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Analysis of the Potential and Impact of Tax Opsen on Fiscal Independence in Jayapura City

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ABSTRACT

This study examines the initial contribution of local tax surcharges to local own-source revenue and fiscal independence in Jayapura City following the implementation of Indonesia's 2022 fiscal relations reform. A mixed-method descriptive design was employed using the 2025 Budget Realization Report and semi-structured stakeholder discussions with local and provincial revenue authorities. Quantitative analysis covered revenue realization, composition, contribution to local own-source revenue (PAD), and the fiscal independence ratio, while qualitative analysis identified institutional constraints and opportunities. The results show that motor vehicle tax surcharge, motor vehicle title-transfer fee surcharge, and non-metallic minerals and rocks tax revenue totaled IDR 43.01 billion and contributed 13.18% of PAD. PAD reached IDR 326.46 billion, while transfer revenue amounted to IDR 1.214 trillion, producing a fiscal independence ratio of 26.88%. Revenue optimization is constrained by taxpayer compliance, intergovernmental coordination, fragmented tax data, limited digital integration, and institutional capacity. Because 2025 is the first implementation year, the findings should be interpreted as a baseline rather than causal evidence. Strengthening compliance, integrated data systems, reconciliation mechanisms, and administrative capacity is essential for converting the new surcharge framework into sustainable local fiscal capacity.

Keywords: Fiscal Decentralization; Fiscal Independence; Jayapura City; Local Own-Source Revenue; Local Taxation; Tax Surcharge

INTRODUCTION

Fiscal decentralization is a central feature of Indonesia's intergovernmental fiscal system. It is intended to improve the allocation of public resources by bringing revenue and expenditure decisions closer to local needs. Fiscal federalism theory argues that subnational governments can provide public services more efficiently when they possess adequate information about local preferences and are given sufficient authority over expenditure and revenue instruments (Oates, 1972; Bird & Vaillancourt, 1998). In practice, however, decentralization can only strengthen local autonomy when expenditure responsibilities are supported by a sufficiently broad and administratively feasible local revenue base. Where local own-source revenue remains limited, regional governments continue to depend heavily on intergovernmental transfers, constraining their fiscal discretion.

In Indonesia, local fiscal capacity is commonly discussed through Pendapatan Asli Daerah (PAD), or local own-source revenue, which includes local taxes, user charges, returns from separated regional assets, and other legitimate local revenue. The ability to expand PAD is important not only for financing public services but also for reducing structural dependence on transfers. Previous work on regional finance emphasizes that a stronger own-source revenue base can widen local fiscal space and improve the ability of subnational governments to determine development priorities (Halim, 2012; Mardiasmo, 2018). More recent evidence from Jayapura also indicates that economic growth is positively associated with PAD, reinforcing the importance of local economic and tax bases for fiscal capacity (Iqbal et al., 2025).

Indonesia's Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments introduced a major reform of local taxation. One of its innovations is the opsen mechanism, a surcharge attached to selected provincial taxes and allocated to regency and city governments. In the context of this study, the most important components are the surcharge on Motor Vehicle Tax (Pajak Kendaraan Bermotor/PKB) and the surcharge on the Motor Vehicle Title Transfer Fee (Bea Balik Nama Kendaraan Bermotor/BBNKB). The reform is designed to strengthen the fiscal link between provinces and regencies/cities, improve revenue assignment, and create a more direct local interest in the performance of shared tax bases.

Jayapura City provides an important case for examining the first year of this reform. As the capital and a major center of government, trade, services, and urban economic activity in Papua, Jayapura has a substantial motor-vehicle tax base and continuing construction activity. At the same time, its fiscal structure remains dominated by transfers. This creates a policy tension: the city has opportunities to broaden PAD through tax administration and the new surcharge mechanism, but the scale of transfer dependence means that a single new revenue instrument is unlikely to transform fiscal independence immediately.

The research also considers revenue associated with non-metallic minerals and rocks (Mineral Bukan Logam dan Batuan/MBLB), which is linked to extraction activities such as sand, stone, gravel, and fill material used in construction. Although its realized value is much smaller than vehicle-related surcharge revenue, MBLB is relevant because it illustrates the importance of identifying and administering locally specific tax bases. Evidence from neighboring Manokwari similarly shows that local revenue enhancement depends not merely on formal regulations but also on operational procedures, monitoring, and administrative capacity (Mansim et al., 2024).

