JUSTICE VALUE APPROACH IN THE REFORM OF DETERMINING THE SALE VALUE OF TAX OBJECTS TO STRENGTHEN REGIONAL FISCAL CAPACITY

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Abstract

This study aims to analyze the application of fairness values in reforming the determination of Taxable Object Sales Values (NJOP) as a strategic effort to strengthen regional fiscal capacity. The determination of NJOP has been guided by Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. However, its implementation in many regions does not reflect fair market value and is not in line with the principle of fairness as mandated by Article 23A of the 1945 Constitution and the principle of justice in tax collection.

This research uses a normative juridical method with a statutory, conceptual, and comparative approach to the regulations for assessing the Taxable Object Sales Value (NJOP) in several regions that have updated their land and building value databases. The research data was obtained through literature studies, regulatory reviews, and analysis of taxable object assessment practices based on the derivative provisions of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, including the Minister of Finance Regulation concerning assessment guidelines.

The research results show that the integration of the principles of fairness, transparency of assessment, and regular data updates in the Taxable Object Sales Value (NJOP) regulation has been proven to increase the contribution of Land and Building Tax to Regional Original Revenue (PAD) and strengthen regional fiscal capacity. Furthermore, the implementation of objective market-based assessments as mandated by Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments can reduce tax disparities between taxpayers and increase the legitimacy of regional tax collection. This research recommends the reconstruction of the Taxable Object Sales Value (NJOP) regulation through harmonization of regional regulations with Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, strengthening regional government assessment standards, and digitizing the land value information system to realize sustainable and equitable tax collection.

***Keywords**: Regional Original Income; Tax Fairness; Taxable Object Sales Value.*

INTRODUCTION

Determining the Taxable Value (NJOP) is a key parameter in collecting Land and Building Tax (PBB), which directly affects the amount of Regional Original Income (PAD). However, NJOP practices in many regions still show deviations from real market values, inconsistencies between zones, and limited data updates, raising issues of legitimacy and fairness for taxpayers. This situation suboptimally contributes to PBB's contribution to PAD and creates fiscal inequality among taxpayers.

Urgency of this research arises because improving the Taxable Object Sales Value (NJOP) assessment instrument is not only technical and administrative, but also normative, related to the principles of fiscal justice, transparency, and legal certainty. Furthermore, following the issuance of Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law), the direction of regional fiscal regulations and regional tax collection mechanisms have undergone a restructuring, requiring harmonization of valuation regulations and database digitization. Studying the link between (justice-based) value-setting reforms and strengthening regional fiscal capacity is highly relevant for formulating fairer and more effective regional policies (Sesraria Yuvanda et al., 2024).

Several recent empirical and policy studies highlight the need for spatial approaches, database updates, and more transparent assessment mechanisms. A case study in Lebak Regency shows that a spatial approach and optimization of Sales Value of Taxable Objects (SVTO) assessments can increase land and building tax revenues if accompanied by consistent data updates and assessment procedures. These findings underscore the importance of integrating spatial data and market-based assessments (Andri Hernandi; et al., 2025). Another study proposed a policy model to increase Land and Building Tax (LBT) revenue by developing ideal clauses and policies governing assessments and rates. This emphasized the need for simultaneous normative (regulations) and technical (assessment system) reconstruction to ensure effective regional fiscal policy without compromising equity. However, many of these models remain policy proposals without in-depth studies of distributive justice and implementation at different regional levels (Azhari Aziz Samudra, 2024). Juridical and empirical research examining the use of NJOP as a basis for determining various obligations, such as land acquisition and compensation, highlights the limitations of NJOP when it is not aligned with market value and the supervisory mechanisms of appraisers. Recent juridical studies have shown gaps in legal certainty and valuation techniques that can impact the legitimacy of tax collection. However, these studies tend to focus on normative aspects or specific cases without incorporating quantitative analysis of the fair contribution of NJOP to Regional Original Income (PAD) (Febriansya & Abraham Ferry Rosando, 2024).

From the brief literature review, the following research gaps can be formulated:

a. the lack of studies that integrate (normative) justice analysis with empirical evidence of the reconstructed fiscal contribution of NJOP;
b. limitations of spatial studies that examine the impact of database updates and market-based assessments on

Regional Original Income (PAD) in various regional contexts; and

c. lack of concrete regulatory recommendations that harmonize Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments with the technical mechanism for NJOP assessment.

