentralization; thus, it needs to be replaced. This replacement will certainly have an impact on the administration of taxation in the region. As a contributor to regional original revenue, the position of regional taxes becomes very important, so the region strives to optimize revenue from the regional tax sector.

John Hutagaol believes that in a country with a modern administration like Indonesia, tax revenue is the backbone of the State Budget (APBN) (John Hutagaol, 2006, p. 209). Walter Hettich and Stanley L. Winner in Darussalam state that government revenue from the tax sector is the most anticipated revenue at present; therefore, the government, with its authority, strives to maximize revenue from the tax sector (Darussalam and Septriadi, 2006, p. x).

Previous research related to regional tax policies and the financial relationship between central and regional governments shows the importance of understanding fiscal dynamics in the context of regional autonomy. According to Pamuji, K. (2014), regional autonomy is the right and authority of regions to manage government affairs in accordance with applicable regulations, including in the matter of taxes. Although local governments have the authority to manage taxes, these policies are still influenced by regulations from the central government. Changes in regional tax management policies indicate that local governments have not yet found a stable format, and their management is still influenced by central government intervention, resulting in regional autonomy not being fully realized (Kadar Pamuji, 2014, p. 430). Next, Meinarsari and Nursadi (2022), in their research findings, state that the HKPD Law combines the Financial Balance Law (Law No. 33 of 2004) and the PDRD Law (Law No. 28 of 2009) to strengthen regional autonomy, regulate regional spending, and ensure equitable public services. However, the question that arises is whether the concept of decentralization is being maintained or moving towards centralization (Meinarsari and Nursadi, 2022, p. 1).

The issue that arises with the repeal of the PDRD Law and its incorporation into the HKPD Law is that there has been a repositioning of regional tax regulations, which were previously the subject/center of regulation, now becoming part of the object of regulation concerning HKPD. This means there is an affirmation that regional tax policies, which were previously oriented towards fulfilling regional revenue, have changed and must now be oriented towards the Financial Relations policy between the Central and Regional governments as outlined by the Central Government.

The direction of policies implemented by the regions, including the Banyumas Regency Government, in the effort to optimize revenue from the local tax sector must be adjusted to the existing regulatory changes. The repeal of the PDRD Law has a significant impact on the management of regional taxes, particularly in terms of the authority and policies that must be implemented by the local government. Therefore, the issue at hand is how the management of regional taxes in Banyumas Regency will be after the change and how the construction of regional tax regulations can be adjusted to achieve the goals of regional autonomy more effectively and efficiently. This research aims to provide an overview of how regional tax policies should be restructured within the framework of new policies that align with the principles of regional autonomy.

## 2 METHOD

This research uses a qualitative approach related to the researchers' beliefs in accordance with their research experience and the nature of the problem (Strauss and Corbin, 1990, p. 19). Qualitative methods are used because they offer advantages in constructing social reality, emphasize interactive processes and events, and provide researchers with high flexibility in determining research steps (Newman, 1994, p. 14).

The research was conducted in Banyumas Regency, specifically at the Regional Revenue Agency, the Legal Section, and the Regional Development Planning, Research, and Development Agency. The research informants are officials or staff who are responsible for regional revenue, specifically revenue derived from the regional tax sector located at the research site. The selection of informants used purposive and snowball techniques. The purposive technique is used to select informants who meet the required criteria or are unique in relation to the subject being researched (Harrison, 2016, p. 26). This research uses data collection techniques with a combination of interviews, FGDs, document studies, and observations.

Data processing and analysis are carried out during the continuous data collection. Starting with the process of data clarification to achieve consistency, followed by the step of theoretical abstraction of information and facts, which results in fundamental statements. By comparing research findings and deepening meanings, a continuous simultaneous data analysis will be obtained throughout the research process.