This study therefore addresses four questions: (1) how much revenue was realized from the PKB surcharge, BBNKB surcharge, and MBLB in 2025; (2) how large was their contribution to PAD; (3) what was Jayapura City's fiscal independence ratio when PAD is compared with transfer revenue; and (4) what institutional factors constrain or support revenue optimization. The study is deliberately descriptive. Since 2025 represents the initial implementation year of the surcharge mechanism, the analysis does not claim a causal impact on fiscal independence. Instead, it establishes an empirical baseline and identifies administrative priorities for strengthening local fiscal capacity.

LITERATURE REVIEW

Fiscal Decentralization and Fiscal Independence

Fiscal decentralization concerns the assignment of expenditure responsibilities and revenue authority across levels of government. Oates (1972) emphasizes the efficiency gains that may arise when local governments can tailor public services to local preferences. Bird and Vaillancourt (1998) add that decentralization requires an appropriate balance between expenditure responsibilities and revenue capacity; otherwise, subnational governments may remain dependent on transfers even when they possess substantial spending authority. In developing-country settings, the design and administration of subnational taxes therefore become central to the effectiveness of decentralization.

Fiscal independence describes the ability of a local government to finance governmental functions and development from revenue generated within its own jurisdiction. In Indonesian regional finance, it is often assessed using PAD relative to total revenue or to intergovernmental transfers (Halim, 2012). A higher ratio indicates a stronger relative contribution of own-source revenue, whereas a lower ratio indicates greater reliance on external fiscal resources. This indicator should nevertheless be interpreted carefully: a ratio can change because PAD rises, transfers fall, or both. Accordingly, a one-year ratio describes fiscal structure but cannot by itself establish a trend or causal effect.

Local Taxation, Tax Compliance, and Administrative Capacity

Local taxation theory views subnational taxes as a key instrument for financing local public services and improving accountability between taxpayers and local governments (Bahl & Linn, 1992; Bird, 2011). Effective local taxation requires an identifiable tax base, administratively feasible assessment and collection, reliable taxpayer information, and enforcement mechanisms that are credible but proportionate. The 2022 Indonesian fiscal relations reform reflects this logic by redesigning local tax assignments and introducing surcharges that connect city and regency revenues more directly with provincial tax bases.

Taxpayer behavior is especially relevant for vehicle-based revenue. Evidence from Jayapura City shows that motor vehicle tax compliance is shaped by enforcement and taxpayer behavior; Kambu et al. (2025) find that tax sanctions have a positive and significant relationship with motor vehicle taxpayer compliance, while awareness alone is not statistically significant in their model. This suggests that revenue optimization requires more than public information campaigns. Administrative convenience, consistent enforcement, accessible payment channels, and accurate taxpayer records are also important.

Digitalization and data integration can strengthen these functions by linking registration, assessment, payment, reconciliation, and monitoring. In a surcharge system involving both provincial and city institutions, data quality is particularly important because

discrepancies in vehicle records, taxpayer status, or payment information can affect the accuracy and timeliness of revenue recording. Institutional coordination is therefore not an auxiliary issue; it is part of the revenue mechanism itself.

Analytical Framework

The study combines three related perspectives. First, fiscal decentralization provides the broader rationale for strengthening local revenue authority. Second, fiscal independence is used to describe the relative position of PAD against transfer revenue. Third, local taxation theory directs attention to the administrative conditions required to convert a legal tax base into realized revenue. The empirical analysis therefore links realized surcharge revenue and its contribution to PAD with qualitative evidence on taxpayer compliance, intergovernmental coordination, data integration, digitalization, and institutional capacity.

RESEARCH METHOD

This study uses a mixed-method descriptive design. The quantitative component analyzes realized local revenue in Jayapura City for fiscal year 2025, while the qualitative component explains institutional and administrative factors affecting the implementation and optimization of the surcharge mechanism. The approach is appropriate because the research objective is to describe the first-year fiscal position rather than estimate a causal treatment effect.

