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Fiscal Justice and Local Tax Resistance: The Distributional Effects of PBB-P2 Increases in Pati Regency, Indonesia

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Abstract

Local taxation is an essential instrument of fiscal decentralization, yet increases in local tax burdens may generate distributive tensions when taxpayers perceive the policy as disproportionate to their economic capacity and the quality of public services received. This study examines the fiscal justice implications of increases in Land and Building Tax on Rural and Urban Areas (PBB-P2) in Pati Regency, Indonesia, with particular attention to local tax resistance and distributional effects. The study employs a qualitative case-study approach combining regulatory analysis, local government policy documents, public statements, and secondary socioeconomic data. The analysis focuses on the relationship between tax burden, household economic capacity, administrative legitimacy, and perceptions of distributive and procedural justice. The study argues that local tax resistance should not be interpreted solely as resistance to taxation, but also as a potential indicator of perceived fiscal injustice. Particular attention is given to whether tax assessments adequately reflect differences in property values, household income, and economic vulnerability. The findings are expected to demonstrate the importance of incorporating distributional considerations and procedural fairness into local tax reform. The study contributes to the literature by connecting fiscal decentralization with economic justice and providing evidence from an Indonesian local-government context.

[*Pajak daerah merupakan instrumen penting desentralisasi fiskal, namun peningkatan beban pajak daerah dapat menimbulkan ketegangan distribusi ketika wajib pajak menganggap kebijakan tersebut tidak proporsional dengan kapasitas ekonomi mereka dan kualitas layanan publik yang diterima. Studi ini meneliti implikasi keadilan fiskal dari peningkatan Pajak Tanah dan Bangunan di Daerah Pedesaan dan Perkotaan (PBB-P2) di Kabupaten Pati, Indonesia, dengan perhatian khusus pada penolakan pajak daerah dan efek distribusi. Studi ini menggunakan pendekatan studi kasus kualitatif yang menggabungkan analisis regulasi, dokumen kebijakan pemerintah daerah,* *pernyataan publik, dan data sosial ekonomi sekunder. Analisis berfokus pada hubungan antara beban pajak, kapasitas ekonomi rumah tangga, legitimasi administratif, dan persepsi keadilan distribusi dan prosedural. Studi ini berpendapat bahwa penolakan pajak daerah tidak boleh diartikan semata-mata sebagai penolakan terhadap pajak, tetapi juga sebagai indikator potensial dari ketidakadilan fiskal yang dirasakan. Perhatian khusus diberikan pada apakah penilaian pajak secara memadai mencerminkan perbedaan nilai properti, pendapatan rumah tangga, dan kerentanan ekonomi. Temuan ini diharapkan dapat menunjukkan pentingnya memasukkan pertimbangan distribusi dan keadilan prosedural ke dalam reformasi pajak daerah. Studi ini berkontribusi pada literatur dengan menghubungkan desentralisasi fiskal dengan keadilan ekonomi dan memberikan bukti dari konteks pemerintahan daerah di Indonesia.*]

Keywords: fiscal justice, PBB-P2, local taxation, tax resistance, distributive justice

Introduction

Fiscal decentralization has fundamentally altered the relationship between Indonesian local governments and their taxpayers. The transfer of fiscal authority to subnational governments was intended to strengthen local autonomy, improve the responsiveness of public expenditure, and enable governments to design policies that reflect local economic and social conditions. From the perspective of fiscal federalism, decentralization may generate efficiency gains when public decisions are made closer to the communities affected by them (Oates 1999). In Indonesia, however, decentralization has also created a continuing challenge: local governments must increase own-source revenue while simultaneously maintaining public acceptance of taxation. Local taxation therefore represents not merely an administrative mechanism for collecting revenue but also a test of the legitimacy of decentralized governance. Mahi (2011) observes that many Indonesian local governments continue to face limited own-source revenue capacity, while discretionary changes in tax bases, collection, and enforcement remain important for improving fiscal performance. The central policy question is consequently not simply how much revenue local governments can collect, but under what conditions revenue mobilization can be regarded as equitable and legitimate.