## 3 LITERATURE REVIEW

### 3.1 Decentralization

Decentralization is a multifaceted concept that encompasses the distribution of authority, responsibilities, and resources away from a central governing body to local or regional entities. It is primarily understood through two prominent dimensions: political decentralization and fiscal decentralization. Political decentralization involves transferring decision-making powers to lower levels of government, thereby allowing local entities to have greater influence over their political affairs and governance (Hidayat; Hospes; Termeer, 2025, p. 164). This aspect of decentralization aims to enhance

democratic governance, empower local communities, and increase the responsiveness of government to local needs.

On the other hand, fiscal decentralization refers to the redistribution of financial responsibilities from central authorities to local governments. This involves not only the allocation of revenue-generating powers such as taxation but also the financial management necessary for local governments to fulfill their mandated services effectively (Movsisyan *et al.*, 2022, p. 11). The effectiveness of decentralization, particularly fiscal in nature, is often contingent on local governments' capacity to generate sufficient revenues and manage expenditures within their jurisdictions. Critics argue that without adequate financial means, the anticipated benefits of decentralization are harder to realize, leading to inefficiencies in service delivery and local governance (Khan, 2021, p. 12).

The impacts of decentralization are also context-dependent, revealing varied results based on local governance structures and political environments. In some contexts, decentralization has been linked to improved local governance and service delivery by fostering citizen engagement and ensuring that local leaders remain accountable to their constituents. However, the anticipated outcomes can be mixed; some studies indicate that decentralization may not always enhance service delivery as intended, especially when local governments lack the necessary technical and administrative capacities. Furthermore, the push for decentralization in many developing countries has often been driven by political motives rather than genuine grassroots concerns, impacting its effectiveness.

### **3.2 Local tax**

Local taxes are a crucial component of the revenue structure at the municipal level, directly impacting local governments' financial autonomy and service delivery capabilities. Local taxes refer to taxes levied by local authorities on residents and businesses within their jurisdiction, aimed at funding local public goods and services (Vartašová; Olexová; Štefanová, 2023, p. 153). Local taxes are often justified through two key economic principles: the Benefit Principle and the Ability-to-Pay Principle. The Benefit Principle posits that the tax burden should correlate with the benefits received from local services (e.g., public safety, education), thus ensuring fairness in taxation. Conversely, the Ability-to-Pay Principle asserts that taxes should be levied based on an

individual's capacity to pay, facilitating an equitable distribution of tax burdens across different income levels (Akapelwa; Mwangi, 2023, p. 775). This dual framework captures the necessary balance between equity and efficiency in local tax systems.

Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments in Article 1 point 21 stipulates that Tax is a mandatory contribution to the Region owed by individuals or entities that is enforceable by law, without receiving direct compensation and is used for the needs of the Region for the greatest prosperity of the people. This law explains that local tax revenues are used to finance the administration of local governments in accordance with the authority granted to them, so that local taxes not only function as a means of collection but also as a tool to balance financial relations between the central and local governments in order to improve public services and promote equitable development.

Furthermore, the implementation and regulation of local taxes can differ markedly between countries. In the Visegrad group (comprising Slovakia, the Czech Republic, Hungary, and Poland), property tax remains a significant revenue source, though its structure and revenue importance vary by jurisdiction (Vartašová; Červená, 2022, p. 191). In this context, local taxes serve as a vital tool for municipalities to address fiscal demands while ensuring the provision of essential public services. Local taxes are not merely a means of raising revenue; they are fundamental to the operational effectiveness of local governments, facilitating financial autonomy and ensuring equitable service delivery. By adhering to established economic principles, local authorities can craft tax systems that meet their constituents' needs, thereby promoting sustainable local development and governance.

## **4 DISCUSSION**

### **4.1 Regional tax regulation in Banyumas regency**

The administration of government in the era of decentralization requires local governments to optimize their regional potential. The implementation of decentralization policies has democratic and welfare objectives. The democratic goal will position the regional government as an instrument of political administration at the local level, which will collectively contribute to national political administration as a fundamental element

in creating national unity and integrity, as well as accelerating the realization of a civil society. The welfare goal indicates that the regional government should enhance the welfare of the community by providing public services effectively, efficiently, and economically (Tjandra and Darsono, 2009, p. 7).