The primary quantitative source is the Jayapura City Budget Realization Report (Laporan Realisasi Anggaran/LRA) for 2025. The variables are realized PKB surcharge revenue, realized BBNKB surcharge revenue, realized MBLB revenue, total PAD, and transfer revenue. The analysis also uses 2024 realized revenue values reported in the research document to provide limited contextual comparison for the overall revenue structure.

Four descriptive calculations are applied. Total analyzed surcharge-related revenue is the sum of PKB surcharge, BBNKB surcharge, and MBLB revenue. Revenue composition is calculated as each component divided by the total analyzed revenue. Contribution to PAD is calculated as each revenue component divided by PAD and multiplied by 100. Fiscal independence is measured as PAD divided by transfer revenue and multiplied by 100. The ratio is interpreted as a description of the 2025 fiscal structure, not as a measure of change over time.

The qualitative component is based on semi-structured stakeholder discussions/FGD with institutions directly related to local revenue management, particularly the Jayapura City Regional Revenue Agency (Bapenda) and the Papua Provincial Revenue Agency. Informants were selected purposively based on their roles and knowledge of tax administration. The discussion focused on implementation of the surcharge, taxpayer compliance, intergovernmental coordination, tax-data management, digitalization, institutional capacity, and the administration of MBLB-related revenue. Qualitative evidence is used to explain mechanisms and constraints identified around the quantitative results.

A key methodological limitation is the observation period. Because the surcharge policy began in 2025, the available quantitative data cover only the initial implementation year. Consequently, before-after comparisons, time-series inference, and causal attribution are not possible. The study therefore treats 2025 as a baseline for future multi-year evaluation.

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RESULTS

Jayapura City Revenue Structure

Jayapura City realized total regional revenue of IDR 1.560 trillion in 2025, equivalent to 95.70% of its budgeted IDR 1.630 trillion. Compared with 2024, total realized revenue declined by 6.29%. The decline was driven primarily by transfer revenue, which fell by 11.46% to IDR 1.214 trillion. In contrast, PAD increased by 18.24% from IDR 276.10 billion in 2024 to IDR 326.46 billion in 2025 and exceeded its budget target, reaching 104.52% of the planned amount. Despite this improvement, transfers still represented approximately 77.85% of total revenue, while PAD accounted for about 20.93%.

Table 1. Jayapura City Revenue Realization, 2025

Revenue Component	2025 Budget (IDR)	2025 Realization (IDR)	Realization (%)	2024 Realization (IDR)	Change (%)
Local Own-Source Revenue (PAD)	312,332,072,221.09	326,460,795,650.47	104.52	276,104,886,562.52	+18.24
Transfer Revenue	1,296,138,738,218.00	1,214,318,083,324.00	93.69	1,371,422,302,177.00	−11.46
Other Legitimate Regional Revenue	21,509,259,410.00	19,079,541,694.00	88.70	16,968,644,185.00	+12.44
Total Regional Revenue	1,629,980,069,849.09	1,559,858,420,668.47	95.70	1,664,495,832,924.52	−6.29

Source: Jayapura City 2025 Budget Realization Report, processed by the authors.

Realization and Composition of Surcharge-Related Revenue

In 2025, the three revenue components analyzed in this study generated IDR 43.01 billion. The PKB surcharge was the dominant source at IDR 31.39 billion, representing 72.98% of the total. The BBNKB surcharge reached IDR 11.21 billion or 26.06%, while MBLB revenue amounted to IDR 410.59 million or 0.95%. Vehicle-related surcharges therefore accounted for 99.05% of the analyzed revenue. This concentration indicates that the first-year surcharge structure in Jayapura was overwhelmingly supported by the motor-vehicle tax base.

Table 2. Realization and Composition of Surcharge-Related Revenue, 2025

Revenue type	Realization (IDR)	Composition (%)
PKB surcharge	31,390,547,000	72.98
BBNKB surcharge	11,209,474,000	26.06
MBLB revenue	410,594,517	0.95
Total	43,010,615,517	100.00

Source: Jayapura City 2025 Budget Realization Report, processed by the authors.

Contribution to PAD and Fiscal Independence

The combined IDR 43.01 billion contributed 13.18% of Jayapura City's PAD in 2025. The PKB surcharge contributed 9.62%, the BBNKB surcharge 3.43%, and MBLB revenue 0.13%. Put differently, approximately IDR 13.18 of every IDR 100 of PAD was associated with these three revenue components. This is a visible contribution in the initial

implementation year, although most PAD continued to come from other local revenue sources.