The Rural and Urban Land and Building Tax (PBB-P2) occupies a particularly important position in this context. Since its decentralization, PBB-P2 has become a local tax and an important component of local own-source revenue. Earlier research emphasized that property taxation could contribute to fiscal autonomy but also required careful institutional arrangements concerning valuation, administration, and local accountability (Asher 2002; Kelly 2004). More recent

Indonesian studies similarly demonstrate that PBB-P2 contributes meaningfully to local revenue, while its effectiveness depends upon administrative capacity, taxpayer compliance, accurate databases, service quality, and taxpayer perceptions (Fujianti, Sachintania, and Gunardi 2021; Wardani and Estiningrum 2022). This literature establishes an important foundation, but it tends to treat PBB-P2 primarily as a question of revenue optimization or compliance. Less attention has been given to the political and distributive consequences of a sudden increase in PBB-P2, particularly when the increase is experienced differently across households with different levels of income, liquidity, property value, and dependence on land.

The 2025 Pati controversy provides an important empirical setting for addressing this gap. The Pati local government introduced a new PBB-P2 assessment framework under Regent Regulation No. 17 of 2025, which amended the preceding regulation concerning the percentage of taxable property value used as the basis for PBB-P2. The policy generated public controversy because some taxpayers faced increases of up to 250 percent. Importantly, the 250 percent figure represented a maximum increase rather than a uniform increase applied to every taxpayer; local government officials emphasized that some taxpayers experienced substantially lower increases. The distinction is legally and analytically important because the justice implications of a tax reform cannot be assessed solely by its headline maximum. They must be examined according to how the reform distributes burdens across taxpayers and whether the underlying valuation system adequately reflects differences in economic capacity.

Previous scholarship provides several theoretical explanations for why such reforms may generate resistance. Research on procedural justice demonstrates that taxpayers are more likely to accept governmental decisions when they believe that decision-making processes are fair, transparent, respectful, and capable of providing opportunities for voice (Hartner et al. 2008; Murphy 2005). Studies of tax compliance similarly show that trust in authorities and perceptions of fairness influence voluntary compliance (Djajanti 2020). At the same time, property-tax scholarship demonstrates that assessment systems can produce horizontal and vertical inequities when similarly situated properties are treated differently or when valuation does not adequately correspond to actual economic circumstances (Sirmans, Gatzlaff, and Macpherson 2008). The present study therefore moves beyond the narrow question of whether taxpayers should comply with PBB-P2 and instead asks whether the design and implementation of a local property-tax increase satisfy principles of fiscal justice.

This article argues that local tax resistance should be interpreted as a potentially meaningful signal of institutional legitimacy rather than automatically characterized as anti-tax behavior. Resistance becomes particularly significant when taxpayers perceive three simultaneous problems: an abrupt increase in financial obligation, inadequate explanation of how property values were determined, and uncertainty concerning whether additional revenue will generate tangible public benefits. The Pati case illustrates the interaction of these factors.

Public opposition intensified after the 2025 increase and included demonstrations by students and residents. The local government ultimately cancelled the increase in August 2025 and announced that PBB-P2 would return to the previous level. This reversal makes Pati an important case for examining the relationship between distributive fairness, procedural legitimacy, and the political sustainability of local taxation.

Literature Review and Theoretical Frameworks

Fiscal justice in local taxation can first be understood through the theory of fiscal federalism. The fundamental rationale for decentralizing fiscal authority is that local governments are often better positioned to identify local preferences and allocate resources according to community needs (Oates 1999). Yet decentralization also creates an accountability relationship: when local governments possess greater taxing authority, citizens should be able to observe how taxation is designed and how revenues are converted into public goods. In this sense, local taxation has a dual character. It provides governments with fiscal capacity, but it also creates an implicit fiscal contract between authorities and taxpayers. Mahi (2011) argues that Indonesian local governments frequently remain constrained by weak tax bases and administrative capacity, meaning that increasing tax rates or tax bases may appear attractive but does not automatically guarantee sustainable revenue growth. Local revenue mobilization must therefore be connected to institutional capacity and the economic characteristics of the local tax base.

Property taxation presents a distinctive problem because the tax base is the value of an asset rather than current income. This distinction has direct consequences for distributive justice. A household may own a relatively valuable parcel of land while having modest income or limited liquidity. Consequently, a property-value-based increase may impose a substantial financial burden without a corresponding increase in disposable resources. Asher (2002) and Kelly (2004) identify property taxation as an important component of decentralization but emphasize the significance of valuation and administrative arrangements. International research similarly demonstrates that property-tax assessment can generate horizontal inequity when properties of similar economic value are assessed differently and vertical inequity when the relationship between assessed values and actual market values varies across groups (Sirmans, Gatzlaff, and Macpherson 2008). These findings are directly relevant to PBB-P2 because justice cannot be inferred simply from the legality of a tax rate; it depends upon the integrity of the underlying assessment process.

