

Rural and Urban Land and Building Tax Fines and Taxpayer Compliance: A Constitutional Law Review and Its Relevance to Local Revenue

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Abstrak: Rural and Urban Land and Building Tax (PBB-P2) is a major source of Local Own-Source Revenue in Indonesia and is administered by local governments within the country's delegative decentralization framework. While local fiscal autonomy enables regions to adjust certain parameters of PBB-P2 administration through local regulations, the use of sanctions, particularly fines for late payment or non-compliance, raises a constitutional question regarding the limits of regional taxing authority and the protection of taxpayers' rights. This study addresses the gap between fiscal-administrative discussions of PBB-P2 enforcement and a constitutional law assessment of whether local fine regimes remain legitimate under rule-of-law standards. This research employs a normative by analyzing applicable positive law governing local taxation, especially Law No. 28 of 2009 on Regional Taxes and Regional Levies alongside relevant administrative practices concerning PBB-P2 fines and arrears. The analysis demonstrates that local governments are constitutionally permitted to impose PBB-P2 fines as part of fiscal decentralization and regional autonomy; however, such authority is not absolute. Because fines directly impose coercive burdens in the state citizen relationship, their design and enforcement must comply with the principles of legality and legal certainty, proportionality, and non-discrimination. These requirements demand clear and accessible standards for liability, predictable calculation and collection procedures, reasonable calibration between the fine and the taxpayer's conduct, and equal treatment for similarly situated taxpayers, supported by fair procedures and effective remedies. The study concludes that strengthening PBB-P2 enforcement should not rely solely on deterrence logic or revenue targets. Evidence-based improvements are needed to align sanction design with constitutional safeguards, thereby enhancing compliance while sustaining public trust and the legitimacy of local taxation.

Keywords: PBB-P2 Fines; Taxpayers; Constitutional Law.

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I. INTRODUCTION

Several regions in Indonesia rely on the Rural and Urban Land and Building Tax (PBB-P2) as a stable component of local own-source revenue (PAD). However, as a form of state-imposed levy exercised under fiscal decentralization, PBB-P2 also raises a constitutional question: how far may the state, through local governments, extend its taxing authority without exceeding the limits set by the Constitution and infringing taxpayers' constitutional rights. This issue is especially salient because the legal design of PBB-P2, covering the determination of tax objects and taxable value, administrative procedures, and the enforcement of sanctions for late payment or non-compliance, directly affects legal certainty, due process, and the protection of property-related rights. Accordingly, taxpayer compliance cannot be understood solely as an administrative or service-quality matter, but also as a reflection of whether the PBB-P2 regime operates within constitutional constraints and affords adequate safeguards to taxpayers.¹

Across regions, the practice of imposing PBB-P2 fines varies in amount, collection procedures, relief mechanisms, and enforcement. While fines are formally justified as instruments to deter late payment and improve compliance, such variation raises constitutional and rule-of-law concerns. In particular, unequal fine structures and inconsistent procedures may undermine the principle of legality (*lex certa* and clear statutory basis), the principle of proportionality (the relationship between the severity of the fine and the taxpayer's conduct and ability to comply), and due process (adequate notice, a meaningful opportunity to contest assessments, and accessible remedies). These risks become more acute in areas with low administrative capacity, outdated taxpayer and property-object databases, and payment services that are not user-friendly, where fines may function less as a legitimate deterrent and more as a punitive burden that escalates arrears and provokes resistance. Accordingly, the observed disparity does not merely indicate weaknesses in policy design and implementation; it also signals potential infringements of constitutional safeguards in taxation, particularly where penalties are imposed without clear standards, fair procedures, or effective avenues for review.

Indonesia's subnational taxation framework is largely delegated by the central state: local governments may levy certain taxes only within the types, bases, and general parameters authorized by national legislation, and the operational details are then specified through local regulations (*Peraturan Daerah*, "Perda"). Within this delegative structure, the Rural and Urban Land and Building Tax (PBB-P2) constitutes a major component of Local Own-Source Revenue (*Pendapatan Asli Daerah*, "PAD"),² meaning revenue raised and managed by local governments to

¹ A. R. Pratama et al., "Analisis Efektivitas Penerimaan, Kontribusi dan Laju Pertumbuhan Pajak Bumi dan Bangunan Perdesaan dan Perkotaan (PBB-P2) terhadap Pendapatan Asli Daerah DKI Jakarta," *Jurnal Ilmiah Wahana Pendidikan* 11, no. 8B (2025): 1–17.

² T. S. Aulia and D. S. Alistraja, "Analisis Efektivitas Pajak Bumi dan Bangunan Perdesaan dan Perkotaan dalam Meningkatkan Pendapatan Asli Daerah (PAD) Kota Medan," *Jurnal Multidisiplin Madani (MUDIMA)* 1, no. 3 (2021): 341–354.

finance local public functions. The tax base is administratively determined through the NJOP (Nilai Jual Objek Pajak), an official assessed value of the tax object used for taxation purposes, which may differ from market price.