Entering the era of implementing the 2009 PDRD Law, the Banyumas Regency Government responded normatively in 2011 by establishing Banyumas Regency Regional Regulation No. 1 of 2011, which was later amended by Regional Regulation No. 9 of 2013 concerning Regional Taxes and Regional Levies. During this period, the Banyumas Regency Government issued several types of policies as a form of reaffirmation of the direction of regional tax policy by the local government, in line with the operational definition of regional tax as stated in Article 1, paragraph 10 of the 2009 PDRD Law. Important points included are:

- Local taxes are mandatory contributions owed by the community.
- They do not receive direct compensation.
- for the needs of the region for the greatest prosperity of the people.

The first point above implies that local taxes are a form of contribution that must be fulfilled. In tax law, the term "contribution" generally refers to mandatory payments made by individuals or entities to the government to finance public activities and services. Contributions are characterized by their mandatory nature, usually enforced through legal mechanisms and intended to meet government needs such as infrastructure, public programs, and social security systems. Taxes function as mandatory contributions aimed at improving societal welfare and generating the resources needed to fulfill government functions (Hamj, 2018, p. 53).

The second and third points emphasize that the fulfillment of the obligation to pay taxes does not receive direct compensation. The meaning of not receiving a direct reward, by *argumentum a contrario*, should be interpreted as tax payments being reciprocated indirectly. Taxes are considered an obligation for citizens to provide funds for government expenditures and the financing of public services. Every individual who pays taxes contributes to the creation of infrastructure, education, and healthcare services that support the well-being of society (Matasik et al., 2023, p. 78). In this case, taxes function as a tool for resource distribution that, although not providing direct rewards, offer social and systemic benefits. When individuals feel they do not receive direct benefits from the

taxes paid, they need to realize that these benefits are distributed in the form of public services that improve their quality of life and that of society as a whole.

Banyumas Regency, as an autonomous region, is certainly obligated to implement regional government administration based on the principles of regional autonomy as best as possible. Revenue from the regional tax sector has become one of the main sources of local revenue in the implementation of regional development. As an illustration, the following shows the budget proportion and local tax revenue in Banyumas Regency for the fiscal years 2018 to 2022 as follows:

**Table 1**

*The Proportion of The Budget and Local Tax Revenue in Banyumas Regency in Rupiah*

Year	Regional Revenue	Regional Original Revenue	Regional Tax Revenue
2018	3.265.926.651.860	648.326.914.034	211.550.291.844
2019	3.434.925.995.303	686.805.512.326	229.377.285.773
2020	3.330.186.788.242	668.211.148.299	208.624.349.832
2021	3.568.385.311.183	754.996.864.183	305.083.211.183
2022	3.567.598.307.620	854.988.929.320	340.051.338.975

Source: Banyumas Regency Budget Realization Report

From the above description, it can be seen that the revenue from the regional tax sector from 2018 to 2020 experienced minimal development, as the regional revenue, original regional revenue, and regional tax revenue did not show significant changes. This observation is certainly not unrelated to the Covid-19 pandemic that affected the world, including Indonesia. Changes only became apparent when entering 2021 and 2022, when the Covid-19 situation began to subside and social and economic activities started to normalize.

To implement the mandate of the 2009 PDRD Law, the Banyumas Regency Government issued several policies, including:

1. Banyumas Regent Regulation No. 22 of 2011 concerning the Procedures for Providing and Utilizing Incentives for Regional Tax and Levy Collection in Banyumas Regency for the 2011 Budget Year;
2. Banyumas Regent Regulation No. 49 of 2012 concerning the Procedures for Collecting Rural and Urban Land and Building Taxes in Banyumas Regency;
3. Banyumas Regent Regulation No. 64 of 2013 concerning the Procedures for Collecting Hotel and Restaurant Taxes in Banyumas Regency;