The second theoretical dimension is distributive justice. Tax systems are generally evaluated according to whether individuals with comparable economic circumstances are treated similarly and whether taxpayers with greater capacity bear proportionately greater burdens. A property-tax system may therefore be considered horizontally unjust if comparable properties receive substantially different assessments without legitimate justification. It may also become vertically regressive when increases disproportionately affect households whose property assets are relatively high in relation to their income. Research on property-tax assessment in other jurisdictions demonstrates that valuation errors and assessment practices can produce systematic differences in effective tax burdens, even where statutory rates are identical (Avenancio-Leyn and Howard 2022; Payton 2016). The relevance for Indonesia is not that the social categories are identical across jurisdictions, but that the underlying institutional mechanism is comparable: a formally uniform tax rule may generate unequal substantive consequences when the assessment base does not accurately reflect taxpayers' economic circumstances.

The third theoretical dimension concerns procedural justice. Taxpayers do not evaluate taxation exclusively according to the amount they must pay. They also evaluate how the government reached its decision. Hartner et al. (2008) demonstrate that perceptions of procedural fairness are associated with reduced defiance and stronger orientations toward compliance. Murphy (2005) similarly argues that coercive regulatory approaches can undermine the legitimacy of tax authorities when taxpayers perceive the process as unfair. This suggests that procedural fairness has independent significance even when a policy is substantively defensible. A tax increase may be legally valid and economically necessary but still encounter resistance if affected citizens are not adequately informed, cannot understand the valuation methodology, cannot challenge assessments effectively, or perceive that government officials disregard their concerns.

The fourth dimension is the relationship between justice and tax compliance. Indonesian empirical research has repeatedly identified trust, tax knowledge, service quality, fairness, and sanctions as relevant factors in taxpayer compliance. Djajanti (2020), for example, finds that trust and the perceived power of tax authorities influence voluntary compliance. Febriani and Rahayu (2020) show that service quality can influence compliance directly and through taxpayer satisfaction. Studies focusing specifically on PBB-P2 likewise identify taxpayer knowledge, sanctions, administrative service, valuation, and education as important variables (Marbun, Tuankotta, and Indahyani 2021; Wardani and Estiningrum 2022). Situmeang and Adrison (2022) provide particularly relevant evidence by showing that increasing tax rates or property values can increase tax liabilities and potentially trigger non-compliance. These studies indicate that tax resistance should be interpreted within a broader institutional environment rather than as an isolated behavioral failure.

Methods

This study employs a qualitative case-study approach combining normative legal analysis, policy analysis, and analytical interpretation of secondary evidence. The Pati Regency PBB-P2 controversy is treated as a critical case for examining the relationship between local fiscal authority and distributive justice. The case is particularly appropriate because the policy generated substantial public opposition and was subsequently withdrawn by the local government, allowing the study to examine not only the initial policy design but also the institutional response to taxpayer resistance. Contemporary reporting confirms that the 2025 policy allowed increases of up to 250 percent for certain properties, while the local government subsequently cancelled the increase and restored the PBB-P2 level to the 2024 position.

The legal analysis focuses on the statutory framework governing local taxation and the regulatory instruments governing PBB-P2. Particular attention is given to the relationship between national fiscal decentralization and local discretion in determining property-tax liabilities. The study does not assume that a legally authorized tax increase is automatically just. Instead, legality is treated as a minimum threshold, while fiscal justice is assessed through substantive and procedural criteria. The analysis therefore considers whether the policy adequately differentiated taxpayers according to relevant economic circumstances, whether the valuation process was sufficiently transparent, and whether affected taxpayers had meaningful opportunities to obtain information, challenge assessments, and communicate their concerns.

The empirical component relies on secondary sources, including academic journal literature, local policy documents, publicly available government statements, and contemporaneous reporting concerning the Pati controversy. Academic literature was selected according to substantive relevance to fiscal decentralization, property taxation, tax compliance, tax fairness, procedural justice, and local revenue mobilization. The analysis applies thematic interpretation rather than statistical estimation. The principal analytical themes are distributive burden, valuation equity, procedural legitimacy, taxpayer trust, and the relationship between resistance and fiscal governance. This approach is appropriate because the study seeks to explain the institutional and normative meaning of resistance rather than estimate a causal effect of the tax increase on household income.