A key challenge, however, is persistently low formal compliance (timely payment) and material compliance (accurate payment amounts), which affects local cash liquidity and introduces uncertainty in budget planning. PBB-P2 arrears often stem from unverified tax object-tax subject data, uneven tax awareness, and limited payment channels. Unverified object-subject data, such as land area, designated use, ownership status, and NJOP, frequently results in misclassification, incorrect billing, overlapping objects, higher compliance costs, and a greater likelihood of disputes. Differences in tax awareness are reflected in fiscal literacy, perceptions of procedural and distributive fairness, and levels of trust in local governments; together, these factors reduce willingness to pay and encourage free-rider behavior. Limited payment channels, shaped by geographic reach, service hours, digital-system reliability, and administrative fees, raise transaction costs and widen access gaps, particularly for low-income taxpayers and residents in remote and underdeveloped areas (3T). The interaction of these constraints with cumulative fine designs and non-transparent relief procedures allows arrears to compound, weakens early compliance incentives, and reduces enforcement effectiveness. At the governance level, weak data interoperability across subdistricts/agencies and misalignment between national standards and local implementing rules hinder mass updating and targeted interventions. Under such conditions, flat and cumulative fines may widen the gap between compliant and non-compliant taxpayers without addressing the root causes of non-compliance.³

A further issue concerns the fairness and proportionality of sanctions. Fines that do not take into account ability to pay, socio-economic conditions, or the disputed status of the tax object may create disproportionate burdens.⁴ When procedures for objections, reductions, or waivers are unclear or difficult to access, fines lose their educational function and become an administrative burden that erodes trust in local tax authorities. Flat and cumulative fine rules without an assessment of ability to pay ignore proportionality and risk pushing vulnerable taxpayers into cycles of arrears. The absence of differentiation based on socio-economic indicators, such as informal employment status, poverty levels, or post-disaster vulnerability, can produce regressive outcomes that conflict with distributive justice. Imposing fines on objects that remain under dispute or have overlapping ownership creates legal uncertainty, increases transaction costs, and may trigger unnecessary litigation. Where relief procedures are not standardized, not transparent, and lack accessible

³ A. Z. Rohmah and R. Sulistyowati, “Evaluasi Prosedur Verifikasi dan Validasi Objek PBB-P2 dalam Meningkatkan Pelayanan Pajak,” *Jurnal Media Komunikasi Ilmu Ekonomi* 41, no. 1 (2024): 46–59.

⁴ D. G. Prianti, “Hukum Kenaikan Pajak 12% atas Barang Mewah melalui PPnBM,” *Perspektif Administrasi Publik dan Hukum* 2, no. 2 (2025): 142–157.

service channels, corrective mechanisms that should protect taxpayers instead become administrative barriers. This shifts fines from an educational tool and compliance incentive into a purely punitive administrative instrument that reduces public trust. Institutionally, weak decision documentation, inconsistent evidentiary standards, and uncertain service timelines worsen information asymmetry between local governments and taxpayers. As a result, collection effectiveness declines due to rising payment resistance, while governance objectives such as legal certainty, fairness, and accountability are difficult to sustain.

This study is motivated by local governments' need to optimize Local Own-Source Revenue (PAD) sustainably while preserving the constitutional legitimacy of local taxation in the eyes of residents. Because regional taxing power in Indonesia is delegated and legally bounded, the design and enforcement of PBB-P2 fines must operate within clear limits of regional government authority and comply with rule-of-law requirements, particularly legality, proportionality, and due process, to avoid transforming sanctions into punitive burdens that undermine taxpayers' constitutional protections and public trust. Yet, existing discussions and local practices tend to focus on revenue performance and administrative effectiveness, leaving a key gap: there is limited integrated analysis of whether and how PBB-P2 fines simultaneously (i) enhance compliance and local revenue and (ii) remain constitutionally legitimate under the constraints of delegated regional authority. In the post-pandemic fiscal environment and amid rising public-service needs, this gap becomes more consequential, as local governments seek sanction instruments that are effective but also fair and legally certain. Accordingly, this study examines the contribution of PBB-P2 fines to compliance and local revenue while assessing their alignment with constitutional standards, providing both empirical and normative grounds for evidence-based improvements in local tax sanction policy. From a constitutional law perspective, the position and authority of local governments to stipulate and implement PBB-P2 fines is grounded in the principles of regional autonomy and legality. The relationship between national regulation (e.g., statutes on regional taxation and implementing government regulations) and local regulations (Perda) is crucial to ensure a clear delegation of authority, minimum standards for protecting citizens' rights, and the avoidance of normative disharmony. Legal certainty regarding the limits of authority determines the constitutional legitimacy of fines imposed by local governments.⁵