Table 3. Contribution to PAD and Fiscal Independence, 2025

Indicator	Value
PAD	IDR 326,460,795,650.47
Transfer revenue	IDR 1,214,318,083,324.00
PKB surcharge contribution to PAD	9.62%
BBNKB surcharge contribution to PAD	3.43%
MBLB contribution to PAD	0.13%
Combined contribution to PAD	13.18%
Fiscal independence ratio (PAD/Transfers)	26.88%

Source: Jayapura City 2025 Budget Realization Report, processed by the authors.

With PAD of IDR 326.46 billion and transfer revenue of IDR 1.214 trillion, the fiscal independence ratio was 26.88%. The ratio shows that own-source revenue remained substantially below transfer revenue. The simultaneous increase in PAD and decrease in transfers improved the relative position of PAD in 2025, but the city's financing structure was still dominated by intergovernmental transfers.

Institutional Findings

Stakeholder discussions identified five interrelated issues. First, taxpayer compliance is central because PKB and BBNKB surcharge revenue ultimately depends on timely payment of the underlying vehicle taxes. Second, implementation requires close coordination between the Papua Provincial Government, Jayapura City Government, provincial and city revenue agencies, Samsat units, and other related institutions. Third, integrated and accurate data are needed to reconcile vehicle ownership, taxpayer status, payment records, and the revenue entitlement of each government level. Fourth, digitalization should cover the full revenue cycle—from registration and updating of taxpayer records to payment, monitoring, reconciliation, and reporting—rather than only providing an electronic payment channel. Fifth, institutional and human-resource capacity is required to analyze tax potential, manage databases, conduct reconciliation, monitor compliance, and coordinate across agencies.

The FGD also emphasized the distinctive challenge of MBLB administration. The low 2025 realization should not automatically be interpreted as evidence of a small economic base. Realization can be affected by the coverage and quality of taxpayer and object registration, identification of extraction locations, business activity, compliance, licensing information, and the effectiveness of tax administration. More systematic mapping is therefore necessary before drawing conclusions about the underlying revenue potential.

DISCUSSION

The findings show that the new surcharge framework has already become a meaningful component of Jayapura City's PAD, but its fiscal significance must be interpreted within the city's broader revenue structure. A 13.18% contribution to PAD is substantial enough to justify administrative attention, particularly because the contribution is concentrated in vehicle-related taxes. However, PAD itself represented only about one-fifth of total regional revenue in 2025. Thus, even strong performance in a single tax instrument cannot by itself eliminate transfer dependence.

This pattern is consistent with the fiscal decentralization literature. Revenue autonomy depends not only on the legal assignment of a tax source but also on the size of the local tax base and the administrative capacity to collect it (Bahl & Linn, 1992; Bird, 2011). The surcharge mechanism expands the city's access to revenue generated from economic activity within its jurisdiction, but the realized fiscal benefit depends on the performance of the underlying provincial taxes and the quality of intergovernmental administration. In this sense, the policy creates an opportunity for stronger local fiscal capacity while simultaneously increasing the importance of coordination.

The 26.88% fiscal independence ratio should also be interpreted with caution. The ratio describes the relationship between PAD and transfers in 2025; it does not prove that the surcharge caused an improvement in fiscal independence. PAD increased by 18.24% from 2024, but transfer revenue simultaneously declined by 11.46%. Both movements affect the relative ratio. Because surcharge data are available only for the first implementation year, a causal interpretation would require a longer time series or a quasi-experimental design capable of separating the policy effect from changes in economic activity, tax administration, transfer policy, and other revenue sources.

Nevertheless, the baseline is policy-relevant. The dominance of the PKB surcharge suggests that vehicle taxation is currently the most immediately productive surcharge base in Jayapura City. This is consistent with local evidence on motor vehicle taxation. Kambu et al. (2025) show that compliance behavior in Jayapura is responsive to tax sanctions, indicating that consistent enforcement can matter for revenue outcomes. Yet enforcement should be combined with accessible services, clear information, and digital payment and reminder systems. A compliance strategy based solely on sanctions may increase short-term payment pressure without addressing data quality, service barriers, or taxpayer understanding.

