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THE APPLICATION OF NON-TAXABLE SALES VALUE OF TAX OBJECT IN CALCULATING LAND AND BUILDING TAX

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Abstract

Land and Building Tax is given on land and building ownership for state revenue. While the Selling Value of Non-Taxable Tax Objects (NJOPTKP), is one of the components in calculating Land and Building Tax (L&B). Calculating Land and Building Tax determined by Sales Value of Tax Object (NJOP) and NJOP increases every year. The problem is whether or not NJOPTKP, used as a deduction for NJOP, influences the calculation of L&B Tax due to the absence of material changes from the deduction. In this study, NJOPTKP of L&B Tax was analyzed using a qualitative descriptive dan quantitative method by comparing changes in Non-Taxable Income of Income Tax (PTKP), and L&B taxes between Indonesia and other countries. The analysis results indicated that economic quantities such as inflation, Regional Minimum Wages and changes in PTKP of Income Tax were not related to changes in NJOPTKP. The application of L&B Tax does not consider the status of land and buildings (whether or not it is productive) and the family status of the subjects who own the land and buildings. As a result, NJOPTKP does not have a material meaning for the calculation of L&B Tax due to the absence of a significant adjustment when compared to the increase in the NJOP on Rural and Urban Sectoral L&B Taxes (PBB-P2) and Plantation, Forestry and Mining Sectoral L&B Taxes (PBB-P3).

Keywords : *L&B Tax; Sales Value of Tax Object (NJOP); Non-Taxable Sales Value of Tax Object (NJOPTKP)*

Introduction

Tax is the main component of Indonesia's state revenue. Taxes are collected by the central or local government agencies or by both. Examples of tax collected by the central government agencies are Income Tax, Value Added Tax, and Stamp Duty. Land and Building Tax (L&B) is an example of tax collected by central and local government agencies. According to the Regional Tax Law Number 28 of 2009 (UU RI No 28, 2009), Land and Building Tax is classified into two based on the collection point. The first is Pajak Perkotaan dan Pedesaan Rural (P2), or Urban and Rural Sectoral Tax, collected by the local government for the local revenue. The second is Pajak Perkebunan, Perhutanan

dan Pertambangan (P3), or Plantation, Forestry and Mining Sectoral Tax, collected by the central government for the state revenue.

The calculation of L&B Tax must consider several components, including the deduction factor. As a comparison, there is Penghasilan Tidak Kena Pajak (PTKP), or Non-Taxable Income, in the calculation of Income Tax. In L&B Tax, the deduction factor is Nilai Jual Objek Pajak Tidak Kena Pajak (NJOPTKP), or Non-Taxable Sales Value of Tax Object. The deduction factor in tax calculations often changes and is adjusted to the situation and condition. As a comparison, it was recorded that PTKP has experienced six times of adjustments from 2000 to 2020 while NJOPTKP only experienced two adjustments from 1985 to 2000, as shown in Table 1. From 1985 to 2009, there were three changes in NJOPTKP, reaching a minimum of IDR 2,000,000 in 1985-1994, IDR 8,000,000 in 1994-2009, and IDR 10,000,000 in 2009. The problem deals with the basis in determining the amount of NJOPTKP changes and whether the changes are material enough compared to the change in NJOP. It is because NJOPTKP does not differentiate NJOP with a value of tens of millions from that with a value of tens of billions for the urban and rural sector, or NJOP for the plantation, forestry and mining sector whose value can reach hundreds of billions.

Table 1: Changes in NJOPTKP

| TAHUN | NJOPTKP |
|-------------|-------------------------|
| 1985 - 1994 | Min. IDR 2,000,000 *) |
| 1994 - 2009 | Min. IDR 8,000,000 **) |
| 2009 | Min IDR 10,000,000 ***) |

Source: *) Law No. 12 of 1985

***) Law No. 12 of 1994

****) Law No. 28 of 2009

Novelty:

Until this research implementation in 2021, no studies examined the determination of NJOPTKP concerning the calculation of L&B Tax.

According to the Organization for Economic Cooperation and Development (OECD.2023), property taxes are defined as recurring and non-recurring taxes on the use, ownership, or transfer of property, including taxes on immovable property or net worth, taxes on changes in ownership of a property through inheritance or gifts, and taxes on financial and capital transactions. These taxes are collected regularly every year of the use or ownership of immovable property. These taxes are levied on land and buildings in a percentage of the asset's value. The asset value can be based on rental income, selling price, capitalization, or other asset characteristics, such as size or location. Property taxes are annual taxes on real property and, usually, local taxes, whose amount is most often based on market values.