The implications of fines for the principles of legal certainty and justice are also a central concern in constitutional law. Fines should reflect the principle of legality (a clear legal basis), proportionality (an amount commensurate with the violation), and non-discrimination (equal treatment for citizens in comparable circumstances). Procedures that guarantee the right to be heard, access to objection

⁵ N. H. M. Qlifia, A. Saragih, and D. Kartika, "Proportionality Principle in Indonesia's Local Tax Sanctions: A Normative Analysis of Regional Tax Penalties under the HKPD Framework," *PERMANA: Jurnal Perpajakan, Manajemen, dan Akuntansi* 17, no. 3 (2025): 1212–1227.

mechanisms, and information transparency constitute due process in local-level state-citizen relations.⁶

Based on this background, the research questions are: (1) what is the position and authority of local governments to stipulate and implement PBB-P2 fines under constitutional law principles, with a focus on constitutional legitimacy and local fiscal autonomy in its interaction with national regulation; and (2) what are the implications of administrative sanctions in the form of PBB-P2 fines for the principles of legal certainty and justice, particularly regarding compliance with legality, proportionality, and non-discrimination in state-citizen relations.

Theoretically, this study is expected to enrich fiscal constitutional law and local taxation scholarship by bridging normative analysis and empirical evidence on compliance. Its contribution is expected to include strengthening the concept of local taxing authority, operationalizing proportionality in administrative sanctions, and integrating a risk-based compliance approach into local taxation.

II. METHOD

This study employs a normative-juridical (doctrinal legal) methodology focusing on the analysis of positive and valid legal norms relevant to Rural and Urban Land and Building Tax (PBB-P2) and their implications for taxpayers and local revenue. The methods include: a conceptual approach to legal principles (legality, proportionality, non-discrimination, and due process); and a statutory approach based on the hierarchy of laws and regulations (the 1945 Constitution, statutes, government regulations, and local regulations/Perda).⁷

The legal materials analyzed consist of: (a) primary legal materials, namely the 1945 Constitution; Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments (HKPD Law); Law No. 12 of 2011 on the Formation of Laws and Regulations as amended by Law No. 13 of 2022; Government Regulation No. 35 of 2023 on General Provisions for Regional Taxes and Regional Levies; and selected local legal instruments governing PBB-P2 and administrative sanctions.

To provide concrete case illustrations, this study reviews Surabaya City Regional Regulation (Perda) No. 10 of 2010 on Urban Land and Building Tax, including its amendment framework (Perda Surabaya No. 5 of 2021) and DKI Jakarta Provincial Regulation (Perda) No. 1 of 2024 on Regional Taxes and Levies, including subsequent amendments referenced in local JDIH records.

These instruments were selected to capture variation in (i) penalty design and calculation (including the historical “monthly percentage” model), (ii) procedural architecture for billing and collection (e.g., the use and content of STPD), and (iii)

⁶ Ahmad Munir, et al., “Challenging Government Overreach: Privacy Concerns in Financial Information Access for Tax Purposes.” *Indon. JLS* 5 (2024): 316-330.

⁷ P. M. Marzuki, *Penelitian Hukum*, rev. ed., 12th printing (Jakarta: Kencana, 2016).

relief/administrative handling in practice, thereby enabling a doctrinal assessment of how delegated local authority operates across different local regulatory models.⁸

Secondary legal materials include legal research methodology books, literature on tax law and administrative law, and peer-reviewed journal articles. Tertiary materials comprise encyclopedias and legal dictionaries. Document searches were conducted through official local government and JDIH sources, as well as authoritative regulation repositories and court decision directories. Inclusion criteria covered recency, source authority, and direct relevance to PBB-P2 fines, the limits of local authority under delegated decentralization, and constitutional principles.

The analysis uses a qualitative-normative approach with deductive reasoning to assess the conformity of PBB-P2 fines with legality, proportionality, and non-discrimination, complemented by a vertical-horizontal harmonization test among the HKPD Law, implementing government regulations, and local regulations (Perda), as reflected in regulations, court decisions, and literature. The results are discussed under two main themes: the position/authority of local governments and the implications of sanctions for legal certainty and justice. The study acknowledges the limitation of not using field data; therefore, the recommendations are normative-analytical and intended to be tested in future empirical studies.⁹

III. ANALYSIS AND DISCUSSION

Analysis of Regional Regulations on PBB-P2 Fines: Surabaya and DKI Jakarta

To ensure that the constitutional analysis is grounded in concrete regulatory practice, this study uses two regional case illustrations: (i) Surabaya and (ii) DKI Jakarta, each representing different regulatory models and sanction architectures within Indonesia's delegated local tax regime.

