

The Reformulation on Land and Building Tax in Rural and Urban Areas (PBB-P2) as an Effort to Increase Local Revenue in Ngawi Regency

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Abstract:- This study was intended to determine strategies for increasing acceptance of the Rural and Urban Building Land Tax (PBB-P2) in Ngawi District, factors that have prevented the achievement of strategies for increasing PBB-P2 acceptance and factors that can support the achievement of strategies for increasing PBB-P2 revenue in the Regional Revenue Service (Dipenda) Ngawi Regency. This type of research was a qualitative descriptive study. The type of data used in this study was primary data obtained from interviews with the research informants and secondary data in the form of reports and official documents. The instrument of this research was the researcher himself who in his implementation uses instrument such as interview guidelines and observation guidelines. Data collection techniques used in the form of interviews, observation and documentation, meanwhile, the data analysis techniques used was in the form of descriptive analysis by interpreting the data, facts, and information obtained. The results showed that the strategy undertaken by Dipenda of Ngawi District in increasing PBB-P2 revenue included forming the PBB-P2 intensification team, forming a task force in the District, socializing SPPT to the community through banners, especially when approaching maturity, issuing a Tax Collection Letter (STP) and do door to door and hold a Land and Building Tax payment week and raise the building land tax according to real conditions in the community. Factors that hindered the achievement of strategies for increasing PBB-P2 revenues in Sleman Regency were due to technological factors, limited facilities and infrastructure as well as budget limitations, while factors that could support included commitment to human resources, political, economic and social conditions which supports increasing PBB-P2 revenue.

Keywords: strategy, PBB-P2

I. INTRODUCTION

Every State which declares itself to be an independent State must have a goal to be achieved. As one of the independent countries, Indonesia has the objectives listed in the fourth paragraph of the opening of the basic constitution namely the 1945 Constitution of the Republic of Indonesia (hereinafter abbreviated as the 1945 Constitution), among others, to protect all the people of Indonesia and all of Indonesia's blood and to promote public welfare, educating

the nation's life and participating in carrying out world order based on freedom, eternal peace and social justice.¹

To realize the achievement of these objectives, the State then imposes them on the actor commonly referred to as the government. The role of the government which most experts think is that today is part of the "age of welfare state", placed in principled conditions. The expectation that is contained requires that there is an innovation in taking all actions for the achievement of the goals set. The constellation of roles and tasks played by the government raises long-term expectations of all people. The expectations that arise from the people cover all vital sectors such as economic, social, political and legal.²

Various breakthroughs in particular in the field of law have been rolled out with the main objective being the creation of a novelty. Furthermore, various policies have been formulated with output in the form of sublimation and optimization of the role of the state, especially when Indonesia entered the reform era. Arguing with a series of public demands for democratization has moved the continuum of authoritarian-style government towards the point of continuous democratic-style governance. The spirit of reform that was formed in 1998 has provided a very broad paradigm shift, one of which is the division of the state's role. Furthermore, new state agendas were arranged and formulated in such a manner with the main objective being a paradigm shift towards power held by the government which in the previous period was still dominated in the fields of defense, public order and criminal law. These conditions have expanded in line with the

¹ Iskandar, *Intellectual Concepts in Understanding Indonesian Legal Studies*, AndiPublisher, Yogyakarta, 2016, p. 40.

²The welfare state is more often identified from the service policy and social transfer attributes provided by the state (c.q government) to its citizens, such as education services, income transfers, poverty reduction, so that both (welfare state and social policy) are often identified. That is not appropriate since social policy does not have a biimplicative relationship with the welfare state. Social policies can be implemented without the existence of a welfare state, but on the contrary the welfare state always needs social policies to support its existence". See Darmawan Tri Wiowo, *Dream of a Welfare State*, LP3ES, Jakarta, 2006, p. 8.

