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### The Effect of The Pbb-P2 Incentive Policy on Taxpayer Compliance with Taxpayer Understanding as A Moderating Variable

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**Abstract.** This study examines the effect of the Rural and Urban Land and Building Tax (PBB-P2) incentive policy on taxpayer compliance, with taxpayer understanding serving as a moderating variable, in Bandar Lampung City. The research adopts a quantitative approach with an explanatory design. Primary data were collected through the distribution of questionnaires to 100 PBB-P2 taxpayers selected using the Slovin sampling technique. The data were analyzed using descriptive statistics, data quality tests, classical assumption tests, multiple linear regression analysis, and Moderated Regression Analysis (MRA). The results reveal that the PBB-P2 incentive policy has a positive and statistically significant effect on taxpayer compliance. Moreover, taxpayer understanding is found to significantly moderate and strengthen the relationship between the incentive policy and taxpayer compliance. These findings suggest that the effectiveness of tax incentive policies is strongly influenced by taxpayers' understanding of tax regulations and the benefits associated with compliance. Therefore, local governments are encouraged not only to implement incentive schemes but also to intensify tax socialization and educational programs to foster sustainable taxpayer compliance.

**Keywords:** PBB-P2 Incentive Policy, Taxpayer Compliance, Taxpayer Understanding

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#### 1. Introduction

A significant portion of Regional Original Revenue (PAD) is derived from the Rural and Urban Land and Building Tax (PBB-P2), which plays a strategic role in supporting regional development financing, including in Bandar Lampung City. Revenue from PBB-P2 is used to finance various public needs, such as infrastructure development, social services, and the improvement of community welfare (Virginia and Alimuddin 2024). Consequently, the level of taxpayer compliance in fulfilling property tax obligations constitutes a crucial determinant in maximizing regional fiscal revenue.

However, the realization of PBB-P2 revenue across various regions remains suboptimal. At the national level, although the taxpayer compliance ratio has shown an upward trend in recent years, fluctuations persist, indicating that tax compliance is influenced by a range of dynamic factors (DDTC News 2025). Similarly, in the PBB-P2 sector, taxpayer compliance levels vary from year to year, suggesting the existence of untapped potential in regional tax revenue (Putri, Kusuma, and Selviasari 2022).

This condition is also evident in Bandar Lampung City. In 2023, the realization of PBB-P2 revenue reached only approximately 73.83% of the established target, despite the issuance of a relatively large number of Tax Due Notification Letters (SPPT) (Antara News Lampung 2023). The



low realization of PBB-P2 revenue can be attributed to several factors, including limited taxpayer awareness, economic constraints, administrative challenges, and insufficient understanding of tax obligations and benefits among taxpayers (Ma'ruf and Supatminingsih 2020).

In an effort to improve taxpayer compliance, the Bandar Lampung City Government has implemented various PBB-P2 incentive policies, such as the elimination of administrative sanctions, the provision of payment discounts, and the simplification of tax payment procedures. These measures are consistent with Economic Incentive Theory, which posits that economic incentives can encourage compliant behavior by offering direct financial benefits to individuals (Mapuasari, Wibowo, and Cakranegara 2023). Empirical studies have also demonstrated that tax incentive schemes exert a significant and positive influence on PBB-P2 taxpayer compliance (Prabowo and Tambunan 2024).

Nevertheless, the effectiveness of tax incentive policies is determined not only by the nature of the incentives provided but also by the level of taxpayer understanding. Taxpayer understanding reflects the extent to which individuals are informed about tax regulations, procedures, and benefits, including government-implemented incentive policies (Lhoka and Sukartha 2020). Taxpayers with a higher level of tax knowledge and literacy tend to exhibit greater compliance compared to those with limited understanding of the tax system (Virginia and Alimuddin 2024).

Previous studies indicate that taxpayer understanding has a significant and positive effect on tax compliance (Anur, Kusuma, and Melani 2024; Putri et al. 2022). However, most existing research focuses on the direct effects of either taxpayer understanding or tax incentive policies on compliance, examined independently. Empirical investigations that analyze taxpayer understanding as a moderating variable capable of strengthening or weakening the effectiveness of PBB-P2 incentive policies remain limited, particularly within the context of local taxation.

Therefore, the novelty of this study lies in examining taxpayer understanding as a moderating variable in the relationship between PBB-P2 incentive policies and taxpayer compliance in Bandar Lampung City. Unlike previous studies that employ tax sanctions or information technology as moderating variables (Putri and Diantini 2022; Richard and Lastanti 2024), this study positions taxpayer understanding as a key cognitive factor influencing the success of incentive policies. This perspective emphasizes that fiscal incentives cannot function optimally without adequate taxpayer comprehension of tax regulations, procedures, and benefits. Consequently, this study is expected to contribute new empirical insights to the local tax literature and to provide a foundation for local governments in formulating more effective and sustainable PBB-P2 incentive policies to enhance taxpayer compliance.