In Surabaya, the former regulatory design (Perda No. 10 of 2010 on Urban Land and Building Tax) adopted a high monthly interest-based administrative sanction. The regulation provided that underpayment or late payment could be charged interest of 2% per month, calculated for a specified period and enforced through STPD mechanisms, with certain provisions allowing the Head of Region to approve installment/deferral arrangements subject to the same monthly interest logic. Importantly, the Perda also acknowledged a remedial pathway through correction and reduction mechanisms, allowing the Head of Region to correct assessments and to handle reductions or administrative sanction adjustments (as reflected in the provisions on correction/reduction and sanction treatment), as well as procedures for refunds of overpayment.

From a constitutional rule-of-law standpoint, the Surabaya model is analytically useful because it highlights a concrete tension between formal legality (a clear written basis for sanctions) and substantive justice (whether a flat, cumulative interest rate remains proportionate for taxpayers with limited ability to pay,

⁸ J. Ibrahim, *Teori dan Metodologi Penelitian Hukum Normatif* (Malang: Bayumedia Publishing, 2006).

⁹ S. Soekanto, *Pengantar Penelitian Hukum* (Jakarta: UI-Press, 2010).

especially where arrears may stem from administrative/data deficiencies rather than deliberate non-compliance). In addition, although STPD-based collection provides a formal enforcement route, the design raises due process concerns if taxpayers effectively learn about arrears only *ex post* (e.g., when seeking other services), thereby weakening meaningful notice and the opportunity to contest or seek relief in a timely manner. Conceptually, this is where legality must be read together with proportionality and procedural fairness, not treated as mere textual authorization.

DKI Jakarta's Perda No. 1 of 2024 provides an instructive contrast.¹⁰ Instead of centering the design primarily on a high monthly sanction rate in the Perda text, the regulation places significant distributive weight on the tax base architecture, including: (i) NJOP as the base, (ii) a non-taxable threshold (NJOPTKP) of IDR 60,000,000 per taxpayer, and (iii) a valuation-use mechanism where the percentage of NJOP used for computation is set within a 20%–100% band, with policy considerations such as NJOP increases, forms of utilization, and regional clustering to be further detailed by implementing regulations. The Perda also sets a general PBB-P2 tariff of 0.5%, while providing a lower tariff (0.25%) for certain productive land uses (e.g., food and livestock production), signaling an explicit attempt to incorporate proportionality and socio-economic sensitivity at the level of tax burden allocation.

For constitutional analysis, the DKI model is useful in two ways. First, the structure of exemptions/thresholds and differentiated tariffs operationalizes equality and proportionality by reducing the burden on lower-value holdings or specific socially relevant land uses, thereby aligning fiscal objectives with the constitutional demand for fairness and equal treatment. Second, because the formal instruments of collection and sanctioning in Indonesian local taxation rely heavily on STPD as the notice-and-collection vehicle, the legitimacy question shifts toward whether taxpayers receive effective notice, accessible information, and a realistic route to correction/relief, especially when the national framework defines STPD as the instrument to bill tax and/or administrative sanctions.

The Position and Authority of Local Governments to Stipulate and Implement PBB-P2 Fines under Constitutional Law Principles

In the context of this study, the discussion of tax collection should be grounded not in general definitional debates about “tax,” but in the constitutional basis and limits of the taxing power exercised through PBB-P2. In Indonesia’s delegative local tax system, regional governments may administer PBB-P2 only within the scope authorized by national law and further specified through local regulations (Perda).¹¹

¹⁰ Adhitya Rizki Pratama et al., “Analisis Efektivitas Penerimaan, Kontribusi dan Laju Pertumbuhan Pajak Bumi dan Bangunan Perdesaan dan Perkotaan (PBB-P2) terhadap Pendapatan Asli Daerah DKI Jakarta,” *Jurnal Ilmiah Wahana Pendidikan* 11, no. 8.B (2025): 1–17.

¹¹ I. S. R. Rafsanjani and Z. Zulkifli, “Analisis Efektivitas Program Pengurangan Pokok Pajak dan Penghapusan Denda Secara Otomatis untuk Tunggakan Pajak PBB-P2 Tahun 1994 hingga 2022 terhadap Pengurangan Piutang PBB-P2 di Kota Yogyakarta,” *Upajiwa Dewantara: Jurnal Ekonomi, Bisnis dan Manajemen Daulat Rakyat* 9, no. 1 (2025): 11–19.