conception of the modern state currently adopted by Indonesia.³

One sector that is also undergoing renewal is the area of regional governance with the idea commonly known today as regional autonomy - based on the principle of decentralization. If there is a historical flashback, state policy reconstructs the paradigm as well as the government system through a decentralized model which is actually a means of structuring relations between the Central and Regional Governments towards a more democratic direction by increasing the portion of decentralization - through granting authority to the regions - to administer the government. With the change in the government system, automatically various supporting systems for the system which have been centralized have also experienced changes.⁴

One of the aspects that is the source of local revenue is the tax sector. As it is known that tax is one of the sources of financing for national development in order to improve the welfare of the community. Taxes are used to finance public expenditures related to the state's task of administering government.⁵ Furthermore, regarding to the area of taxation and regional government, a new momentum is present for the Regional Government when Law Number 28 of 2009 concerning Regional Taxes and Regional Retribution is legally put in place. Specifically for Regency/ City Regional Governments, through this Law Regency/ City Regional Governments have been delegated authority by the Central Government in terms of managing the Rural and Urban Land and Building Tax (PBB-P2).⁶

This delegation of authority was intended with the intention to: (1) increase accountability in the implementation of regional autonomy; (2) expansion of the regional tax base; (3) granting authority in determining tax rates; (4) **an increase in regional own-source revenue (PAD) as an instrument for budgeting to run regional policies.**⁷ With this delegation, all process activities from **data collection, assessment, determination, administration, collection/ billing to PBB-P2** services are carried out by the Regency/ City Government. (Author's bold lines)⁸

Based on the above explanation, specifically regarding the management of the Rural and Urban Land and Building Tax (PBB-P2) which is tolerated by the area of land owned by each region, PBB-P2 has great potential as a contributor to PAD in a certain region. For this reason, through the authority

held by the regions, the optimization of increasing PAD through PBB-P2 becomes a logical option that must be developed through various policies, one of which is through the model that the authors intend to propose in this study, namely the reformulation of PBB-P2 based on a progressive model. On the basis of this, the authors then also took the location of the study in Ngawi Regency considering the geographical structure with an area of Ngawi Regency is 1,298.58 km², where around 40 percent or about 506.6 km² are paddy fields.⁹

On the other hand, the potential of PAD through PBB-P2 Ngawi Regency is actually quite large, especially if Ngawi Regency applies the model that the authors propose - PBB-P2-based on progressive models. The authors based this on the available data where the potential of PAD Ngawi Regency through the PBB-P2 sector only contributed 11% to PAD in the 2014 fiscal year, 10.67% in the 2015 fiscal year, 9.6% in the 2016 fiscal year and 9.6 % in 2017 fiscal year.

The details regarding the amount of PBB-P2, PAD and cumulative amount of Local Tax in PAD from the 2014 fiscal year to the 2017 fiscal year, are described in the following table:

Table 1 PBB-P2 receipts from 2014 to 2017 in Ngawi Regency

No	Year	Potential	Realisation	Percentage
1	2014	14.432.605.046	13.829.296.120	95,8%
2	2015	14.819.734.646	14.365.999.578	96,9%
3	2016	15.596.160.688	15.385.432.877	98,6 %
4	2017	16.152.995.612	15.750.014.266	97,5%

Source: Regional Revenue, Financial and Asset Management Office of Ngawi Regency, 2018

Table 2 The Recapitulation of Regional Original Income and Regional Tax of Ngawi Regency Budget Period 2014 to 2017¹⁰

No	Year	Local Generated Revenue (PAD)	Regional Tax
1	2014	122.724.429.228.95	28.096.000.000.00
2	2015	138.773.976.891.30	30.427.829.729.00
3	2016	161.921.573.112.50	33.639.600.000.00
4	2017	166.811.067.656.20	37.160.700.000.00

Source: Ngawi Regency Regulation on Regional Budget Revenue

II. PROBLEM STATEMENT

What is the ideal regulation for land tax and rural and urban development (PBB-P2) as an effort to increase the local generated revenue (PAD) in Ngawi Regency?

