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Researc Article

Policy Analysis of the HKPD Law: Strengthening PAD from Motor Vehicle Tax in Probolinggo City and Regency

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Abstract: The enactment of Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments (HKPD Law) introduced a pivotal shift in Indonesia's fiscal decentralization through the Motor Vehicle Tax (PKB) "opsen" (option) mechanism. This study analyzes the impact of HKPD Law implementation on local revenue (PAD) strengthening in Probolinggo City and Regency. Utilizing a qualitative comparative case study approach, the research evaluates administrative readiness and policy impacts derived from Ministry of Finance Regulation (PMK) Number 3 of 2024. The findings reveal an asymmetrical transition, where fiscal effectiveness is highly contingent on digital infrastructure maturity and geographical constraints. Probolinggo City demonstrates successful host-to-host system integration, ensuring daily liquidity and bureaucratic efficiency. Conversely, Probolinggo Regency faces "geospatial gaps," characterized by transaction data delays and high collection costs in remote areas. This study identifies a lack of target alignment between provincial and local governments and emphasizes the necessity of "budget tagging" for road infrastructure to enhance the social contract with taxpayers. This research contributes to fiscal decentralization theory by proposing a "geographic coefficient" model for operational cost distribution in developing regions.

Keywords: Fiscal Decentralization, HKPD Law, Motor Vehicle Tax, Local Taxing Power, Probolinggo.

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1. Introduction

Grand theoryThe underlying principle of this analysis is rooted in the Fiscal Decentralization Theorem proposed by Wallace Oates, which states that economic efficiency will be achieved if the provision of public services is carried out by the level of government closest to the people, supported by adequate taxing authority (taxing power). In this perspective, Motor Vehicle Tax (PKB) is viewed through the lens of the Benefit Principle of Taxation, where tax collection is considered as compensation for the provision of road infrastructure and management of environmental externalities.(Permana & Puspitaningsih, 2026)The implementation of the HKPD Law through the opt-in mechanism is essentially a manifestation of the Fiscal Empowerment theory, which aims to reduce vertical fiscal imbalance by providing revenue certainty for second-level regions without creating new economic distortions. Theoretically, this policy is expected to create a multiplier effect for the local economy in Probolinggo by strengthening the correlation between tax revenue and improving the quality of public services at the grassroots level, thereby creating a more stable cycle of voluntary compliance.(Ramadhani et al., 2025)More specifically, this analysis relies on the concepts of New Public Management (NPM) and Regulatory Governance to examine how changes in the tax collection structure require adaptive bureaucratic transformation. Within the legal framework of the Regional Revenue and Expenditure Law (HKPD), strengthening local revenue (PAD) is viewed not only from a legal-formal perspective but also from an administrative feasibility perspective. This theory emphasizes that the effectiveness of a fiscal policy depends heavily on low collection costs and high levels of compliance.(Supawanhar et al., 2024)In areas with diverse demographic characteristics such as the City and Regency of Probolinggo, Public Choice theory is also relevant for understanding how the PKB option policy will be responded to by the public as taxpayers. Synchronization between central and regional regulations (Local Tax Policy) must be able to bridge the gap between revenue-increasing ambitions and the reality of regional economic capacity. Therefore, this theoretical foundation integrates a microeconomic approach to taxpayer behavior with a macroeconomic approach to state financial governance to create a model for strengthening local revenue (PAD) that is resilient to macroeconomic fluctuations.(Saputra et al., 2025).

