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CONSTRUCTION OF LOCAL TAX POLICY THROUGH THE LENS OF AUTONOMY AND FISCAL SELF-RELIANCE: A STUDY OF CENTRAL PAPUA PROVINCE

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Abstract

This community service initiative represents the implementation of the Tri Dharma of Higher Education, specifically in the domain of community service, through a collaborative partnership between the Center for Government Management and Policy Studies at Satya Wiyata Mandala University (USWIM) and the Government of Central Papua Province. The collaboration was established with the primary objective of supporting regional capacity development through academic mentorship.

The activity was strategically focused on developing the Academic Paper for the Draft Regional Regulation (Raperda) on Local Taxes and Retribution for Central Papua Province. As a newly formed autonomous region, Central Papua Province requires a comprehensive legal foundation to optimize Local Original Revenue (PAD) in accordance with Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments.

Through this collaborative endeavor, USWIM provides academic contributions in the form of in-depth studies, comprehensive analysis, and technical support in the process of drafting regional regulations, directly supporting efforts to enhance governmental governance and fiscal independence in Central Papua Province

Keywords: Local tax policy, Regional fiscal autonomy, Local original revenue, Regional governance, Policy development

INTRODUCTION

The state objectives and fiscal decentralization in Indonesia

The state objectives outlined in the Preamble of the 1945 Constitution of the Republic of Indonesia represent the fundamental manifestation of national development aspirations (Widjaja, 2002). Article 18 of the Constitution affirms the principles of decentralization and regional autonomy as fundamental instruments in Indonesian governmental governance (Mamesah, 1995).

The fiscal decentralization concept mandated within Indonesia's constitutional system aims to optimize regional potential in supporting national development (Mardiasmo, 2016). Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law) serves as a strategic instrument in realizing efficient and equitable national resource allocation (Raharjo, 2009).

The four primary pillars of the HKPD Law reflect comprehensive efforts in: (1). Developing an efficient tax system, (2). Minimizing vertical and horizontal disparities, (3). Enhancing regional expenditure quality,(4). Harmonizing fiscal policies between central and regional governments

Central Papua Province, as a newly formed autonomous region established under Law Number 15 of 2022, confronts complex challenges in regional autonomy implementation. As articulated by Pareda et al. (2020), newly expanded regions typically experience difficulties in optimizing Local Original Revenue (PAD) and achieving fiscal self-reliance.

Figure 1. Central Papua region map

(Source: https://petatematikindo.wordpress.com/2023/01/22/papua-tengah)

Central Papua is a province in Indonesia, carved out from Papua Province in 2022. Its capital is located in Nabire City. Central Papua was expanded from Papua Province along with two other provinces, namely Highland Papua and South Papua, on June 30, 2022, based on Law Number 15 of 2022

Empirical analysis reveals that local governments in the Papua region remain structurally dependent on central government fund transfers. This finding aligns with the research by Sondakh & Ilat (2018), which identifies structural challenges in financial management within island regions and newly expanded administrative areas.

Collaboration between universities and local governments emerges as a critical instrument in supporting institutional capacity development. Attamimi (1990) emphasizes the strategic role of academic institutions in supporting governmental policy innovations, particularly in the context of developing new autonomous regions.

METHOD AND PROCEDURES

Legal foundation and normative framework

This community service initiative is built upon a robust constitutional and juridical foundation, referencing a series of strategic legal instruments within Indonesia's local governance system. Law Number 15 of 2022 concerning Regional Establishment serves as a fundamental basis for the existence of Central Papua Province, providing formal legitimacy to the regional expansion process and local government arrangements.

Law Number 1 of 2022 concerning Financial Relations between Central and Regional Governments represents a paradigmatic transformation in local financial governance. This regulation goes beyond merely regulating fund transfer mechanisms, redefining the structural relationship between central and regional governments within a more meaningful fiscal decentralization framework. Through this law, institutional design and regional tax systems are reconstructed to promote local government independence and accountability.

Law Number 23 of 2014 on Regional Governance complements the normative framework by providing comprehensive guidance on governmental implementation mechanisms, authority distribution, and regional autonomy principles. The combination of these three legal instruments creates a regulatory ecosystem that supports systematic and sustainable regional capacity development efforts.

Strategic objectives of the activity

This community service initiative is designed to provide meaningful academic contributions to local governance development, with a specific focus on optimizing the fiscal potential of Central Papua Province. Comprehensively, the activity's objectives can be articulated as follows:

1. Academic support in regulatory formation; Providing substantive intellectual contributions to the drafting process of Regional Regulation (Raperda) on Local Taxes and Retributions. This process goes beyond mere administrative compliance, generating responsive, analytical, and empirically-based local legal products.
2. Comprehensive fiscal potential analysis; Conducting in-depth studies of the structure, mechanisms, and development potential of Local Original Revenue (PAD). This analysis encompasses mapping potential tax sources, identifying structural challenges, and formulating innovative strategies to enhance regional fiscal capacity.
3. Development of high quality academic manuscripts; Producing academic documents that transcend formal requirements, becoming strategic policy-making instruments. The generated academic manuscript will reflect analytical depth, originality of thought, and practical relevance in the context of regional development.
4. Transformative community service ; Concretely translating the social responsibility of higher education in supporting regional development. This activity represents a productive academic collaboration model between higher education institutions and local government, aimed at creating positive and sustainable change.