4. Banyumas Regent Regulation No. 65 of 2013 concerning the Procedures for Collecting Groundwater Taxes in Banyumas Regency;
5. Banyumas Regent Regulation No. 69 of 2013 concerning the Procedures for Providing and Utilizing Incentives for Regional Tax and Levy Collection in Banyumas Regency for the 2014 Budget Year;
6. Procedures for Providing and Utilizing Incentives for Regional Tax and Levy Collection in Banyumas Regency for the 2015 Budget Year;
7. The revocation of Banyumas Regent Regulation No. 18 of 2020, which pertains to the Procedures for Exempting Hotel and Restaurant Taxes during the Emergency Response and Handling of the Coronavirus Disease 2019 (Covid-19) in Banyumas Regency, is hereby announced;
8. Banyumas Regent Regulation No. 65 of 2021 concerning the Procedures for Collecting Rural and Urban Land and Building Taxes in Banyumas Regency;
9. Banyumas Regent Regulation No. 54 of 2021 concerning the Extension of Land and Building Tax Payment for Rural and Urban Areas in Banyumas Regency for the 2021 Year;
10. Banyumas Regent Regulation No. 15 of 2021 concerning the Collection of Land and Building Acquisition Duty Tax in Banyumas Regency;
11. Banyumas Regent Regulation No. 2 of 2022 concerning the Procedures for Providing and Utilizing Incentives for Regional Tax and Levy Collection in Banyumas Regency for the 2022 Budget Year;
12. Banyumas Regent Regulation No. 1 of 2022 concerning the Procedures for Implementing the Elimination of Land and Building Tax Receivables for Rural and Urban Areas;
13. Banyumas Regent Regulation No. 3 of 2022 concerning the Waiver of Administrative Sanctions in the form of Interest and Fines on Land and Building Taxes for Rural and Urban Areas owed from 2013 to 2020;
14. Banyumas Regent Regulation No. 61 of 2020 outlines the procedures for conducting regional tax audits.

The policy, represented by the aforementioned regent's regulation, serves as an implementing provision of the regional tax regulation; therefore, its content provides a technical elaboration of the main regional regulation. There are several dimensions that

constitute the content of the regent's regulation, which include normative dimensions, economic dimensions, and social dimensions.

The normative dimension in the form of a legal basis is prepared to umbrella several policies such as reductions, exemptions, incentives, and the procedures for their collection. Considering that the legal form of this technical regulation is a regent's regulation, there is flexibility in determining the direction of the policy to be taken. Moreover, the era at that time was an era of extensive autonomy, which opened up opportunities for the regent to translate their policies into regent regulations.

From this normative dimension, there is also an opportunity for regions to develop strategies in local tax management, such as incentive policies, the use of incentives, tax debt forgiveness, and tax collection techniques, including local tax audit policies. This normative step becomes very feasible because tax management policies fall under the authority of local governments.

The economic dimension and the social dimension become important in the elaboration of tax regulations in the region, considering that the limitations of regional taxes are very clearly understood to ensure a mutual benefit, albeit indirectly, and the use of tax money is emphasized for regional financing to achieve welfare.

To implement the economic and social dimensions, several articles in the 2009 PDRD Law mandate that the revenue from regional taxes be allocated for the implementation of development programs/activities related to the type of tax. These articles include 2 (two) articles for provincial taxes and 1 (one) for district/city taxes, namely:

1. Article 8 paragraph (5): The revenue from Motor Vehicle Tax, at least 10% (ten percent), including the share allocated to districts/cities, is allocated for the construction and/or maintenance of roads and the improvement of public transportation modes and facilities.
2. Article 31: The revenue from the tobacco tax, both the provincial and district/city shares, is allocated for at least 50% (fifty percent) to fund public health services and law enforcement by the authorized authorities.
3. Article 56 paragraph (3): Part of the revenue from the Street Lighting Tax is allocated for the provision of street lighting.

The mandate contained in the three articles mentioned above is clear, namely that taxes collected from taxpayers will be returned for financing activities or programs that

can be enjoyed by many people (to prosper the community), and in this case, local governments have the flexibility to allocate tax revenue as normatively outlined in the Regional Budget (APBD).