2. Literature Review

Grand theoryThe underlying principle of this analysis is rooted in the Fiscal Decentralization Theorem proposed by Wallace Oates, which states that economic efficiency will be achieved if the provision of public services is carried out by the level of government closest to the people, supported by adequate taxing authority (taxing power). In this perspective, Motor Vehicle Tax (PKB) is viewed through the lens of the Benefit Principle of Taxation, where tax collection is considered as compensation for the provision of road infrastructure and management of environmental externalities.(Permana & Puspitaningsih, 2026)The implementation of the HKPD Law through the opt-in mechanism is essentially a manifestation of the Fiscal Empowerment theory, which aims to reduce vertical fiscal imbalance by providing revenue certainty for second-level regions without creating new economic distortions. Theoretically, this policy is expected to create a multiplier effect for the local economy in Probolinggo by strengthening the correlation between tax revenue and improving the quality of public services at the grassroots level, thereby creating a more stable cycle of voluntary compliance.(Ramadhani et al., 2025)More specifically, this analysis relies on the concepts of New Public Management (NPM) and Regulatory Governance to examine how changes in the tax collection structure require adaptive bureaucratic transformation. Within the legal framework of the Regional Revenue and Expenditure Law (HKPD), strengthening local revenue (PAD) is viewed not only from a legal-formal perspective but also from an administrative feasibility perspective. This theory emphasizes that the effectiveness of a fiscal policy depends heavily on low collection costs and high levels of compliance.(Supawanhar et al., 2024)In areas with diverse demographic characteristics such as the City and Regency of Probolinggo, Public Choice theory is also relevant for understanding how the PKB option policy will be responded to by the public as taxpayers. Synchronization between central and regional regulations (Local Tax Policy) must be able to bridge the gap between revenue-increasing ambitions and the reality of regional economic capacity. Therefore, this theoretical foundation integrates a microeconomic approach to taxpayer behavior with a macroeconomic approach to state financial governance to create a model for strengthening local revenue (PAD) that is resilient to macroeconomic fluctuations.(Saputra et al., 2025).

3. Proposed Method

Qualitative research in the realm of public policy is a systematic effort to understand the complexity of regulatory implementation through in-depth interpretation of phenomena occurring in the field. In general, this method is not oriented towards statistical generalizations, but rather towards the search for meaning and contextual understanding of changes in legal structures. In policy analysis studies, a qualitative approach allows researchers to explore the processes behind fiscal figures, such as the dynamics of inter-agency coordination, administrative resistance, and stakeholder perceptions of the effectiveness of new regulations.(Niam et al., 2024). By using this method, researchers can capture policy nuances that are often undetectable in pure econometric models, especially regarding how national regulations such as the HKPD Law are internalized and adapted to the unique sociopolitical characteristics of the Probolinggo City and Regency governments. Technically, this study uses a descriptive-analytical design with a comparative case study approach between the Probolinggo City Government and the Probolinggo Regency Government.(Imanina, 2025)Primary data was obtained through structured in-depth interviews with key stakeholders, including officials at the Regional Revenue Agency (Bapenda), the Samsat Development Team, and public policy academics. Informants were selected using purposive sampling to ensure the data obtained had high credibility and authority.(Arianto, 2023). In addition, secondary data was collected through a documentary study of the academic text of the HKPD Law, reports on the realization of the PAD budget, and regional regulations (Perda) related to Regional Taxes and Retributions (PDRD) in both regions. The validity of the data in this study was tested through triangulation techniques, which include source triangulation and method triangulation, to ensure consistency between informant statements and official documents and the reality of policies on the ground. The data analysis process was carried out using an interactive model that includes data reduction, data presentation, and drawing conclusions or verification. Researchers coded the results of interviews and policy documents to identify central themes related to administrative challenges, the potential for increasing revenue from PKB options, and regulatory synchronization strategies. Through this rigorous procedure, the study is expected to produce a comprehensive synthesis of how PKB restructuring within the framework of the HKPD Law can be optimized as a pillar of strengthening fiscal independence in the Probolinggo region.(Risnita et al., 2024).

