ABSTRACT

This study aims to analyze the effectiveness of the amendments to Law No. 1 of 2022 on Financial Relations between the Central Government and Local Governments (HKPD Law) on changes in local taxes, local fees, revenue-sharing funds (DBH), and the financial performance of local governments. The study was conducted in Central Java Province, Semarang City, and Rembang Regency by comparing conditions before and after the implementation of the UU HKPD for the 2022–2025 period.

The study employed a descriptive quantitative approach using comparative analysis. The data used consisted of secondary data in the form of local government financial reports and related official documents. The analysis was conducted by calculating the effectiveness of local taxes, local fees, and the Revenue-Sharing Fund (DBH), as well as ratios of financial autonomy, effectiveness, efficiency, activity, and growth as indicators of local government financial performance.

The research findings show that the implementation of the HKPD Law has led to different changes across the three regions. Local tax effectiveness declined in Central Java Province and the City of Semarang, but increased in Rembang Regency. Financial performance also showed inconsistent patterns. Central Java experienced declines in several indicators, while Semarang City and Rembang Regency saw improvements in several key indicators. Changes in DBH also varied across regions in line with changes in financial relationship mechanisms and the application of the option clause. Overall, the implementation of the HKPD Law has not been uniformly effective, but it has brought about improvements in several aspects, so its effectiveness can be categorized as partially effective.

Keywords: *UU HKPD, regional taxes, local government financial performance, effectiveness, fiscal decentralization.*

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