Results and Discussion

A. PBB-P2 Reform and the Problem of Unequal Tax Burden

The Pati case demonstrates that the distributive consequences of a property-tax reform depend less on the nominal statutory rate than on the interaction between the rate, assessed property value, and household economic capacity. The 2025 policy altered the percentage of the taxable property value used in PBB-P2 assessment, with different percentages applied according to changes in property values. The regulation therefore did not establish a simple uniform 250 percent increase for all taxpayers. Instead, the maximum increase became a politically salient figure because some taxpayers experienced substantial increases in their liabilities. The analytical significance lies in the possibility that a differentiated assessment system can nevertheless produce concentrated burdens if changes in property values are unevenly distributed across communities.

This distinction is central to fiscal justice. A taxpayer whose property value increases substantially because of reassessment may face a higher tax obligation even if household income remains unchanged. The problem is particularly significant in rural areas, where land may constitute an important form of wealth but not necessarily a source of regular cash income. Property taxation can therefore create a liquidity problem that is not captured by conventional measures of property wealth. International property-tax research shows that assessment systems may produce inequitable burdens when assessed values do not accurately track market values or when valuation errors vary across neighborhoods and property categories (Sirmans, Gatzlaff, and Macpherson 2008; Payton 2016). The implication for Pati is that a just PBB-P2 system should evaluate not merely whether the aggregate tax base has increased but whether the distribution of the increase corresponds to meaningful differences in taxpayers' capacity and property characteristics.

The Indonesian experience reinforces this concern. Situmeang and Adrison (2022) show that increasing PBB-P2 rates or taxable property values can increase tax liabilities and contribute to non-compliance. Their finding is significant because it shifts the analytical focus from taxpayer morality toward the structural design of the tax burden. Similarly, research on PBB-P2 in Bandung, Trenggalek, and Jayapura emphasizes that revenue performance depends on effective administration, accurate data, taxpayer understanding, and collection practices rather than on rate increases alone (Fujianti, Sachintania, and Gunardi 2021; Wardani and Estiningrum 2022; Marbun, Tuankotta, and Indahyani 2021). A local government that raises tax liabilities without strengthening these institutional dimensions may obtain additional assessments on paper but face lower political acceptance and potentially weaker compliance.

The Pati controversy therefore reveals an important distinction between fiscal capacity and fiscal extraction. Fiscal capacity concerns the sustainable ability of a local government to generate revenue from an economically appropriate tax base. Fiscal extraction, by contrast, may involve increasing obligations rapidly because the government has immediate expenditure pressures. Mahi (2011) warns that Indonesian local revenue systems often suffer from weak tax-base elasticity and administrative limitations. The lesson is that increasing PBB-P2 should be part of a longer-term strategy involving updated valuation databases, taxpayer services, transparent assessment procedures, and gradual adjustment. Without these safeguards, a tax increase can be perceived as an arbitrary transfer from residents to government rather than as a legitimate contribution to collectively financed public goods.

B. Tax Valuation, Ability to Pay, and Fiscal Equity

A central problem in property taxation is that property value and income are not interchangeable measures of ability to pay. A household may possess land that has appreciated because of broader economic development while deriving little current income from that land. This creates a tension between the benefit principle and the ability-to-pay principle. The benefit principle suggests that property owners should contribute because they benefit from public infrastructure, roads, services, and local development that can increase property values. The ability-to-pay principle, however, requires consideration of the taxpayer's actual financial capacity. A sustainable PBB-P2 system must reconcile these principles rather than privileging one absolutely.

The Indonesian decentralization literature provides support for using property taxation as a local fiscal instrument, but it also emphasizes institutional accountability. Asher (2002) argues that property taxation can strengthen local revenue but that valuation and administration remain critical. Kelly (2004) similarly emphasizes the importance of local-oriented property taxation while retaining appropriate institutional safeguards. These arguments suggest that local autonomy should not mean unrestricted discretion. Local governments require authority to mobilize revenue, but such authority should be constrained by transparent valuation standards, predictable procedures, and mechanisms for taxpayers to challenge assessments.

The Pati case demonstrates why this balance matters. The local government justified the adjustment partly by pointing to the fact that PBB-P2 had not been increased for many years and that additional revenue was intended to support development and public services. Contemporary reporting records the government's argument that the adjustment was connected to the need to improve local revenue after a long period without an increase. From a fiscal perspective, the argument is understandable. A tax base that remains unchanged while property values and public expenditure requirements increase may gradually weaken local fiscal capacity. Yet the fact that a tax has remained unchanged for a long period does not itself establish that a sudden large adjustment is equitable. The relevant question is how the accumulated adjustment should be distributed across taxpayers and over what period.