⁹ See <https://ngawikab.go.id/> accessed on May 28 2018 at 11.32 PM.

¹⁰ See Ngawi Regency Regulation Number 4 of 2014 concerning Amendment to the 2014 Budget Year Budget, Ngawi Regency Regulation Number 17 of 2015 concerning 2015 Budget Year Amendment, Ngawi Regency Regulation Number 21 of 2015 concerning Budget Year 2016 APBD and Ngawi Regency Regulation Number 11 of 2016 concerning the 2017 Regional Budget.

³ See Ermaya Suradinata, *Building the Region Towards Rising Indonesia*, Elex Media Komputindo, Jakarta, 2008, p. 145-147.

⁴ See Ari Dwipayana dan Sutoro Eko, *Building Good Governance in the Village*, IRE Press, Yogyakarta, 2003, p. 1-3.

⁵ Santoso Brotodiharjo, *Introduction to Tax Law, Eresco Bandung, Bandung, 1987*, p. 2.

⁶ See Article 2 paragraph (2) letter J of Law Number 28 Year 2009 concerning Regional Taxes and Regional Levies

⁷ See Explanation of Law Number 28 Year 2009 concerning Regional Taxes and Regional Levies.

⁸ See <http://www.pajak.go.id/content/pengalihan-pbb-perdesaan-dan-perkotaan-diakses-pada-tanggal-28-Mei-2018-Pukul-02.08-WIB>.

III. DISCUSSION

The Rural and Urban Land and Building Tax (PBB-P2) is one of the potential sources of revenue in increasing regional income, the management of regional taxes carried out by the DPPKAD in Ngawi Regency does not only apply the provisions contained in the Regulations of the Regent and Regional Regulations.

The government is currently launched the Fair Economic Policy Package. This is a very good policy package and is worth supporting, because it reflects the vision of equity and social justice.

The imposition of a tax on unproductive land (Unutilized Asset Tax) was chosen as an instrument of equity and the creation of social justice. However, for this policy to be effective, its implementation needs to be considered, both the level of regulation (what kind of tax is appropriate) and technical (administration is most likely and easy). The basis for imposing taxes can be two, exploitation (unproductive land) and control (over ownership). It could also be regulated at once, land/ buildings that have been sold for less than 5 years are considered to be speculative and therefore subject to higher taxes.

The government discusses the application, between Capital Gain Tax or Progressive Tax. Both types of PPh based tax, will be charged when there is a sale / transfer transaction. Capital Gain Tax is a tax on profits, which is the difference between the selling price and the acquisition price / purchase price. For example land acquisition costs Rp. 100 million, sold Rp. 500 million. Means there is a difference of Rp. 400 million. This is taxed, for example 5%. Means the tax is 5 percent x Rp 400 million in the amount of Rp 20 million. The Final Progressive Tax is the development of PPh on Transfer of Land / Building Rights that is imposed on the transfer value (transaction value). Progressive because the target is idle land or second, third ownership, etc. The above example, for example a tariff of 5 percent x Rp. 500 million = Rp. 25 million. The advantages and disadvantages of CGT, this model is the ideal type of tax, because it is subject to gains so that it can be more fair according to the tax principle: imposed on additional economic capabilities. The weakness of CGT is the availability of a database, namely data on land acquisition prices and ownership data. Who is the target and what is the value of the assets. Then it is necessary to integrate ownership data and good land value data, synergy between BPN and DG Tax. On the other hand, the Progressive Final Tax (PFP), can be analogous to a vehicle tax, when we have more than one vehicle, the second, third vehicle, etc. are subject to progressive rates. PFF is a modification of the existing final tax, only the progressive tariff is changed for idle land or second, third ownership, etc.