Consequently, the legal design and enforcement of PBB-P2 sanctions, particularly fines for late payment or non-compliance, must satisfy rule-of-law requirements of legality, legal certainty, proportionality, and due process. The central question is therefore whether PBB-P2 fines, as implemented at the local level, operate as constitutionally legitimate compliance instruments or whether they risk exceeding delegated authority and undermining taxpayers's constitutional protections through unclear standards, disproportionate burdens, or inadequate procedural safeguards.¹²

Building on this general understanding, the discussion can then be directed to a type of tax directly linked to ownership or use of specific objects, namely the Land and Building Tax (PBB). Accordingly, the following section focuses on how PBB is understood, its tax base, and its role in national and local revenue.

Land and Building Tax (PBB) is one of the most important components of Indonesia's fiscal system and provides benefits to both the state and its citizens. For the state, PBB functions as a revenue instrument that can support infrastructure development, public projects, and social programs. For the public, PBB contributes to improvements in the quality of the environment and public facilities, such as roads, schools, and parks. Beyond revenue generation, PBB can also raise public awareness of orderly living and encourage efficient and responsible use of land and buildings.¹³

Funding sources for local government expenditure are divided into three major categories, as follows:

1. Local Own-Source Revenue (PAD), consisting of:
 - a. Local taxes
 - b. Levies for services within the local government's jurisdiction
 - c. Profits from regionally owned enterprises
 - d. Other local own-source revenues, such as interest on investments;
2. Government transfers, distributed through:
 - a. Revenue-sharing funds (DBH),
 - b. General allocation funds (DAU)
 - c. Special allocation funds (DAK)
3. Pinjaman.

Local Own-Source Revenue (PAD) is a category of revenue obtained by regions based on laws and local regulations. A local tax is a compulsory contribution paid by individuals or business entities to the local government without a directly commensurate consideration, and it can be enforced under statutory provisions. Such contributions finance governmental operations and regional development. Article 2 of Law No. 28 of 2009 provides for 16 types of local taxes: 11 are

¹² Ahmad Munir dan Dea Arifka Andini, "Pengaturan Pajak Restoran atas *Food Truck* Menurut Undang-Undang Nomor 28 Tahun 2009 tentang Pajak Daerah dan Retribusi Daerah," *Mimbar Yustitia* 1, no. 1 (Juni 2017): 93–101.

¹³ M. W. Agustin and A. F. Mustoffa, "Analisis Partisipasi Masyarakat dalam Membayar Pajak Bumi dan Bangunan (Studi Kasus Desa Puhpelem)," *Owner: Riset dan Jurnal Akuntansi* 7, no. 3 (2023): 1919–1929.

regency/municipality taxes and 5 are provincial taxes. In addition, there are 31 types of statutory levies for which the law grants local governments the authority to determine the applicable rates.

The Land and Building Tax (PBB-P2) rate is calculated by reference to the NJOP (Nilai Jual Objek Pajak), an administratively assessed value determined within the local government's delegated competence, and its collection is administered by the relevant local government pursuant to statutory authorization and local regulations. This allocation of authority is often linked to Articles 18, 18A, and 18B of the 1945 Constitution, which recognize regional autonomy within the framework of the Unitary State (NKRI). However, constitutional recognition of autonomy does not imply unlimited taxing power. Because taxation and sanctions directly interfere with citizens' property-related interests and impose legally enforceable burdens, the exercise of local taxing authority must remain bounded by constitutional safeguards, most notably legal certainty (clear, predictable, and accessible rules on valuation and liability) and equality before the law (non-discriminatory treatment across similarly situated taxpayers). Accordingly, decentralization in local taxation should be understood not only as a fiscal mechanism to mobilize local revenue, but also as a governance arrangement that requires local governments to balance revenue objectives with rule-of-law constraints and taxpayers' constitutional protections in the determination of NJOP, the setting of rates, and the enforcement of compliance measures.

Rural and Urban Land and Building Tax (PBB-P2) is a local tax associated with ownership or utilization of land and buildings.¹⁴ The tax subject is an individual or legal entity that has rights to benefit from land and buildings. Initially, the administration and development of PBB-P2 were carried out by the central government, but the proceeds were transferred to local governments. Since 2010, the authority to collect PBB-P2 has been formally delegated to local governments. This transfer provides additional fiscal space for local governments, although it remains within a delegative national regulatory framework.

The background and main reasons for transferring PBB-P2 to local governments and classifying it as a local tax can be explained as follows.¹⁵ First, theoretically, PBB-P2 has the characteristics of a local-origin tax: its object is fixed and not easily movable, and there is a direct linkage between those who pay the tax and those who receive benefits from the tax proceeds, consistent with the benefit-tax link principle. Second, devolving PBB-P2 to the regions is expected to increase PAD and improve the structure of regional budgets (APBD). Third, the policy aims to enhance transparency in tax revenue processes and promote accountability. Fourth,

¹⁴ Lili Suryanti, Qotrun Nida, and Eki Furqon, "Hubungan Antara Pemerintah Pusat dan Pemerintahan Daerah dalam Penetapan Tarif Pajak Daerah Berdasarkan Undang-Undang Nomor 11 Tahun 2020 tentang Cipta Kerja," *Gorontalo Law Review* 7, no. 1 (2024), 10–12.