## 2. Methods

### Research Design

This study employs a quantitative approach with an explanatory research design aimed at examining the causal relationship between PBB-P2 fiscal incentive policies and taxpayer compliance. In addition, the study investigates the role of taxpayer understanding as a moderating variable in this relationship. The empirical focus of the research is on Rural and Urban Land and Building Tax (PBB-P2) taxpayers residing in Bandar Lampung City.

### Research Materials and Instruments

The primary data for this study were obtained directly from respondents through the distribution of structured questionnaires. To ensure conceptual consistency and content validity, the questionnaire items were developed based on established tax compliance theories and supported by relevant prior studies. All measurement items were assessed using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Data processing and statistical analysis were conducted using SPSS software.

### Population and Sampling Technique

The population of this study comprises all registered PBB-P2 taxpayers in Bandar Lampung City. Given the large population size, the sample size was determined using Slovin's formula with a margin of error of 10% (0.1), allowing for a representative sample while accommodating a reasonable tolerance for sampling error.

$$n = \frac{N}{1 + N (e)^2}$$

$$n = \frac{282.564}{1 + 282.564 (0,1)^2} = 99,95$$

Based on this calculation, the final sample consisted of 100 respondents. The sampling method employed was accidental sampling, whereby respondents were selected based on their availability and willingness to participate during the data collection process.

### Research Variables and Measurement

This study involves three types of variables. First, the independent variable is the PBB-P2 incentive policy (X), measured using indicators such as the elimination of administrative sanctions, the provision of tax relief or discounts, and the ease of tax payment. Second, the dependent variable is taxpayer compliance (Y), measured through indicators including the timeliness of tax payments, adherence to tax regulations, and willingness to fulfill tax obligations. Third, the moderating variable is taxpayer understanding (Z), measured through indicators such as understanding of tax regulations, tax payment procedures, and the benefits of taxes for regional development. All variables were measured using questionnaire statements based on a Likert scale.

### Research Procedure

The research was conducted through several systematic stages. The first stage involved the development of research instruments, followed by validity and reliability testing to ensure data quality. The second stage consisted of primary data collection through questionnaire distribution to PBB-P2 taxpayers in Bandar Lampung City. In the third stage, the collected data were coded and tabulated for analysis. Finally, comprehensive data analysis was conducted to test the proposed hypotheses and draw conclusions based on the empirical findings.

### Data Analysis Method

Data analysis techniques included descriptive statistical analysis to describe respondent characteristics and data distribution. Data quality was evaluated through validity and reliability testing. To ensure the robustness of the regression model, classical assumption tests namely normality, multicollinearity, and heteroscedasticity tests were conducted. Subsequently, multiple linear regression analysis and Moderated Regression Analysis (MRA) were applied to examine the effect of PBB-P2 incentive policies on taxpayer compliance and to assess the moderating role of taxpayer understanding. All statistical tests were performed using a 5% significance level. The regression models used in this study are as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \text{ (Simple Linear Regression Model)}$$

Description:

- Y = Taxpayer Compliance
- X<sub>1</sub> = Tax Incentive Policy
- X<sub>2</sub> = Taxpayer Understanding
- α = Constant
- β<sub>1</sub>, β<sub>2</sub> = Regression coefficient
- ε = error

Moderated Regression Analysis (MRA) Model

$$Y = \alpha + \beta_1 X + \beta_2 M + \beta_3 (X \times M) + \epsilon$$

Description:

- Y = Taxpayer Compliance
- X = Tax Incentive Policy
- M = Taxpayer Understanding
- X×M = Interaction between tax incentives and understanding
- β<sub>3</sub> = Interaction coefficient (indicates the presence or absence of a moderating effect)
- α = Constant
- ε = error

### 3. Results and Discussion

#### Result

Based on the data obtained, there are 58 female respondents, accounting for 58%, while male respondents number 42, or 42%. These results indicate that female participation in this study is higher compared to males.

**Table 1.** Respondents by gender

Gender	Amount	Percentage
Man	58	58%
Woman	42	42%

Based on the table above, most of the people who took part in this study finished high school or vocational school, accounting for 71%. Meanwhile, respondents with a bachelor's degree make up 26%, those with a master's degree account for 1%, and 2% have a master's/doctoral education.