According to Tjip Ismail, if regional tax regulations in Indonesia can create a balance between the tax burden that must be paid by taxpayers and the services provided directly by the regional government to the taxpayers, then the level of direct services provided by the regional government can become a standard for investment development in the respective region. In the end, such an arrangement can have a positive impact on the economy and development of the region, and of course, this positive impact will in turn also positively affect the national economy and development (Ismail, 2005, p. 174).

The policy implemented by the Banyumas Regency Government is to issue the Banyumas Regent's Decree Number 970/552/2022 concerning the Task Force for the Optimization of Regional Taxes in Banyumas Regency. The team, consisting of the Regional Secretary, Assistant for General Administration, Regional Inspector, and Head of the Legal Division, has the task of analyzing the results of local tax collection and evaluating the performance of local tax collection, and subsequently reporting the evaluation results to the Regent. In accordance with its name, the Regional Tax Optimization Task Force, the performance results of this team can optimize regional tax revenue, as it is clearly stated in the Decree (SK) that the basis for forming this team is to support the successful implementation of regional tax optimization in Banyumas Regency.

#### **4.2 Construction of regional tax regulations**

Local tax regulation refers to the process by which local governments set and regulate tax rates within their jurisdiction. This regulation is influenced by various factors, including the structure of government, fiscal policies, local economic conditions, and the arrangement of revenue sharing between different levels of government. A deep understanding of local tax settings can be obtained through consideration of fiscal decentralization and its implications for local expenditure and governance.

Fiscal decentralization plays an important role in shaping local tax policies. It allows local governments to have autonomy over tax rates, enabling them to adjust taxation based on local needs and circumstances (Hauptmeier, 2007, p. 1). For example,

in Germany, local governments compete on the tax base, driven by the need to attract businesses while managing the demand for local public services (Kalb, 2010, p. 24). Fiscal competition encourages jurisdictions to optimize their tax structures, which can lead to better outcomes in the provision of public goods and services. However, local governments often do not have the freedom to independently collect adequate revenue, heavily relying on intergovernmental transfers and grants. This dependence can lead to inefficiencies in local public spending unless managed effectively (Uchimura and Jütting, 2009, p. 1926).

The regulation of regional taxes in Indonesia is based on several fundamental principles that underpin the implementation of autonomy and justice in the taxation system. There are four main principles that are often mentioned: the principle of autonomy, the principle of justice, the principle of legal certainty, and the principle of efficiency, which interact with each other to create an effective and just taxation system. The principle of autonomy plays an important role in the regulation of regional taxes, considering that regional autonomy grants the rights and authority to local governments to manage and administer their own financial resources. This autonomy enables regions to collect taxes and levies in order to increase their Local Own Revenue (PAD) (Kencana, Aladin, and Armaini, 2022, p. 1145).

The principle of justice refers to fair treatment for all taxpayers and their ability to pay taxes. This justice must be reflected in the tax policies implemented by local governments so that there is no discrimination against certain groups (Sasmita and Kimsen, 2023, p. 55). Legal certainty as the third principle focuses on the existence of certainty in tax regulations, which helps taxpayers understand the provisions and processes of tax payment. Legal certainty creates a situation where taxpayers do not feel confused or threatened regarding their tax obligations, thereby encouraging better compliance and reducing legal disputes in tax administration (Hamdani, Haskar, and Farda, 2023, p. 200).

The principle of efficiency is related to how the tax is collected and managed by the local government. Efficient management not only means that taxes should be collected at minimal cost but also implies that the purpose of using tax revenues should be directed towards community development and infrastructure. The efficiency of tax management shows a positive relationship with the increase in PAD, which in turn has a positive impact on regional economic development (Mulatsih et al., 2022, p. 1907). Overall, these

basic principles of autonomy, justice, legal certainty, and efficiency are interconnected and contribute to creating an effective regional taxation system. With these principles, regional taxes can be managed optimally, support regional development, and enhance the financial independence of local governments.