The weakness of PFP, is not ideal unlike CGT since the basis of the transaction, people tend to avoid market value. Then the challenge is continual NJOP adjustment so that it approaches market prices. Both CGT and PFT both have weaknesses: (1)

imposed when there is a transaction, even though this disincentive scheme will actually be effective when subject to an annual (periodic) so that it encourages the owner to work the land so that it is productive, or sells it; (2) so far there has been BPHTB for buyers. Since this is the domain of the LG, it is difficult to keep abreast of central policy changes. There needs to be better coordination.

The Rural and Urban Land and Building Tax which has been a central tax (although the results are given to the regions) is transferred as a Regional Tax. This is in accordance with Article 182 of Law No. 28 of 2009: The Minister of Finance together with the Minister of Home Affairs regulates the stages of preparation for the transfer of Rural and Urban Land and Building Taxes as Regional Taxes no later than 31 December 2013.

Two very interesting points in Law No. 28 of 2009 concerning Regional Taxes and Regional Levies relating to the transfer of Rural and Urban Land and Building Taxes:

Article 77 Paragraph (4), the amount of NJOPTKP is set at a minimum of Rp 10,000,000 for each taxpayer; Article 80 Paragraph (1), Rural and Urban Land and Building Tax Rates are set at a maximum of 0.3% and Article 80 Paragraph (2), Rural and Urban Land and Building Tax Rates are stipulated by Regional Regulations.

Citing on the writing of DannyDarussalam.com Tax Center: Not all types of land and building taxes will move to the regions, April 26, 2008. "The 2008 Revised State Development and Expenditure Budget (APBNP) targets government revenues from the United Nations to reach Rp. 25.8 trillion. The UN portion of the urban and rural sectors is only Rp 5 trillion. The largest share of the deposit befell the UN mining sector, which reached Rp 15 trillion. If the rural and urban sectors are handed over to the regions, it means that government revenue from the UN is reduced by Rp 5 trillion ". Therefore, a NJOPTKP alternative of at least Rp 10,000,000 is required, which should not be a deduction factor in the UN calculation but as a limiting factor and applies to all tax objects without taking into account ownership of more than one tax object to minimize the possibility of potential loss of central government revenue submitted to the region from the urban and rural areas land and building tax around Rp. 5 trillion, or at least the Taxpayer will be motivated to at least pay the UN > Rp. 10,000 per year. Therefore, all tax objects are not reduced by NJOPTKP, however, for property whose value is less than Rp 10,000,000, it is automatically not subject to the United Nations. The advantage to be gained is the more efficient in spending management costs, because the number of Tax Objects in a fixed database (+ 95 million OP) but the number of Taxpayers will be reduced significantly.

Another thing that needs to be observed is that the Directorate General of Taxes has had two strategic investments that require time for migration and knowledge transfer. The first relates to the taxpayer property database that can be a door for the intensification of the calculation of the Land and Building

Tax of Plantation, Personal Income Tax and Value-Added Tax on Self-Building Activities. The second relates to investment in Human Resources (HR) functional appraisers who have expertise in conventional and digital mapping with the Global Positioning System (GPS), appraisal/ asset valuation and survey/ data collection.

Inspired by Farid Maruf's writings: Building Land Tax as an Economic Control Tool, www.kompasiana.com, March 3, 2010. "Yesterday my friend complained, his house which was 600 million, was only 70 thousand rupiah, only 0.011%. For my friend, this really does not make sense, a car that costs 150 million, tax is almost 2 million. Furthermore, according to my friend, in America, where he used to live, the United Nations was around 2.4%, with this United Nations money low and secondary education in the region can be financed, fully, without having to whine to the central government with this mechanism, it will be felt that people with money will provide subsidies "life" to less rich people."¹¹

To distinguish high and low income people can be seen from tangible assets owned, for movable assets can be seen from the type of vehicle/ car while for fixed assets will be seen from the quality of buildings owned/ inhabited/ rented. The quality of the building will be represented by the Structure of the Building, the stronger the structure will be the lower the cost of renovation and the longer the effective life. The second presentation is from the Architecture of the Building which will be seen directly by potential customers (tenants/ buyers) who at generally want comfort and privacy, the more beautiful and comfortable the architecture of the building, the higher the attractiveness of the building to generate revenue. Building architecture includes the type of building material/ building components and installed facilities (fixture). The quality of the building if quantified through the calculation of the Budget Plan (RAB) or Building Cost Table (BCT) will get the value of buildings per square meter that varies according to quality so that it can be used as a Building Value Standard.