4. Results and Discussion

Analysis Of Pmk Implementation Policy Within The Framework Of The Hkpd Law In Probolinggo

Table 1 : Analysis of PMK Implementation Readiness for Strengthening PAD in Probolinggo

Policy Instrument (PMK)	Technical Analysis Focus	Field Findings (Probolinggo City)	Field Findings (District Probolinggo)	Impact on PAD
Synergy	Cooperation & Funding Agreement	There is already agreement burden sharing for operating costs (Samsat) is proportional.	Still in progress regarding negotiations for remote area/Samsat Keliling contributions.	Reduces the burden of regional spending in the cost of collection.
System Information (Host-to-Host)	Data integration of PKB transactions in real-time for opsen distribution.	Bapenda IT System connected with banking; ready to receive instant transfers.	There is still a delay in transaction data flow from areas far from the center (server issues).	Ensures the flow of cash flow is faster and more transparent.
Supervision and Evaluation	Central control mechanism to ensure compliance in the area.	Focus on validation of vehicle data, specifically official motorbikes that are often in arrears.	Focus on mapping heavy equipment vehicles in the industrial sector (repeat tax objects).	Minimizes potential income leaks (potential loss).

(Research Source 2026)

Based on Table 1, it can be concluded that the transition from a conventional revenue-sharing system to an Opsen mechanism based on the HKPD Law and PMK No. 3 of 2024 in the Probolinggo region is a complex and asymmetrical process. The main conclusion of this study is that the effectiveness of central fiscal policy is largely determined by two fundamental factors: the maturity of digital infrastructure and the geographic characteristics of administrative areas. In Probolinggo City, PMK implementation has reached a well-established integration stage. The synergy of host-to-host information systems directly connected to the banking sector demonstrates that administrative digitization can eliminate bureaucratic barriers in revenue distribution.(Sugianto et al., 2025)This ensures daily liquidity for regional treasuries, significantly strengthening the city government's cash flow management. Conversely, in Probolinggo Regency, field findings indicate an "infrastructure gap" due to geographic constraints. Data delays and high logistics costs in reaching remote areas indicate that national policies require more flexible local adaptation, particularly in terms of operational cost allocation (cost of collection).(Arfaldo & Budi, 2026)The supervisory aspect demonstrates a strategic shift in focus. While the City focuses on regulating internal assets (official vehicles), the Regency begins optimizing the industrial sector through the Heavy Equipment Tax (PAB). Theoretically, the implementation of the PMK in Probolinggo confirms that fiscal decentralization through Taxing Power can only be optimal if supported by seamless coordination between levels of government. The future success of this policy will depend on the region's ability to minimize potential revenue leakage through precise data validation and strengthening the integration of inclusive information systems across all administrative areas.(Fitranoska, 2026).

PMK Policy Analysis

Table 2: Evaluation Matrix of the Impact of PMK Policy on Regional Fiscal Independence.

Evaluation Variables	Policy Description (Related PMK)	Analysis Findings in Probolinggo	Interview Results Discussion	PAD Strengthening Strategy
Target Alignment	Determination of PKB revenue targets jointly between Provinces & Regions.	There is often a gap between the targets set by the Province and the reality of vehicle potential in remote areas of the Regency.	Local authorities felt the need for deeper involvement in the target-setting process to make it more realistic.	Periodic (Quarterly) synchronization of vehicle ownership data.
Cost Efficiency (Cost of Collection)	Arrangement of the proportion of collection costs that are shared.	Probolinggo City is more efficient due to its high tax object density, while the Regency has high logistics costs.	There needs to be a special coefficient in the PMK for areas with geographical challenges such as Probolinggo Regency.	Optimizing digital payment channels to reduce physical operational costs.
Allocation Transparency	Obligation to report the use of the proceeds of the operation for road construction.	There is no specific public reporting mechanism to separate option funds for specific road repairs.	People are more compliant if they see a direct correlation between their taxes and road improvements in Probolinggo.	Implementation of budget tagging (E-Budgeting) specifically for the results of the PKB Opsen for infrastructure.