Thus, research is needed that combines a normative juridical approach, policy analysis and empirical/comparative studies to fill this gap.

The strength of previous research lies in strengthening evidence that assessment modernization, such as the use of spatial data and database updates, can increase tax revenue. However, its weakness lies in the limited integration of fairness norms and operational regulatory reform agendas. Some studies emphasize technical aspects without formulating legal guidelines that accommodate the principle of fairness in determining the NJOP for various object categories and taxpayer groups. This research offers a contribution by proposing a regulatory reconstruction framework for determining the NJOP that integrates:

a. Principle of justice values (distributive and ability to pay).
b. Technical standards for market-based and spatial assessment.
c. Mechanism for harmonizing regional regulations with Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments and the technical guidelines of the Ministry of Finance.

This approach is expected to bridge the gap between technical proposals and normative needs for regional fiscal legitimacy.

RESEARCH PROBLEM FORMULATION

Problem in this research stems from the suboptimal regulations for determining the Taxable Object Sales Value (NJOP) in various regions, which do not fully reflect market value and do not accommodate the principle of fairness in regional tax collection. This condition results in inequality of tax burdens among taxpayers and the less than optimal contribution of Land and Building Tax (PBB) to regional fiscal capacity. Based on this background, the research problem is formulated as follows:

1. How can the application of the justice value approach be reformulated in the regulation for determining the Taxable Object Sales Value (NJOP) to support strengthening regional fiscal capacity?
2. What is the ideal model for reconstructing the NJOP determination regulations to realize regional tax

collection that is fairer, more transparent, and able to increase Regional Original Income (PAD)?

RESEARCH METHODS

Methodologically, this study applies a normative juridical approach to analyze the legal and regulatory framework, a comparative study of assessment practices in several regions, and an empirical analysis of the contribution of Land and Building Tax (PBB) to Regional Original Income (PAD) using secondary data from PAD and PBB realization to demonstrate the relationship between assessment reform and revenue increase. The purpose of this study is to formulate a model for reconstructing regulations for determining Taxable Object Sales Value (NJOP) based on operational fairness values and policy recommendations for strengthening regional fiscal capacity.

RESEARCH RESULTS AND DISCUSSION

Constitutionally, the legal basis for tax collection, including Rural and Urban Land and Building Tax (PBB-P2), is stated in Article 23A of the 1945 Constitution which states that *"Taxes and other compulsory levies for state purposes are regulated by law."* Thus, the determination of NJOP as the basis for tax imposition is an implementation of the legality principle in tax law. Regional tax collection must be based on law, implemented fairly (fair taxation) and not contradict the principle of social justice as stipulated in the Preamble to the 1945 Constitution. Justice is a normative parameter in every tax regulation, including the Taxable Object Sales Value (NJOP) which is often a source of inequality due to undervaluation or assessments that do not reflect market prices.

Prior to the enactment of Law of the Republic of Indonesia No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, the assessment of the Taxable Object Sales Value (NJOP) was based on Law No. 28 of 2009 concerning Regional Taxes and Regional Levies and the Regional Regulations of each region regarding the determination of zoning and classification of the Taxable Object Sales Value (NJOP). Several provisions on Regional Taxes and Regional Levies are still relevant because they serve as operational bases, including the obligation to record tax objects and subjects, the objection mechanism for Taxable Object Sales Values (NJOP), and the authority of Regional Heads to determine NJOP annually or every three years. However, after the HKPD Law came into effect, some norms in Law 28/2009 were automatically revoked, particularly regarding the design of regional tax structures. Regulatory reconstruction must place Law of the Republic of Indonesia No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments as the modern lex specialis, while the provisions of Law No. 28 of 2009 concerning Regional Taxes and Regional Levies are used to the extent they do not contradict each other.

Principle of tax fairness consists of horizontal equity, where taxable objects of equal value should have relatively similar NJOP (Taxable Property Value) values. Vertical equity, where higher-value taxable objects should be taxed more highly. In many cases in Indonesia, unfairness occurs when the Taxable Property Value (NJOP) of elite areas does not increase significantly, while middle-class areas experience a greater increase. This contradicts the principle of fairness.

Law of the Republic of Indonesia No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments requires regular data updates and assessments. Non-compliance by regions results in legal uncertainty for taxpayers.