**Table 2.** Respondents Based on Last Education

Types of Education	Amount	Percentage
High School/Vocational School	71	71%
Bachelor's Degree	26	26%
Master's Degree	1	1%
Doctorate	2	2%

The tabular data above reveals that the respondents in this research are spread across several age groups. The 18-25 age group has the highest number of them, totaling 95 people (95%). Next, there are 3 respondents (3%) aged 26-35, and 2 respondents (2%) aged over 36. This age distribution indicates that the majority of respondents are in their productive years, and are therefore considered capable of providing relevant and objective information in accordance with the study's objectives.

**Table 3.** Respondents by Age Group

Age Type	Amount	Percentage
18-25	95	95%
26-35	3	3%
>36	2	2%

Based on the results of the descriptive statistical analysis, the PBB-P2 incentive policy variable received a relatively high evaluation from respondents. The statement with the highest mean score indicated that the elimination of administrative sanctions or tax penalties reduces the financial burden on taxpayers and encourages timely PBB-P2 payments. Regarding the taxpayer compliance variable, the statement with the highest score reflected taxpayers' willingness to pay PBB-P2 on time in accordance with applicable regulations, indicating a strong awareness of tax obligations. Furthermore, for the taxpayer understanding variable, the highest-rated statement concerned taxpayers' knowledge of the benefits of taxes for regional development, suggesting that respondents recognize the important role of taxation in supporting governance and development. Overall, these findings indicate that respondents hold positive perceptions of incentive policies, exhibit a relatively high level of compliance, and possess an adequate understanding of PBB-P2 taxation.

The validity test results show that all questionnaire indicators produced correlation coefficients exceeding the critical *r*-table values, confirming the validity of each measurement item. In addition, reliability testing demonstrated that all variables achieved Cronbach's Alpha coefficients greater than 0.70, indicating satisfactory internal consistency. These results collectively confirm that the research instrument is reliable and appropriate for empirical analysis.

Classical assumption testing, including tests of normality, multicollinearity, and heteroscedasticity, confirmed that the regression model met all required assumptions. As the data satisfied these diagnostic criteria, the statistical model employed in this study is deemed appropriate and robust for further regression and moderation analysis.

The results of the linear regression analysis, as presented in Table 4, indicate that the PBB-P2 incentive policy variable has a positive and statistically significant effect on taxpayer compliance. This finding is supported by a regression coefficient of 0.714, a t-statistic of 9.904, and a significance value of 0.000, which is well below the 0.05 threshold. Specifically, a one-unit increase in the PBB-P2 incentive policy is associated with a 0.714-unit increase in taxpayer compliance, assuming other variables remain constant. Furthermore, the strength of this relationship is reflected in a standardized beta coefficient of 0.707. These results confirm that the effective implementation of PBB-P2 incentive policies constitutes a powerful instrument for enhancing taxpayer compliance in Bandar Lampung City.

**Table 4.** Multiple Linear Regression Test Results

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	7,024	1,537		4,569	0
	PBB-P2 incentive policies	0,714	0,072	0,707	9,904	0

The results of the Moderated Regression Analysis (MRA), as presented in Table 5, indicate that the interaction term between PBB-P2 incentive policies and taxpayer understanding has a positive and statistically significant effect on taxpayer compliance. The interaction variable yields a regression coefficient of 0.023, a t-statistic of 12.029, and a significance value of 0.000 ( $p < 0.05$ ). These results confirm the existence of a significant moderating effect.

Furthermore, the standardized beta coefficient of 0.772 demonstrates the strong capacity of taxpayer understanding to enhance the effectiveness of PBB-P2 incentive policies in promoting compliance. Accordingly, the empirical evidence verifies that taxpayer understanding functions as a strengthening moderator in the relationship between incentive policies and taxpayer compliance in Bandar Lampung City.

**Tabel 5.** Moderated Regression Analysis (MRA) Test

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	11,66	0,889		13,118	0
	PBB-P2 incentive policies*Taxpayer Understanding	0,023	0,002	0,772	12,029	0

## Discussion

The findings of this study indicate that tax incentive policies have a positive and statistically significant effect on taxpayer compliance, suggesting that the implementation of fiscal incentives can effectively increase compliance levels. These results support the Economic Incentive Theory, which posits that individuals are more likely to behave compliantly when appropriate economic incentives are provided. In the context of regional taxation, particularly PBB-P2, incentive policies function not only as economic stimuli but also as persuasive instruments employed by local governments to encourage taxpayer compliance, consistent with the findings of Monalika and Haninun (2020).