The concept of progressive tariffs on land and building tax in rural and urban sectors according to the value of buildings per m2 functions as a balance of the imposition of land and building tax based on the level of quality of the structure and architecture of the building which of course in addition to adjusting the effective age of buildings also takes into account the economic benefits that will increase based on the principle of "high risk high return "and the principle" the highest and the best use".

Land and Building Tax Rates for Rural and Urban, related to the limit of the sale value of buildings per m2, need to be determined through Regional Regulations each year to adjust inflation factors or anticipate increases in building prices or standard unit prices for materials and workers' wages each year. Determination of limits on the sale value of buildings per m2 in order to pay attention to the Decree of the Minister of Finance of the Republic of Indonesia Number 523/

KMK.04/ 1998 dated 18 December 1998 concerning Determination of Classification and the Amount of Sales Value of Tax Objects as the Basis for Imposing Land and Building Taxes.

Based on Indonesian GDP data (nominal) per capita in 2010, it is assumed that 30% of GDP is invested in the form of a Home Loan (KPR) then within a period of 10 years will have a house with a price of <Rp 49,000,000, equivalent to a Healthy Simple House (RSS) type 36 m2 (NJOP per m2 = Rp. 429,000) with a land area of 84 m2 (NJOP per m2 = Rp. 394,000). Therefore, the progressive tariff concept of the UN in rural and urban sectors according to the building quality grade (building value per m2) will be very relevant as an alternative to subsidies for people who have income (GDP per capita) below Rp 21,289,389 per year (according to the International Monetary Fund (2009)).

Whether property taxes (land and buildings) turn out to be progressive or regressive depends primarily on implementing efficiency. Regressive in the sense, a group of high assets that tends to accumulate assets over time for example a farmer who acquires land may be through inheritance. Farmers who have a high number of assets may have high property tax bills and in the dry season or flood, most of their income will have to be spent to pay taxes. In other words, most of their income will be spent on tax debt according to the amount of property (land and building) owned.

In determining the amount of Bumi NJOP, DPPKAD uses the method of comparing market prices in accordance with the rules of property valuation. Before conducting an assessment, a survey of the sale and purchase price of a notary, internet offers and other selling price information is carried out by all DPPKAD units in Ngawi Regency. The data is then analyzed by the average value and then determined as NJOP, so the increase in NJOP is not the same for all locations and is influenced by several factors, as follow:

1. Location of the object
2. The usage of the land
3. Accessibility
4. Condition of Environment.

This adjustment was made possible because of the physical changes in the land environment that were formerly the village/ yard into a housing cluster or the development of high-middle housing (developers/ real estate) like many occur in rural areas.

Results of the Toll Road Assessment Review, which was previously valued based on the NJOP of the earth on the outside of the Toll Road, but now is doing an assessment based on the NJOP around the Toll Gate, with consideration of the balance between toll roads and better reflects the fair value of the Toll Road.

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¹¹www.kompasiana.com accessed on July 25, 2019

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To balance the determination of NJOP with a tax object that is in the vicinity or bordering the road between regions. A few years before, NJOP adjustments were more focused on the central region and protocol roads with high NJOP values, so that the gap is currently higher in the periphery. The balance of determining the NJOP needs to be done so that there is no difference with other regions. Increasing property prices is quite high, particularly in areas affected by development projects and environmental development.