¹⁵ M. C. Adissya and I. Budi, "Desentralisasi Fiskal dan Otonomi Daerah di Indonesia," *Law Reform Journal* 15, no. 1 (2019): 151–153.

international practice shows that property taxes such as PBB-P2 are generally categorized as local taxes in many countries.

Accordingly, local fiscal authority can remain supervised, does not conflict with national interests, and aligns with principles of fiscal decentralization, including:¹⁶

1. Money follows function, meaning fiscal authority must be commensurate with governmental functions;
2. Adequacy & elasticity, meaning local fiscal capacity should be sufficient and adaptable to needs; and
3. Accountability & transparency, meaning tax or fine levies must have a clear legal basis and be accountable.

Based on these principles, fiscal decentralization is an instrument used by government to direct development projects aimed at strengthening both regional and national economies. In Indonesia, fiscal decentralization has tended to place greater emphasis on expenditure through transfer schemes. In constitutional practice, decentralization is important to achieve a core objective: increasing public participation and developing more democratic decision-making processes. Through this process, regional governments can assess local needs and priorities to accommodate diverse interests and ensure decisions better align with community aspirations. Nevertheless, in practice, regional autonomy is sometimes reduced to mere 'auto-money', pushing regions to design new funding schemes to cover the costs arising from the transfer of authority from the center to the regions.

Through these policies, the central government can supervise and implement local regulations related to PBB-P2 and other local taxes. First, State Minister Decree No. 43 of 1999 regulates the system and procedures for administering local taxes, local levies, and other revenues.¹⁷ Second, Ministry of Home Affairs Regulation No. 53 of 2007 addresses mechanisms for monitoring regional regulations (Perda) and regional head regulations. Third, State Minister Decree No. 41 of 2001 focuses on regional law enforcement. Fourth, Ministerial Decree No. 27 of 2002 contains provisions on local tax costs. Fifth, Ministry of Home Affairs Decree No. 36 of 2002 regulates the allocation of local tax collection costs for youth programs. In conclusion, Ministry of Home Affairs Regulation No. 56 of 2010 amends Regulation No. 57 of 2007 concerning technical requirements for village administration.

Implications of Administrative Sanctions in the Form of PBB-P2 Fines for the Principles of Legal Certainty and Justice

In Indonesia's tax system, administrative sanctions function as enforcement tools outside the criminal law sphere, aimed at improving voluntary compliance

¹⁶ Ferry Prasetya, Tengku M. Chalil, and Tiara Juniar Soewardi, *Dua Dekade Implementasi Desentralisasi Fiskal di Indonesia* (Jakarta: Badan Kebijakan Fiskal dan Kementerian Keuangan; United States Agency for International Development (USAID), 2021), 33–35

¹⁷ Haris Pandi Wijaya, "Implications of the Implementation of the Tax Administrative Sanctions Policy on Taxpayer Compliance," *Global Legal Review* 3, no. 2 (2023): 109–126.

among taxpayers.¹⁸ Under the self-assessment mechanism, each taxpayer is given primary responsibility to calculate, pay, and report tax obligations independently.¹⁹ Therefore, administrative sanctions play an important role in creating a deterrent effect for administrative violations such as late payment, reporting errors, or other forms of negligence.²⁰

Indonesian taxation recognizes two broad categories of sanctions administered by the Directorate General of Taxes: administrative sanctions and criminal sanctions. Administrative sanctions impose monetary consequences on taxpayers. As provided in tax legislation, administrative sanctions may apply for a specified period. They are linked to compliance with legal norms expressed as prohibitions, commands, or obligations; without sanctions, such norms are difficult to enforce effectively. In tax law, administrative sanctions are imposed to restore state losses and may take the form of fines, interest, or increases in the amount of tax payable. These sanctions apply to violations that do not constitute tax crimes. Under Indonesian tax law, there are three types of administrative sanctions:

1. Administrative fines, imposed on taxpayers who violate tax law provisions.
2. Interest sanctions, which include:
 - a. Payment may be made voluntarily without the issuance of a tax assessment letter. Interest is paid using a Tax Payment Slip (Surat Setoran Pajak). Interest sanctions include interest on amendments to annual tax returns (SPT), interest on installment payments or late payments, interest on late settlement, and interest on the difference between the actual tax due and a provisional tax amount.
 - b. Interest on collection due to failure to pay on time.
 - c. Interest on tax assessments stated in a tax assessment letter for additional principal tax, up to a maximum of 24 months.
3. Tax increases, which are often considered the most concerning sanction. When imposed, the tax payable can multiply. The increase is calculated as a percentage of unpaid tax and is generally imposed on taxpayers who fail to provide the information necessary to determine the correct tax payable.