Furthermore, the results demonstrate that taxpayer awareness has a positive and significant influence on taxpayer compliance. Taxpayer awareness represents an internal motivational factor that encourages compliant behavior, reflected in the recognition that taxes constitute obligatory contributions that yield tangible benefits for development and public services. Taxpayers with a high level of awareness tend to perceive tax payments not as burdens but as contributions to the public good, thereby fostering voluntary and timely compliance, especially within a self-assessment-based local tax system. This finding can also be explained by Economic Incentive Theory, which suggests

that awareness shapes individuals' perceptions of the benefits and costs associated with compliance, including an understanding of the long-term benefits of taxation and the economic consequences of non-compliance. These results are consistent with prior studies by Hajar (2023), Indriati and Wahyuningtyas (2023), and Nugrahani et al. (2023), which emphasize the importance of enhancing taxpayer awareness to sustainably improve regional tax compliance.

In addition, the empirical results reveal that taxpayer understanding and tax knowledge exert a positive and significant influence on taxpayer compliance. This relationship indicates that as taxpayers' comprehension of tax regulations, procedures, and statutory obligations increases, a corresponding improvement in compliance behavior occurs. Taxpayer understanding encompasses knowledge of tax regulations, payment procedures and mechanisms, applicable tax rates, payment deadlines, as well as sanctions imposed for non-compliance. Taxpayers who possess adequate knowledge are better equipped to fulfill their obligations accurately, avoid administrative errors, and minimize the risk of penalties. These findings align with the study by Viantiaraini, Haninun, and Riswan (2024), which highlights the critical role of cognitive factors such as tax understanding and knowledge in shaping compliance behavior.

Moreover, these results can also be interpreted through the lens of Economic Incentive Theory, which asserts that individuals make decisions by weighing economic benefits and costs. Tax knowledge enables taxpayers to recognize the benefits of compliance and the costs associated with non-compliance, including sanctions and fines, thereby increasing the likelihood of compliant behavior. Additionally, knowledge regarding simplified tax payment procedures reduces compliance costs and further encourages adherence. The findings of this study are consistent with those of Maryasih and Aulia (2022), Nugrahani et al. (2023), and Malau et al. (2021), all of which emphasize that improving taxpayer understanding and knowledge through education and socialization is a consistent and effective strategy for enhancing regional taxpayer compliance.

Finally, the study confirms that taxpayer understanding serves as a significant moderating variable that strengthens the influence of tax incentive policies on taxpayer compliance. A comprehensive understanding of tax benefits, procedures, and legal consequences enhances the effectiveness of incentive policies in promoting compliant behavior. In addition, the results of the simultaneous testing indicate that taxpayer awareness and tax knowledge jointly exert a positive and significant effect on taxpayer compliance, suggesting that these factors are complementary. Awareness provides moral motivation for compliance, while knowledge supplies the technical capability to fulfill tax obligations correctly. This interaction can also be explained by Economic Incentive Theory, wherein awareness amplifies perceived benefits of compliance, while knowledge clarifies the costs of non-compliance. These findings are consistent with the studies of Hajar (2023) and Indriati and Wahyuningtyas (2023), which argue that efforts to improve taxpayer compliance are more effective when awareness and knowledge are enhanced simultaneously.

#### **4. Conclusion and Recommendation**

##### **Conclusion**

The synthesis of the empirical findings and analytical discussion indicates that fiscal incentive policies within the PBB-P2 framework have a positive and statistically significant effect on taxpayer compliance in Bandar Lampung City. The results further confirm that taxpayer understanding functions as a crucial moderating variable that strengthens the effectiveness of incentive policies in promoting compliance. In addition, taxpayer awareness and tax literacy demonstrate a significant positive influence on compliance behavior, both independently and through their interaction with incentive policies. These findings suggest that taxpayer compliance is not driven solely by fiscal incentives but is also strongly shaped by internal factors, particularly taxpayers' knowledge, awareness, and understanding of taxation. Accordingly, incentive policies are more likely to produce effective and sustainable outcomes when accompanied by systematic efforts to enhance tax literacy and awareness.

##### **Recommendations**

Based on these conclusions, local governments are encouraged to implement more targeted and structured policy measures. First, tax outreach programs should be redesigned using a segmented communication approach, in which taxpayers are classified based on characteristics such as property value, payment history, and compliance behavior, allowing incentive information and policy messages to be tailored to specific taxpayer groups. Second, local governments should integrate incentive policies with tax education initiatives, for instance by linking incentive eligibility to the dissemination

of simplified tax guidelines, digital payment tutorials, or brief educational materials included with SPPT distribution. Third, the development of clear, consistent, and easily accessible communication channels, including digital platforms and community-based outreach programs, is essential to ensure that taxpayers fully understand both the incentives provided and their tax obligations. For future research, it is recommended to incorporate additional behavioral and institutional variables and to expand the study area and observation period in order to obtain a more comprehensive understanding of taxpayer compliance dynamics within the local tax context.

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