(Research Source 2026)

Based on Table 2, it can be concluded that the implementation of the PMK as an implementing instrument for the HKPD Law in Probolinggo has brought significant transformation to the mechanism for achieving regional fiscal independence, but still leaves structural challenges in terms of equity and transparency. Key findings from this matrix indicate the urgency of aligning targets between the provincial and regional governments to avoid disparities between administrative projections and the reality of potential on the ground, particularly in remote areas of the district. The cost of collection analysis reveals a sharp disparity in efficiency between urban and rural areas.(Nawirah & Faisol, 2023)Probolinggo City, with its high density of taxable objects, is able to achieve greater efficiency than Probolinggo Regency, which is burdened by geographic logistics costs. Therefore, an affirmative policy in the form of a "special coefficient" in the distribution of operational costs is needed to prevent the strengthening of local revenue (PAD) from being eroded by disproportionate collection costs.(Damayanti et al., 2023)From an accountability perspective, transparency in the allocation of Opsen PKB results is a crucial instrument in strengthening the social contract between the government and taxpayers. The implementation of a budget tagging strategy through e-budgeting specifically for road infrastructure in Probolinggo is a strategic step to increase public compliance through tangible evidence of public service. Overall, the long-term success of this policy depends heavily on optimizing digital channels as a catalyst for efficiency and strengthening quarterly coordination in data synchronization. Integrating operational efficiency and transparency in fund use will be key to realizing autonomous and accountable regional financial governance in accordance with the mandate of central regulations.(Romadhona & Ma, 2025).

5. Conclusion

Based on a comprehensive analysis of the implementation of the Motor Vehicle Tax (HKPD) Law in Probolinggo City and Regency, this study concludes that the transition to the Motor Vehicle Tax (PKB) Opsen mechanism is a fundamentally transformative step in strengthening Local Taxing Power at the regional level. Philosophically, this policy has succeeded in shifting the paradigm of fiscal dependence to greater autonomy by providing daily liquidity space for local governments. However, the effectiveness of this policy's implementation is heavily influenced by asymmetries in administrative capacity and the region's geographic characteristics. In Probolinggo City, the maturity of digital infrastructure through a host-to-host system has created high bureaucratic efficiency and instant cash flow transparency. Conversely, in Probolinggo Regency, geospatial challenges have created an "infrastructure gap" that causes data delays and high collection costs.This study also found that the success of the HKPD Law depends not only on central regulations, but also on operational synchronization between provincial and regional governments. Target alignment is crucial, as there is often a gap between provincial administrative targets and the reality of potential in remote areas. Furthermore, oversight has shifted to a more strategic approach, with regions beginning to optimize specific sectors such as Heavy Equipment Tax to address potential revenue leakage. Theoretically, this study confirms that fiscal decentralization will only reach its optimal point if supported by seamless governance, or seamless inter-agency coordination. Finally, strengthening local revenue (PAD) through this opsen mechanism has been shown to enhance regional fiscal independence, provided it is balanced with tangible public accountability through the return of tax revenues to infrastructure development that can be directly benefited by the community.

6. Sugestion

Based on the research findings, several strategic recommendations are proposed to optimize the implementation of the HKPD Law in Probolinggo. First, the central and provincial governments need to formulate more flexible derivative regulations by incorporating a "geographic coefficient" in the distribution of operational costs for tax collection. This is especially important for large districts to ensure that administrative burdens do not erode net revenue growth from operations. Second, accelerating the integration of comprehensive information systems down to the remote level must be a top priority to address the problem of transaction data delays. The digitalization of services through electronic payment channels needs to be expanded to reduce physical operational costs and improve taxpayer convenience in fulfilling their obligations.Third, local governments are advised to implement a budget tagging strategy, or e-budgeting, that specifically publishes the allocation of funds from the Opsen PKB (Vehicle Tax Opsen) for road infrastructure improvements. This step is crucial for strengthening the social contract and public trust, thus creating a more stable cycle of voluntary tax compliance. Fourth, periodic quarterly synchronization of vehicle ownership data between Bapenda and Samsat is necessary to minimize potential tax leakage and ensure more realistic revenue targets. Finally, for further research, it is recommended to evaluate the long-term impact of this Opsen policy on the regional investment climate and public purchasing power, to ensure that fiscal strengthening does not become a new economic burden that is counterproductive to local economic growth in East Java.

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