This is where gradualism becomes an important instrument of fiscal justice. A government may have legitimate grounds for updating property valuations, but a sudden increase can produce significant transition costs. International research on assessment inequality shows that changes in valuation systems can disproportionately affect particular neighborhoods or groups when assessment practices are imperfect (Avenancio-Leyn and Howard 2022; Payton 2016). A more equitable approach would therefore combine periodic valuation updates with caps, transitional relief, hardship exemptions, installment arrangements, and transparent reassessment procedures. Such mechanisms do not necessarily weaken fiscal autonomy. On the contrary, they can make taxation more sustainable by preventing abrupt increases from generating widespread resistance.

The justice question also extends to the use of revenue. Taxpayers are more likely to accept burdens when they can identify a connection between taxation and public benefit. Research on fiscal decentralization in Indonesia indicates that decentralization can contribute to improved public-service provision and reduced regional inequality when local governments use fiscal autonomy effectively (Siburian 2020; Siburian 2021). The implication is that the legitimacy of PBB-P2 depends partly on the visibility of the fiscal exchange. If residents are asked to pay significantly more but cannot identify improvements in roads, public facilities, administrative services, social protection, or local economic opportunities, the tax may be interpreted as extraction rather than contribution.

C. Procedural Justice, Trust, and the Emergence of Tax Resistance

The Pati controversy is especially significant when examined through procedural justice. Taxpayers do not evaluate taxation solely through calculations of financial burden. They also assess whether government authorities listen to them, explain decisions, provide reliable information, and offer meaningful avenues for review. Hartner et al. (2008) demonstrate that perceptions of procedural fairness influence taxpayers' motivational orientations toward compliance. Murphy (2005) similarly finds that coercive enforcement can undermine the legitimacy of tax authorities when taxpayers perceive the regulatory process as unfair. These findings suggest that even a substantively defensible tax reform may become politically unstable if its implementation is perceived as procedurally deficient.

The sequence of events in Pati supports this interpretation. Public opposition intensified after information concerning the potential 250 percent increase became widely known. Students demonstrated at the local government office in June 2025, while subsequent public mobilization involved broader community participation. The resistance was therefore not limited to a narrow group of tax professionals or political actors. It became a broader dispute concerning the relationship between residents and the local government. This transformation is important because it suggests that the policy was evaluated not only as a tax measure but also as a question of governmental legitimacy.

The role of information is particularly important. When taxpayers cannot easily understand how their PBB-P2 liability has been calculated, the difference between a technically valid tax assessment and a socially legitimate assessment becomes significant. Studies of local taxation in Indonesia consistently identify taxpayer knowledge and administrative communication as important determinants of compliance. Wardani and Estiningrum (2022) find that successful PBB-P2 collection depends on several administrative and behavioral factors, while more recent Indonesian research similarly emphasizes tax knowledge, trust, and communication in shaping compliance. Abrori, Purwohedi, and Yusuf (2024) demonstrate that local tax compliance is connected to tax morale, awareness, and service quality, suggesting that administrative modernization should be accompanied by institutional efforts to build taxpayer confidence.

Procedural justice also requires a meaningful opportunity to challenge assessments. The ability to appeal or request correction is not simply a technical administrative facility; it provides taxpayers with institutional voice. Where taxpayers can demonstrate that an assessment is inaccurate, the government should provide an accessible process through which evidence can be considered. Such mechanisms are particularly important for property taxes because errors in land records, property classification, building characteristics, and valuation can directly influence tax liabilities. Digitalization may improve administrative efficiency, but it should not replace human review where taxpayers dispute the accuracy of data.

The Pati government's eventual decision to cancel the increase is therefore analytically important. In August 2025, the regent announced that the PBB-P2 increase would be cancelled and that the level would return to the 2024 position. The decision indicates that taxpayer resistance can affect the trajectory of local fiscal policy. From one perspective, the reversal demonstrates responsiveness to public preferences. From another, it reveals the costs of designing tax reforms without sufficiently strong anticipatory mechanisms for consultation and legitimacy. A more robust system would allow governments to identify distributive and procedural problems before implementation rather than relying on social resistance to expose them afterward.

D. From Tax Resistance to a Rights-Based Fiscal Governance Framework

The Pati case suggests that local tax resistance should not automatically be interpreted as a rejection of fiscal responsibility. In democratic fiscal governance, resistance can function as information about the perceived legitimacy of taxation. This does not mean that every protest is substantively correct or that governments should abandon necessary revenue reforms whenever opposition emerges. Rather, resistance should be treated as evidence requiring institutional analysis. The relevant question is whether resistance arises from misinformation, inability to pay, inaccurate assessment, weak public services, inadequate consultation, or broader political dissatisfaction. Distinguishing among these explanations is essential for designing a sustainable response.