Property taxes have several characteristics, including having a relatively stable and predictable source of income, an easily execution or confiscation, and a progressive tax burden due to the adjusted payment to the property owned(ADB, 2020). Property taxes are generally also local taxes because these taxes are directly related to services at the regional level and have a relatively small effect on state revenues which does not exceed 3% of Gross Domestic Product (GDP)(Slak, 2011). L&B Tax is defined as taxes on land and/or buildings owned, controlled, and/or utilized by individuals or entities, except for areas used for plantation, forestry, and mining business activities (UU RI No 28, 2009). As a comparison, L&B Tax in some ASEAN countries is classified as shown

in Table 2. Taxes in Asian countries are categorized into taxes on productive and unproductive land with progressive rates. According to Bird's research on land and property taxation, some countries distinguish property taxes based on the class condition, such as residential, commercial or industrial (Bird, 2002). Related to the imposition of taxes based on the selling price, Law of L&B Taxes Number 12 of 1985 Chapter 1 Article 1 Paragraph 3 defines NJOP as the average price obtained from fair sale and purchase transactions. If there are no sale and purchase transactions, NJOP can be determined by comparing the price with other similar objects, or the new acquisition value or the sales value of the substitute tax object. According to Regional Tax Law (UU RI no 28 2009), the calculation of L&B Tax is also based on NJOPTK. The basis for the imposition of Rural and Urban L&B Tax is NJOP. The amount of NJOP is determined every three years by the Minister of Finance—yet for certain regions, NJOP is determined annually by the Regional Head following the region development. The Rural and Urban L&B Tax rate is set at a maximum of 0.3% by the regional regulation. The amount of Rural and Urban L&B Taxes owed is calculated by multiplying the tax rate with the tax base (NJOP) deducted by NJOPTK. The amount of NJOPTK is set at a minimum of IDR 10,000,000.00 for each taxpayer. The L&B Tax calculation formula, according to (Rosengard, 2012) is as shown in Figure 1. The tax rate can be in the form of a uniform or differentiated rate and an increasing and decreasing rate according to the value of the property designation. Meanwhile, the tax base can be in the form of property value and total property.

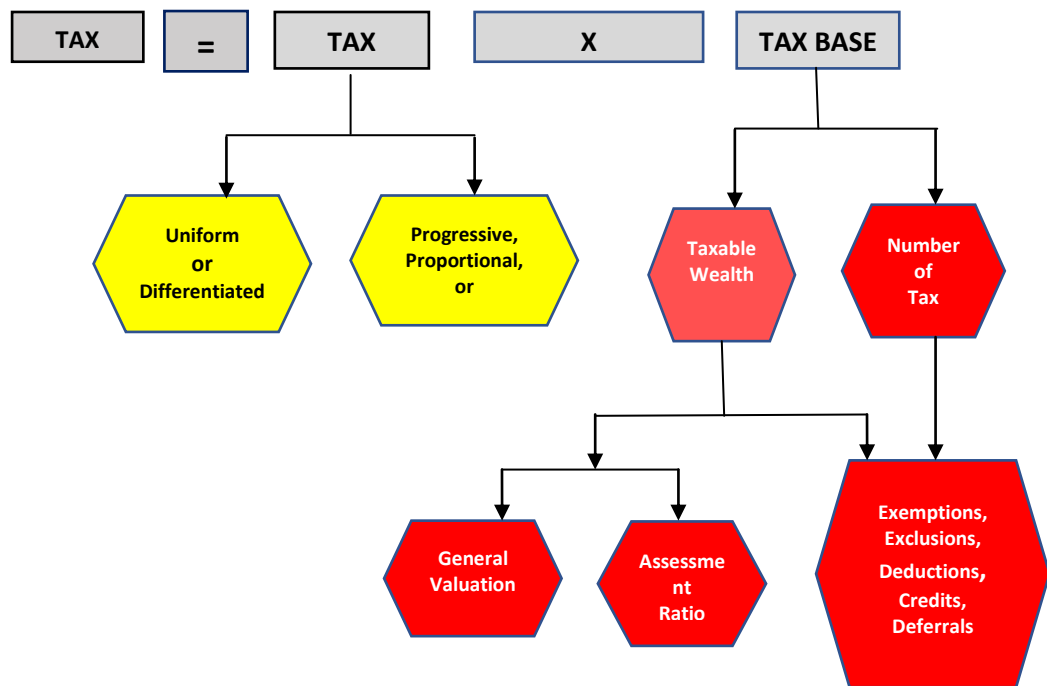


Figure 1. Implementation Parameters: Evaluating and Mitigating Administrative Options
The implementation of L&B Tax in Indonesia is as follows:

L&B Tax Rate x (NJOP – NJOPTKP)

Where,

- Rate : 0.1% - 0.3%, depending on the designation
 NJOP : Sales Value of Tax Object based on the market price, the taxation value
 NJOPTKP : Non-Taxable Sales Value of Tax Object with a minimum of IDR 10,000,000.00

This research aimed to determine whether NJOPTKP as a deduction component in the calculation of L&B Taxes materially follows the determined amount of changes in Sales NJOP.