Inaccurate determination of the Taxable Object Sale Value (NJOP) creates a high administrative burden, numerous taxpayer objections, and potential corruption in ad hoc assessment processes. Geographic Information System (GIS)-based digitalization and mass appraisal are solutions to meet the principle of efficiency. Regional Regulations (Perda) on PBB-P2 and NJOP are technical regulations in the regions. An analysis of various regional regulations in Indonesia found differences in assessment methodologies, the absence of required assessment standards, not all regions updating data annually, and minimal transparency regarding land value maps.

1. Potential Gap Between NJOP and Market Value

Literature and data analysis shows that in some regions, the NJOP value is still far below the actual market value, resulting in potential losses in regional tax revenue (PBB). For example, in Singkawang City, the NJOP update revealed a significant potential loss from PBB-P2 because the NJOP did not reflect the actual market value. (Tri Wahyuni et al., 2022). Other studies have also found that mass appraisals using market price data can yield base values significantly higher than the current Taxable Object Sales Value (NJOP). For example, (Udiana Wahyu Deviantari et al., 2017) found that estimated PBB revenues based on market data could increase by up to 367%, while BPHTB jumped by 590% compared to the old NJOP basis. This indicates that the current NJOP basis is not fully capitalizing on the fiscal potential of property.

2. The Effect of NJOP Adjustments on Willingness to Pay Taxes

Research in Palembang City by (Weny Putri et al., 2020) shows that adjustments to the NJOP have a significant impact on taxpayers' willingness to pay PBB. Although the adjustment increases the tax base, people are still willing to pay because they feel the increase is still within reasonable limits and is legally protected. This finding indicates that if the NJOP determination is carried out fairly and transparently (absorbing market realities), the legitimacy of tax collection can increase, which in turn strengthens the regional tax revenue base.

3. Implementation of Taxable Object Sales Value Assessment in Regions and Its Implications on Regional Original Income

Empirical study in Banjar Regency (South Kalimantan) by (A Yunani, 2022) The results show that local governments set different NJOPs for each object, depending on the location and physical condition of the object. This more accurate, locally-based determination provides room for optimizing Land and Building Tax (PBB). This study also recommends updating the Taxable Object Sales Value (NJOP) data for unregistered objects or updating old data so that the taxable object value better reflects actual conditions, which could ultimately increase PBB and PAD.

4. Effect of Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments on the Increase in NJOP on PBB Realization

According to research (Nicky Dwi Hartono et al., 2024), There is a positive impact of the increase in the NJOP and the implementation of Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments on the realization of PBB-P2 revenue in Sukabumi City. This means that the new national regulation can be a driver for NJOP reform, when the basic value of taxable objects is reset by taking into account market value and when regional fiscal mechanisms are redesigned in accordance with Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, the PBB contribution to PAD will increase.

5. NJOP Assessment Techniques and Accuracy

In technical legal analysis, the NJOP assessment approach using the Assessment Ratio Study (ARS) and Sales Ratio is very relevant. (Rindah Febriana Suryawati et al., 2010) applied the sales ratio method to test the accuracy of the NJOP compared to the real market value in Kamal District, and found that the AR ratio in several villages was still very low compared to the recommended standard, for example, 32% in Tanjungan Village. This confirms that current technical valuation methods do not ensure that the NJOP adequately reflects market value.

The author conducted an analysis of Fiscal Justice and Tax Legitimacy. The results of the study indicate that one source of fiscal injustice is the low NJOP compared to the real market value, which causes the contribution of certain taxpayers to be unfairly reduced. If the NJOP is updated based on market value (mass appraisal) on a regular basis, this reflects the principle of distributive justice, meaning that taxpayers with high-value properties will bear a proportional burden. In addition, a study in Palembang The Effect of NJOP Adjustments (Weny Putri et al., 2020) highlighting that if NJOP increases are understood as reasonable and implemented transparently, the legitimacy of tax payments increases. This means that fairness-based NJOP reform is not simply about raising taxes, but also about improving taxpayer perceptions and increasing taxpayer participation.

Potential income (potential loss) identified from the Singkawang and ITS studies (Weny Putri et al., 2020) This provides empirical evidence that regional fiscal capacity can be strengthened through the reconstruction of the NJOP. By increasing the NJOP to better reflect market value, PAD from PBB can grow significantly. This aligns with the research hypothesis that fair NJOP regulatory reform will strengthen the regional fiscal base.