In practice, administrative sanctions for late payment or outstanding PBB-P2 liabilities are commonly set at 2% per month, providing a formally clear and predictable penalty rule. However, the practical operation of this rule reveals a concrete tension between formal legal certainty and substantive justice, particularly

¹⁸ N. P. P. Sari, I. M. Sudiartana, and N. L. G. M. Dieriyani, “Pengaruh Keadilan Pajak, Sistem Perpajakan, Tarif Pajak dan Sanksi Perpajakan terhadap Persepsi Wajib Pajak Badan Mengenai Etika Penggelapan Pajak (Tax Evasion),” *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)* 3, no. 1 (2021).

¹⁹ Muhammad Naufal Arifyanto, “Politik Hukum Pengaturan Prinsip Self Assessment System atas Pelaporan Harta Kekayaan Wajib Pajak dalam Undang-Undang Ketentuan Umum dan Tata Cara Perpajakan,” *Jurnal Hukum Bisnis Bonum Commune* 4, no. 1 (February 2021): 25–35, 27–29.

²⁰ D. A. Wicaksono and I. Nurbaningsih, “Ratio Legis Penetapan Pembayar Pajak dan Relevansinya sebagai Dasar Pengujian Undang-Undang,” *Jurnal Konstitusi* 17, no. 3 (2020): 461–494, 470–472.

in relation to taxpayers' realistic ability to comply and pay. Many taxpayers do not automatically know that arrears have arisen, especially when outstanding balances and accumulated penalties are not expressly stated in the local tax collection notice (Surat Tagihan Pajak Daerah) for PBB-P2. To confirm the existence and magnitude of sanctions, taxpayers often must proactively request payment-status information from the local financial agency (Badan Keuangan Daerah), which presupposes awareness, time, digital access, and administrative capacity on the taxpayer's side.²¹

Under these conditions, the 2% monthly penalty can function not as a proportionate compliance incentive, but as a compounding burden that escalates precisely because taxpayers lack timely notice and accessible channels to regularize their position. This disproportionately affects low-income taxpayers and residents with limited access to local offices or reliable digital services, for whom delays may reflect constraints rather than intentional non-compliance. In practice, arrears are frequently discovered only when taxpayers inquire directly or when they require administrative services related to PBB and BPHTB, meaning that penalties may accumulate without an effective opportunity to cure. Meanwhile, taxpayers who never interact with these services may remain outside the enforcement "radar," rendering sanctions ineffective as deterrence while simultaneously inflating recorded receivables year by year.²² This pattern illustrates how a formally certain penalty regime can produce substantively unjust outcomes when notice, accessibility, and ability-to-pay considerations are not built into the enforcement design.²³

Administrative sanctions do not have a direct effect on increasing tax revenue, unlike audit and collection mechanisms. This reinforces that administrative sanctions must be accompanied by active enforcement with coercive capacity. In other words, sanctions alone are not effective without strict supervision and firm action by the tax authority.²⁴ Normatively, administrative sanctions are regulated in the Law on General Provisions and Tax Procedures (KUP Law), particularly Articles 13, 14, and 15.²⁵ However, the effectiveness of these provisions in practice depends on consistent enforcement and taxpayer understanding; otherwise, the rules risk losing their binding force. Therefore, evaluating the application of administrative sanctions is important to ensure the goals of tax law - justice, legal certainty, and utility - are achieved. From the perspective of positive Indonesian law, administrative sanctions

²¹ Gerit Elisa Mou, "Kewenangan Pemerintah Kabupaten atau Kota terhadap Pemungutan Pajak Bumi dan Bangunan Pedesaan dan Perkotaan," *Borneo Law Review (BOLREV)* 2, no. 2 (2018): 183–200.

²² S. S. Nugroho, M. M. Bastari, and J. Nainggolan, "The Need for a Constitutional Complaint Mechanism for Tax Matters in Indonesia," *Constitutional Review* 9, no. 2 (2023): 358–390.

²³ S. L. Yuli Prastyatini and L. N. Mufidatunnisa, "Land and Building Tax Compliance: Administrative Sanctions, Attitudes of Nationalism with Income Levels as Moderator," *Jurnal Akuntansi dan Perpajakan* 9, no. 1 (2023): 115–132.

²⁴ Ahmad Munir, Tatiek Sri Djatmiati, and Rr Herini Siti Aisyah, "Diskresi Presiden dalam Pengaturan Keterbukaan Informasi Perpajakan Government Discretion in Regulation of Tax Information Disclosure," *Halu Oleo Law Review* 5, no. 1 (2021): 74-84.

have a strong normative basis, as the provisions on fines, interest, and increases are clearly regulated in Law No. 6 of 1983 (as amended) on the KUP. In this juridical framework, administrative sanctions serve a dual function: prevention and enforcement to maintain order in tax law.