The qualitative findings further show that the surcharge mechanism is institutionally interdependent. Unlike a tax administered entirely by one local government, the PKB and BBNKB surcharges require information flows and reconciliation between provincial and city institutions. If vehicle records, taxpayer identifiers, payment information, or revenue statements are inconsistent, the city may face difficulty monitoring its actual revenue base. Regular reconciliation procedures and shared data standards are therefore essential. Digitalization can reduce transaction costs, but only when systems are interoperable and data governance responsibilities are clear.

The relatively small MBLB realization provides a different lesson. Local tax potential cannot be inferred solely from realized revenue. A low realization may reflect a genuinely small base, but it may also result from incomplete registration, weak monitoring, limited integration with licensing data, or informal activity. This echoes the broader finding of Mansim et al. (2024) that strengthening local revenue requires operational systems and monitoring, not merely regulations. For Jayapura City, mapping extraction locations, business operators, material types, and links to construction activity would provide a more credible basis for estimating MBLB potential.

The results also connect with broader evidence on PAD in Jayapura. Iqbal et al. (2025) find a positive relationship between economic growth and PAD over 2014–2023, suggesting that the expansion of the local economy can strengthen the revenue base. The present study complements that finding by showing that the institutional channel through which economic activity becomes public revenue is equally important. A growing vehicle fleet or construction sector does not automatically translate into optimal tax revenue without registration, compliance, data integration, and collection capacity.

From a policy perspective, the surcharge should therefore be treated as one component of a diversified PAD strategy. The city can strengthen its fiscal position by improving taxpayer compliance, building an integrated local tax database, formalizing reconciliation with provincial institutions, expanding digital administration, and developing staff capacity in revenue analysis and monitoring. At the same time, other PAD sources should continue to be optimized so that fiscal independence does not become overly dependent on vehicle-related revenue.

Finally, the first-year nature of the evidence should shape future evaluation. A multi-year dataset would allow researchers and policymakers to assess whether surcharge revenue grows, stabilizes, or fluctuates; whether its share of PAD changes; and whether the fiscal independence ratio improves because of stronger PAD rather than declining transfers. Future research could use time-series or panel methods and include vehicle numbers, taxpayer compliance, economic activity, collection effectiveness, service quality, and institutional capacity as explanatory variables.

CONCLUSION

In 2025, Jayapura City realized IDR 43.01 billion from the PKB surcharge, BBNKB surcharge, and MBLB revenue. The PKB surcharge was dominant at IDR 31.39 billion (72.98% of the analyzed total), followed by the BBNKB surcharge at IDR 11.21 billion (26.06%) and MBLB at IDR 410.59 million (0.95%). Together, the three components contributed 13.18% of PAD, with the PKB surcharge alone contributing 9.62%.

Jayapura City's PAD reached IDR 326.46 billion in 2025, while transfer revenue remained much larger at IDR 1.214 trillion. The resulting fiscal independence ratio was 26.88%, indicating that the city continued to rely substantially on intergovernmental transfers despite stronger PAD performance. The surcharge mechanism has therefore added a relevant revenue source, but it should not be interpreted as the sole driver of fiscal independence.

Revenue optimization depends on institutional conditions. Taxpayer compliance, provincial-city coordination, integrated and accurate tax data, digital administration, and capable revenue-management staff are central to realizing the potential of the new framework. MBLB also requires more systematic mapping and integration with licensing and economic-activity data.

The 2025 results should be treated as an initial baseline. They demonstrate the position of surcharge revenue in the city's fiscal structure but do not establish a causal policy effect. Sustained monitoring over several years is necessary to determine whether the reform strengthens PAD and fiscal independence in a durable manner.

LIMITATION

The study is limited by the availability of only one year of surcharge implementation data. It cannot identify trends, compare pre- and post-policy outcomes, or estimate causal effects. The qualitative findings are focused on institutions directly involved in revenue administration and therefore do not represent the full range of taxpayer perspectives. Future research should use multi-year time-series or panel data and incorporate measures of taxpayer compliance, vehicle stock, economic activity, service quality, collection effectiveness, and institutional capacity.

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DECLARATION OF CONFLICTING INTERESTS

The authors have declared no potential conflicts of interest concerning the study, authorship, and/or publication of this article.

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