This holistic approach emphasizes that community service is not merely an academic ritual, but a systematic effort to introduce intellectual added value in the regional development process.

This community service research employs a normative juridical approach with comprehensive legal research methods, as developed by Efendi & Ibrahim (2016). The activity implementation process is systematically and continuously designed, considering academic principles and practical needs of local government.

Systematic stages of activity implementation

1. Exploratory study and initial identification

   The preliminary stage represents a critical phase in constructing an in-depth understanding of local tax policy contexts. This process is conducted through:

   a. Analysis of official Central Papua Province government documents using legal hermeneutic approaches
   b. Comprehensive identification of structural challenges in local taxation
   c. Systematic mapping of existing regional fiscal policy conditions

   Documentation methods and literature studies are utilized to explore official documents, government reports, and relevant academic literature. This approach enables the team to perform systematic deconstruction of local tax policy challenges.

2. Comprehensive data collection

   The data collection stage is implemented using source and method triangulation, encompassing:

   a. In-depth interviews with local government officials
   b. Regional financial document studies using content analysis approaches
   c. Critical review of related statutory regulations

   Semi-structured interview techniques are employed to explore key informant perspectives, while document analysis is conducted using juridical-empirical thinking frameworks. This approach allows the team to generate comprehensive data that transcends mere administrative information.

3. Academic manuscript construction

   The academic manuscript preparation process is conducted with a systematic methodological framework:

   a. Normative juridical analysis referencing Maria Farida Indrati's (2007) approach
   b. Integrated philosophical, sociological, and juridical studies

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c. Formulation of local tax policy concepts based on empirical evidence

At this stage, the team utilizes comprehensive legal interpretation methods, including grammatical, systematic, and teleological interpretations. Each analysis stage is conducted rigorously to ensure policy construction validity and reliability.

4. Validation and finalization

The final stage comprises a validation process including:

a. Internal academic team discussions for critical review
b. Substantive consultations with local government
c. Gradual improvement and manuscript finalization

Cross-validation mechanisms are used to guarantee the academic manuscript's quality. Each review stage is conducted with a constructive approach, focusing on substantive and analytical quality enhancement.

Figure 2. Validation and finalization discussion

Source: Documentation of Community Service Research Team, Central Papua Province, 2024

Academic team from Satya Wiyata Mandala University conducting a collaborative review meeting with Central Papua Provincial Government representatives to validate and finalize the academic manuscript on local tax policy. The image captures the essence of cross-validation and constructive dialogue in developing comprehensive regional policy recommendations.

Methodological supporting framework

The entire activity implementation process adheres to principles of: Academic objectivity; Scientific validity; Practical relevance esearch ethics.

Figure 3. Components of research integrity in academic research

Research integrity represents a multidimensional framework essential for producing high-quality, credible, and impactful scholarly work. This comprehensive model illustrates five critical components that collectively ensure the robustness and reliability of academic research. (Research Methodology Development Team, Satya Wiyata Mandala University, 2024)

This approach aligns with Attamimi's (1990) perspective on the importance of scientific methods in governmental policy development.

RESULTS

Key findings: fiscal structure dynamics and local taxation challenges

Regional revenue structure: composition analysis and fiscal dependency

The Local Original Revenue (PAD) profile of Central Papua Province reveals a complex structural characteristic worthy of in-depth examination. Local tax contributions dominate the revenue composition, achieving a significant proportion of total regional income. Furthermore, revenue from the mining sector, particularly Surface Water Tax (PAP) from PT Freeport Indonesia, serves as the backbone of the regional fiscal system, contributing nearly two-fifths of total tax revenue.

These findings align with Mardiasmo's (2016) argument regarding the structural vulnerability of regional finances heavily dependent on extractive sectors. The dominance of revenue from limited sources indicates the urgent need to diversify the regional revenue base to achieve sustainable fiscal independence.

Systemic challenges in local taxation

1. Complexity of local tax compliance

Motor Vehicle Tax (PKB) compliance rates reveal fundamental problematic aspects in the

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regional taxation system. Suboptimal compliance achievements, coupled with significant disparities between two-wheeled and four-wheeled vehicle ownership, reflect multidimensional challenges in tax policy implementation.