Legal certainty is a core foundation of the rule-of-law concept and remains essential. Article 28D(1) of the 1945 Constitution guarantees that every person has the right to “recognition, guarantees, protection, and fair legal certainty as well as equal treatment before the law,” while Article 23A requires that taxes and other compulsory levies for state needs be regulated by law. Read together, these provisions imply that tax enforcement—including penalty regimes—must be not only formally authorized and consistently applied, but also fair in its practical operation.

A concrete tension emerges in the application of PBB-P2 penalties that are formally clear (for example, a fixed 2% monthly fine) but, in practice, may burden taxpayers who lack a realistic opportunity to comply. Where arrears and accumulated fines are not clearly notified, where taxpayers must actively seek information from local offices, or where payment channels are limited and costly, the penalty rule can operate as a compounding charge that grows precisely because the taxpayer is unaware or unable to access compliance mechanisms. In such circumstances, the state can claim formal legal certainty, yet the outcome may be substantively unjust: taxpayers with lower income, limited mobility, or weaker access to administrative services face heavier effective burdens than similarly situated taxpayers who have better access, even when the underlying “fault” is not intentional refusal to pay. This illustrates that constitutional legal certainty in taxation cannot be reduced to the existence of written norms alone; it must also require procedural safeguards (timely notice and accessible remedies) and proportional enforcement that takes account of taxpayers’ realistic ability to comply.

This suggests that several aspects of tax law should be set out clearly, including: first, the tax law system that identifies tax objects and subjects to determine the tax base, rates, and tax administration; second, the legal basis of government authority to collect taxes (including bestuur/administrative authority); third, the legal relationship between taxpayers and collecting authorities, which provides security and clarifies obligations for the state and its citizens; fourth, law enforcement through administrative and criminal sanctions; and fifth, legal protection as set out in various instruments.

Nevertheless, income effectiveness essentially refers to the monetary resources obtained by taxpayers, whether domestically or abroad, used to meet daily needs or to add to personal assets.²⁶ The level of income does not automatically determine the application of tax sanctions. If a taxpayer violates applicable provisions or fails

²⁶ A. Mukkaromah, “Memahami Konsep Pajak Penghasilan di Indonesia,” DDT News, accessed January 17, 2026, <https://news.ddtc.co.id/memahami-konsep-pajak-penghasilan-di-Indonesia-13595>.

to follow procedures correctly, sanctions may be imposed. Sanctions may take the form of administrative fines, interest, or criminal penalties.²⁷

Conceptually, income can be understood as compensation or remuneration derived from main or secondary work. Income levels can influence a taxpayer's willingness to comply voluntarily. Moreover, for taxpayers with strong nationalism, tax compliance is viewed as a form of responsibility rather than being determined solely by the size of income. Accordingly, compliant taxpayers tend to face fewer obstacles in fulfilling their obligations.

VI. CONCLUSION

This study concludes that local governments in Indonesia are constitutionally permitted to stipulate and enforce PBB-P2 fines as part of fiscal decentralization; however, such authority is delegated rather than inherent and therefore must remain constrained by rule-of-law principles. A constitutionally valid PBB-P2 fine regime must (i) derive from explicit statutory delegation, (ii) be articulated through local regulation (Perda), and (iii) remain consistent with the unitary-state framework and the need for national coherence in fiscal governance.

Substantively, the legitimacy of PBB-P2 fines depends not only on formal legality but also on compliance with legality/legal certainty, proportionality, and non-discrimination. The key novelty of this study is demonstrating that, within a delegative local tax system, administrative tax penalties may become formally certain yet substantively unjust when they compound under conditions of weak notice, limited access to payment channels, and opaque or inaccessible relief mechanisms. Therefore, proportionality must be assessed not merely by the nominal rate or formula, but also by whether taxpayers have a realistic opportunity to comply and to seek correction or remission.

Policy-wise, local governments should clarify fine norms and procedures in Perda (including calculation, notice, objection, and remission pathways), periodically review fine levels against local economic conditions to avoid excessive burdens, and strengthen transparency and outreach so taxpayers understand their rights and obligations. At the same time, the central government should provide uniform technical guidance to reduce inter-regional disparities and ensure that local autonomy operates within the corridor of inter-regional fairness and constitutional safeguards.

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²⁷ W. Nafiah and P. M. R. Stirk, "Pengaruh Sanksi Pajak, Kesadaran Pajak, dan Kualitas Pelayanan Pajak terhadap Kepatuhan Wajib Pajak dalam Membayar Pajak Bumi dan Bangunan (Studi Kasus pada Kecamatan Candisari Kota Semarang Tahun 2016)," 10, no. 1 (2018): 86–105.

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