

ABSTRACT

The transfer of the Rural and Urban Land and Building Tax (PBB-P2) from a central tax to a regional tax is an implication of tax decentralization in Indonesia. This study examines the impact of tax decentralization on the tax revenue of regencies/cities in Indonesia. Tax decentralization is measured by the duration that regencies/cities start to collect their PBB-P2 and the tax revenue of regencies/cities is measured by PBB-P2 revenue and total tax revenue of regencies/cities. Using cross-sectional data from 505 regencies/cities in Indonesia in 2014 and applying the Ordinary Least Squares (OLS) method, this research demonstrates that tax decentralization has a significant positive effect on PBB-P2 revenue. Similar estimation results are also observed for the total tax revenue of regencies/cities. Furthermore, this study confirms that tax decentralization influences variations in PBB-P2 tax rates.

Keywords: Fiscal Decentralization, Tax Revenue, Tax Rate, Land and Building Tax

JEL: H71, H77, H20