The NJOP adjustment will certainly have an impact on the increase in PBB-P2 that must be paid by taxpayers, in addition to being affected by the area, namely land area, building area plus building value and tax rate in the presence of 4 different tax rates, as follow:

1. 0.01% rate for NJOP under the value of Rp. 200 Million
2. 0.1% tariff for NJOP Rp.200 Million to Rp. 2 billion
3. 0.2% rate for NJOP Rp.2 billion to 10 billion
4. 0.3% rate for NJOP Rp. 10 billion or more Tarif 0.3% untuk NJOP Rp. 10 Miliar atau lebih

Since the valuation is based on the land value zone, the increase in NJOP will inevitably have an impact not only on the Corporate WP but also on the Individual WP. Not all zones rise in NJOP. There are zones which do not increase because it is in accordance with market prices and there is no regional development. But there are also those that experienced a significant increase due to infrastructure development such as the MRT, LRT, and regional development with the emergence of new housing and apartment areas. Changes in the function of land that used to be village land into a housing cluster area also experienced a fairly high strengthening compared to the previous one.

In the implementation of progressive tariffs, PBB P2 substantially contains content and policy material that has been formulated by stakeholder actors. One of the areas that can be said to be successful in implementing the P2 progressive tax is the Provincial Government of DKI Jakarta. The material and contents of the policy are then implemented to meet the objectives that are expected of the stakeholder actors.

The DKI Provincial Government determines progressive PBBP2 tariffs which have fundamental objectives and benefits regarding the implementation of regional autonomy which is oriented towards community services and increasing provincial economic growth. In detail, the objectives and benefits to be achieved include the optimization of local tax revenue, as a potential source of tax revenue as a substitute for PKB and BNKB in the future, the fulfillment of justice in the community and improvement of policies on the application of land and building tax rates after becoming local taxes.

In the implementation of PBBP2 regional policy, it is closely related to the main objectives contained in the manifestation of regional autonomy; the spirit of improvement and equitable distribution of welfare and standard of living of the local community becomes the main issue. The launching of local taxing empowerment in the era of regional autonomy has encouraged the regions to increase their capability in financial independence so that they have a direct relation to the ability of government administration and basic services to the community. The DKI Jakarta Provincial Government as the executor of regional autonomy has been collecting PBBP2 since January 1, 2013 in order to optimize revenue from the regional tax sector so that the fulfillment of development needs and basic services of the community as a goal of regional autonomy can be implemented. Related to the implementation of PBBP2 collection, it was mentioned earlier that the DKI Jakarta Provincial Government uses discretion with an expansion of authority in determining PBBP2 tariffs in the context of local taxing empowerment, namely by applying progressive tariffs to PBBP2. Applying progressive tariffs to PBBP2 is the first step taken by the DKI Jakarta Provincial Government in optimizing local tax revenues and protecting small communities.

Related to efforts to boost PAD, DKI Jakarta Provincial Government implements a number of political and administrative processes as part of policy implementation activities. Specifically the progressive tariff application of PBBP2 in 2014 was the most crucial thing considering the DKI Jakarta Provincial Government is trying to significantly increase its PAD. PAD in 2014 to IDR39.55 trillion increased 50.6% from the previous IDR26.26 trillion in the 2013 APBD-Amendment of DKI.

IV. CONCLUSION

In the implementation of the collection of Land and Building Taxes, Rural and Urban also experienced several obstacles, including in the management of operational systems and the lack of field staff. While other inhibiting factors emphasize more on taxpayers themselves, starting from the large number of people avoiding taxes, people who live outside the area, lack of public trust in officials, and the absence of strict sanctions for people who are reluctant to pay taxes.

To increase tax revenue from the Land and Building Tax Sector in Rural and Urban Urban Government of Ngawi Regency has made several direct and indirect efforts. Direct efforts are made by increasing the quantity and quality of human resources, working to provide facilities and infrastructure that support work, and providing incentives to those who want to help in the process of collecting land and rural and urban land tax.

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