A rights-based fiscal governance framework should therefore begin with transparent valuation. Taxpayers should be able to understand the relevant property classification, assessed value, applicable percentage, exemptions, and calculation method. The government should also periodically evaluate whether valuation practices generate systematic horizontal or vertical inequity. International evidence demonstrates that assessment systems can create substantial disparities even where statutory rates are formally neutral (Avenancio-Leyn and Howard 2022). For PBB-P2, this means that equal treatment requires more than applying the same legal formula; it requires ensuring that the underlying data and valuation methods are sufficiently accurate to make the formula meaningful.

The second element is proportionality. Local governments should distinguish between updating an outdated tax base and imposing an abrupt increase in liability. Transitional measures can protect taxpayers from sudden fiscal shocks while allowing governments gradually to achieve sustainable revenue levels. Such measures may include annual caps on increases, installment payments, targeted reductions for low-income households, exemptions for particular vulnerable groups, and hardship-based reassessment. These mechanisms should be designed transparently rather than negotiated informally, because discretionary relief can itself generate perceptions of unequal treatment.

The third element is participatory fiscal governance. Consultation should occur before major changes become legally operative. Public hearings, accessible explanatory materials, publication of valuation methodologies, and opportunities for taxpayer associations and community organizations to provide input can improve the quality of policy design. Procedural justice research suggests that the opportunity to express one's views can strengthen perceptions of legitimacy even when the final decision does not fully reflect individual preferences (Hartner et al. 2008). Participation therefore should not be understood as a requirement that government accept every objection. Its value lies in enabling authorities to identify information, distributional effects, and implementation problems that may otherwise remain invisible.

The fourth element is a stronger connection between taxation and visible public benefit. Fiscal decentralization is sustainable when citizens perceive local government as converting revenue into public value. Research on Indonesia shows that fiscal decentralization can contribute to lower regional inequality and improved public-service outcomes when fiscal resources are effectively allocated (Siburian 2020; Siburian 2022). PBB-P2 policy should therefore be accompanied by transparent reporting concerning how additional local revenue contributes to infrastructure, education, health, environmental management, public administration, and social services. This does not require strict earmarking of every rupiah collected, but it does require a credible fiscal narrative demonstrating that higher taxation contributes to collectively valuable outcomes.

Finally, local governments should recognize that trust is itself a fiscal asset. Coercive enforcement can generate short-term compliance, but sustainable revenue systems require taxpayers to believe that government institutions are competent, fair, and accountable. Indonesian evidence indicates that trust, service quality, taxpayer knowledge, and fairness are connected to compliance behavior (Djajanti 2020; Febriani and Rahayu 2020). The Pati experience demonstrates the political consequences when this institutional trust is insufficient. A tax system that is legally sophisticated but socially distrusted may remain fiscally fragile. Conversely, a system that combines legal authority with transparency, proportionality, participation, and visible public benefit is more likely to produce durable compliance.

Conclusion

The Pati PBB-P2 controversy demonstrates that local tax reform is fundamentally a question of fiscal governance rather than revenue collection alone. A property-tax increase can be legally authorized and fiscally rational while nevertheless generating serious distributive concerns when assessed values, household economic capacity, and the timing of the reform are insufficiently aligned. The Pati case is particularly instructive because the proposed increase reached as much as 250 percent for certain properties, generated extensive public resistance, and was ultimately cancelled. The case therefore illustrates how fiscal policy can lose political legitimacy when taxpayers perceive a disproportionate burden or lack confidence in the process through which the burden was determined.

The broader implication is that tax resistance should be incorporated into the analysis of fiscal justice rather than dismissed as non-compliance. A sustainable PBB-P2 system requires accurate valuation, proportional adjustment, procedural fairness, accessible review mechanisms, and transparent communication concerning the use of local revenue. These safeguards are not obstacles to decentralization; they are institutional conditions for making decentralization legitimate. Indonesian local governments should therefore move from a revenue-maximization model toward a fiscal justice model in which the capacity to tax is balanced by the responsibility to explain, consult, protect vulnerable taxpayers, and demonstrate public benefit. Such an approach would make local taxation more resilient and strengthen the social contract between local governments and the communities they serve.

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