Findings from (Nicky Dwi Hartono et al., 2024) This indicates that regulatory changes through Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments provide momentum for NJOP reform. This change opens up opportunities to harmonize regional regulations with national policies and encourage systematic NJOP renewal. Therefore, the reconstruction of NJOP regulations must take into account the framework of Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, so that the renewal of taxable object values is not merely technical but has a strong and sustainable legal basis.

Sales Ratio and Assessment Ratio methods tested in several studies (Rindah Febriana Suryawati et al., 2010) The study revealed that the NJOP does not fully reflect market value because the assessment ratio is still far from the International Association of Assessing Officers (IAAO) standard. This indicates the need for technical improvements. Local governments must adopt a more professional mass appraisal system, implement regular Assessment Ratio Studies, and increase the capacity of local appraisers. Furthermore, the Minister of Finance Regulation (PMK) must stipulate the frequency of updates and minimum ratio standards to ensure that the NJOP does not lag behind market value.

Integrating the principle of fairness into NJOP regulations is not merely about increasing the base value of taxable objects, but also about designing fair and transparent mechanisms, including periodic assessments, regulatory harmonization, and oversight. The findings of this study underscore that distributive justice and capability (ability to pay) approaches can be realized through regulatory reform, and the impact will not only increase Regional Original Income but also fiscal legitimacy and public trust.

Based on the results and discussions conducted by the author, this study proposes that it is urgently necessary to reconstruct the Taxable Object Sales Value (NJOP) regulations that include a minimum assessment ratio limit, namely an assessment ratio study must be carried out every few years so that the Taxable Object Sales Value (NJOP) remains relevant to market value, while upholding fiscal justice. It is necessary to strengthen the institutional capacity of regional appraisers, including training for mass appraisers, improving the land value information system, and updating the database periodically. Harmonization of local regulations with Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, so that before setting new Taxable Object Sales Values (NJOP), regional regulations align with the national framework that encourages transparency and updating taxable object values. Implementation of public communication is essential; of course, regional governments need to explain the Taxable Object Sales Value (NJOP) assessment mechanism to taxpayers so that updates are not considered merely tax increases but part of fiscal justice. Design a fair-value-based regulatory model, with the concept of determining the NJOP encompassing three important aspects: first, vertical equity, where high-value taxable objects should have a higher tax burden (progressivity). Second, horizontal equity, where taxable objects with equivalent characteristics should have an equivalent NJOP (equity). Third, procedural equity, where taxpayers are given adequate information and objection rights. This regulatory model ensures that the NJOP not only reflects market value but also meets the principle of equality in regional taxation.

The author believes that it is necessary to synchronize data on the Taxable Object Sales Value (NJOP) with the Private Sector, and that collaboration with Notaries/PPATs, Banks and financing institutions, Developers and Property Agents is needed so that transaction data, appraisals, and market prices owned by the private sector can become valid references for the formation of Taxable Object Sales Value (NJOP) based on real value.

KESIMPULAN

This research shows that regulations for determining the Taxable Object Sales Value (NJOP) in various regions still face fundamental problems such as mismatch between values and market prices, weak assessment methodologies, lack of transparency, and delays in data updates. These conditions not only create inequities in the tax burden between taxpayers but also hinder the optimization of Regional Original Income (PAD) as an instrument for strengthening regional fiscal capacity. Legally, this practice is not fully aligned with the principle of tax legality as mandated by Article 23A of the 1945 Constitution and contradicts the normative provisions of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law), which stipulates that the assessment of taxable objects must be based on objective market value and conducted periodically.

The research results also indicate that the reconstruction of NJOP regulations should be directed at establishing national standards for market-value-based assessments, digitizing taxable object data, periodically updating NJOP, establishing an independent assessment team, and integrating the assessment system with modern fiscal policy. A justice value approach encompassing horizontal justice, vertical justice, and procedural justice needs to be the normative basis for formulating NJOP assessment policies so that regional tax collection has strong legitimacy and is accepted by the community.

And finally, this research provides theoretical and practical contributions through the development of a model for reconstructing NJOP regulations that aligns with the principles of justice, legality, and transparency demands in regional tax law. This model is expected to serve as a reference for regional governments in formulating NJOP assessment regulations that are more accurate, fair, and adaptive to market value dynamics, thereby increasing

Regional Original Income (PAD) sustainably and strengthening the foundation of regional finance within the framework of regional autonomy.

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