Comparative analysis demonstrates that low compliance is not merely an administrative issue but reflects the socio-economic complexity of the community. Pareda et al. (2020) emphasize in their study that low tax compliance is a structural indicator of institutional capacity and the effectiveness of regional tax policies.

2. Structural vulnerability of regional revenue

The dominance of mining sector revenues presents a fundamental dilemma in regional financial management. High dependence on extractive sectors not only indicates economic vulnerability but also demonstrates limitations in income source diversification efforts.

Sondakh & Ilat (2018) affirm in their research that revenue models heavily reliant on specific natural resources potentially create long-term fiscal instability. This condition requires a transformative strategy in developing local tax bases.

Theoretical and practical implications

The research findings underscore the need for a comprehensive approach to regional tax reform. The required strategy goes beyond administrative measures, necessitating multidimensional interventions involving: (1).Tax policy reconstruction, (2). Institutional capacity strengthening, (3)Accurate database development, (4). Tax collection mechanism innovations, (5).Persuasive approaches to enhance taxpayer awareness

Primary recommendations

The research provides recommendations for local governments: (1).Regional Tax System Restructuring, (2).Taxpayer Database Development, (3). Regional Income Source Diversification, (4).Overhead Service Mechanism Implementation, (5).Tax Apparatus Capacity Enhancement

Contributions and impact of community service

Academic significance: knowledge and policy transformation

This community service initiative represents an intellectual collaboration model positioning higher education as a transformative agent in regional governance development. The academic contribution transcends formal document production, presenting strategic and innovative knowledge construction.

Figure 4. Handover of academic study results from USWIM team to central Papua Provincial Government Representative

Source: Documentation of Community Service Research Team, Central Papua Province, 2024

Formal handover of the academic manuscript on local tax policy from Satya Wiyata Mandala University (USWIM) representative to an official from the Central Papua Provincial Government. This ceremonial transfer symbolizes the culmination of the collaborative research process and the official delivery of policy recommendations to support regional fiscal governance development.

Quality academic manuscript construction

The generated academic manuscript serves as a comprehensive intellectual instrument. Through a juridical-empirical approach, the document provides an in-depth analysis integrating theoretical perspectives with practical local taxation realities. This aligns with Attamimi’s (1990) perspective on the importance of academic products capable of transforming policy discourse.

Innovative solutions for local government

Academic contribution is demonstrated through research-based practical solutions. A comprehensive approach to analyzing local taxation challenges enables the Central Papua Provincial Government to develop more responsive and adaptive policy strategies.

Implementation of tri dharma of higher education

This activity concretely embodies the fundamental mission of higher education, particularly in the dimension of community service. As articulated by Indrati (2007), universities bear the responsibility not merely to generate knowledge but to transform it into regional development contexts.

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Practical Contributions: Reconstruction of Regional Fiscal Governance

Fiscal self-reliance strengthening

This community service provides substantive contributions to enhancing regional fiscal independence. Through comprehensive analysis and strategic recommendations, the activity offers a conceptual framework for:

1. Diversification of regional revenue sources
2. Optimization of local tax potential
3. Development of efficient taxation mechanisms

This approach aligns with Mardiasmo's (2016) findings on the importance of innovation in financial governance.

Comprehensive legal foundation

The generated academic manuscript provides not just recommendations but a robust and sustainable legal foundation. The normative construction considers:

1. Complexity of statutory regulations
2. Specific regional contexts
3. National policy dynamics

Tax policy innovation

The most significant practical contribution is the push towards local tax policy innovation. Through a comprehensive analytical approach, the activity:

1. Identifies policy gaps
2. Offers alternative approaches
3. Encourages systematic renewal in tax governance

Epistemological contribution

The impact of this community service extends beyond direct contributions, providing epistemological insights in developing collaboration models between universities and local governments. It introduces a new paradigm in regional development approaches based on knowledge and innovation.

Figure 5. Academic Study Presentation by USWIM Team to Central Papua Provincial Government Representatives

Source: Documentation of community service research team, Central Papua Province, 2024

Academic research team from Satya Wiyata Mandala University presenting comprehensive findings on local tax policy and fiscal governance to Central Papua Provincial Government officials. The image captures a collaborative knowledge exchange, highlighting the interface between academic research and policy development.

CONCLUSION

The community service conducted by Satya Wiyata Mandala University in collaboration with the Central Papua Provincial Government has successfully produced a comprehensive academic construction related to local tax policy. Through in-depth analysis, this activity revealed the structural complexity of taxation in the new autonomous region, characterized by high dependence on extractive sectors and low tax compliance.

The main contribution of this activity is the development of an academic manuscript that not only fulfills administrative requirements, but also provides a transformative conceptual framework for local tax policy reform. Strategic recommendations include diversification of revenue sources, development of taxpayer databases, and strengthening institutional capacity, which directly support efforts to enhance fiscal self-reliance in Central Papua Province.

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