The construction of regional tax regulations within the material of the HKPD Law, which is the authority of the regions, clearly shows its correlation with national policies in the financial sector, where the direction of regulation is entirely the authority of the central government. The construction of regional tax regulations, which is oriented towards central interests in its historical regulation as stated in Government Regulation No. 10 of 2021 concerning PDRD, wherein Article 2, paragraph (1), letter a, it is mentioned that the purpose of this Government Regulation is to strengthen the role of the Regional Government in supporting the National Fiscal Policy. The emphasis on the obligation of regions to synergize with the direction of national economic policy is further highlighted by the authority of the Central Government to evaluate both the draft regional regulations and the evaluation of existing regional regulations.

Strategic policies for increasing investment and job creation require enhanced policy alignment between the Central Government and Local Governments, particularly in terms of accelerating national strategic projects, regulating the administration of local taxation, and facilitating ease of doing business. Article 2 of Government Regulation 10/2021 contains provisions regarding the construction of tax applicability restrictions, where paragraph (1) states that the purpose of this Government Regulation is a) to strengthen the role of regional governments in supporting national fiscal policy and b) to support the implementation of licensing simplification and regional ease of doing business and services policies.

The construction of regional tax regulations in the HKPD Law is linked to Article 23A of the 1945 Constitution of the Republic of Indonesia, which states that "Taxes and other compulsory levies for state purposes are regulated by law." It is clearly stated that taxes are regulated by law, which means that the collection of taxes must have a legal basis, namely a law. It is not specified that the law must specifically regulate taxes, so it is sufficient if there is a law that provides the legal basis for tax collection. General Explanation of the HKPD Law, which states that the government can adjust tax and levy rates in accordance with the national tariff regulations, as well as conduct supervision and

evaluation of regional regulations regarding taxes and levies that hinder the investment ecosystem and ease of doing business.

The new construction in the HKPD Law is carried out through the reclassification of 5 (five) types of consumption-based taxes into one type of tax, namely the Certain Goods and Services Tax (PBJT), with the aim of (i) aligning the Tax Objects between central and regional taxes to avoid tax collection duplication; (ii) simplifying tax administration so that the benefits obtained are higher than the collection costs; (iii) facilitating the monitoring of integrated tax collection by the regions; and (iv) making it easier for the public to fulfill their tax obligations, while also supporting ease of doing business through the simplification of tax administration. In addition to the integration of regional consumption-based taxes, PBJT regulates the expansion of tax objects such as valet parking, recreational objects, and the rental of sports facilities and infrastructure (sports game objects).

The new construction in the HKPD Law grants the authority to collect regional taxes between the provincial and district/city government levels, namely PKB, BBNKB, and MBLB taxes. The covert operation for PKB and BBNKB. Additionally, there is the addition of the MBLB Tax option for provinces as a new source of revenue expected to strengthen the function of issuing permits and supervising mining activities in the region.

## **5 CONCLUSION**

The regulation of regional taxes within a law specifically governing regional taxes ended with the enactment of the HKPD Law 2022, which explicitly repealed the PDRD Law 2009. There has been a shift in the construction of regional tax regulations, which were originally independent regulations, into a policy that integrates with the financial relationship policies between the central and regional governments. The regulation of regional taxes in Banyumas Regency is based on the principles of social and economic justice, with tax allocation for development and public services. After the repeal of the PDRD Law or the enactment of the HKPD Law, the Banyumas Regency Government took the policy of issuing the Banyumas Regent's Decree Number 970/552/2022 concerning the Task Force for the Optimization of Regional Taxes in Banyumas Regency. The Task Force for the Optimization of Regional Taxes in Banyumas Regency also

strategically analyzes and evaluates tax collection performance to effectively and efficiently improve regional tax collection results.

The construction of regional tax policies in Banyumas Regency after the enactment of the HKPD Law includes the alignment between central and regional taxes, simplification of tax administration, and the expansion of tax objects to support regional development and ease of doing business. This policy aims to avoid duplication of tax collection, simplify monitoring, and enhance convenience for the community in fulfilling their tax obligations. The implementation of this policy is accompanied by continuous monitoring and evaluation to optimize tax collection results and support community welfare.

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**Authors' Contribution**

Both authors contributed equally to the development of this article.

**Data availability**

All datasets relevant to this study's findings are fully available within the article.

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