Research Method

This research employed a qualitative method and Quantitative in which data were collected using several methods, including observations, literature study, and interviews(Gill. 2008). The data used in this research included statistical data on L&B Tax revenue, inflation, *Upah Minimum Regional* (UMR), or Regional Minimum Wages, *Surat Pemberitahuan Obyek Pajak* (SPPT), or Notification of Tax Due, for Urban and Rural (L&B Tax-P2) and Plantation, Forestry, and Mining (L&B Tax-P3), and PTKP of 21 individuals’ income taxes.

Results and Discussions

Table 3: PTKP, Inflation, and NJOPTKP

| YEAR | PTKP | INFLATION Σ | UMR OF SURABAYA | UMR OF DKI JAYA | NJOPTKP |
|------|----------------|----------------|--------------------|--------------------|----------------|
| 2000 | IDR 2,880,000 | 9.40 | - | IDR 231,000 | IDR 8,000,000 |
| 2009 | IDR 5,840,000 | 88.68 | IDR 948,500 | IDR 1,069,865 | IDR 10,000,000 |
| 2013 | IDR 24,300,000 | 110.11 | IDR 1,740,000 | IDR 2,200,000 | IDR 10,000,000 |
| 2015 | IDR 36,000,000 | 121.82 | IDR 2,710,000 | IDR 2,700,000 | IDR 10,000,000 |
| 2016 | IDR 54,000,000 | 124.84 | IDR 3,045,000 | IDR 3,100,000 | IDR 10,000,000 |
| 2020 | IDR 54,000,000 | 135.90 | IDR 4,200,479 | IDR 4,276,349 | IDR 10,000,000 |

Source: Data Processing (Wikipedia.2020)

Table 4. Inflation Rate (Year of 2000) and Cumulative Inflation

| YEAR | INFLATION | Σ | YEAR | INFLATION | Σ | YEAR | INFLATION | Σ |
|------|-----------|-------|------|-----------|--------|------|-----------|--------|
| 2000 | 9.40 | 9.40 | 2007 | 6.59 | 73.84 | 2014 | 8.36 | 118.47 |
| 2001 | 12.55 | 21.95 | 2008 | 11.06 | 84.90 | 2015 | 3.35 | 121.82 |
| 2002 | 10.03 | 31.98 | 2009 | 2.78 | 88.68 | 2016 | 3.02 | 124.84 |
| 2003 | 5.16 | 37.14 | 2010 | 6.96 | 95.64 | 2017 | 3.61 | 128.45 |
| 2004 | 6.40 | 43.54 | 2011 | 1.79 | 97.43 | 2018 | 3.13 | 131.58 |
| 2005 | 17.11 | 60.65 | 2012 | 4.30 | 101.73 | 2019 | 2.72 | 134.30 |
| 2006 | 6.60 | 67.25 | 2013 | 8.38 | 110.11 | 2020 | 1.60 | 135.90 |

Sources: Data Processing (Setyowati.2021)

Table 5. Example of L&B Tax Calculation for Housing in Bekasi

| REGIONAL GOVERNMENT | | | | |
|---|------------|-------|----------------------------------|-------------------|
| REGIONAL REVENUE AGENCY ... | | | | |
| NOTICE OF LAND AND BUILDING TAX PAYABLE | | | | |
| NOTICE NUMBER: | | | Tax Identification | |
| Number (NPWP) : | | | | |
| TAX OBJECT | | | NAME AND ADDRESS OF | |
| LOCATION | | | TAXPAYERS: | |
| TAX OBJECT | TOTAL AREA | CLASS | PER M ² | NJOP TOTAL |
| LAND | 972 | B49 | 3,745,000 | 3,640,140,000 |
| BUILDING | 1,064 | A02 | 968,000 | 1,029,952,000 |
| NJOP as the basis for the imposition of L&B Tax | | | | 4,670,092,000 |
| NJOPTKP (Non-Taxable NJOP) | | | | 12,000,000 |
| NJOP for L&B Tax Calculation | | | | 4,658,092,000 |
| NJKP (Taxable Sales Value) | | | | 1,863,236,800 |
| Land and Building Tax Payable | | | | 9,316,184 |
| Land and Building Tax to be Paid | | | | 9,316,184 |
| NINE MILLION THREE HUNDRED SIXTEEN THOUSAND A HUNDRED EIGHTY-FOUR RUPIAH | | | | |
| DUE DATE: AUGUST 29, 2020 | | | BEKASI, JANUARY 3, 2020 | |
| PLACE OF PAYMENT | | | HEAD OF MUNICIPAL REVENUE AGENCY | |

Table 6: Example of L&B Tax Calculation for Apartment

| REGIONAL GOVERNMENT | | | | |
|---|------------|-------|----------------------------------|-------------------|
| REGIONAL REVENUE AGENCY ... | | | | |
| NOTICE OF LAND AND BUILDING TAX PAYABLE | | | | |
| NOTICE NUMBER: | | | Tax Identification | |
| Number (NPWP): | | | | |
| TAX OBJECT | | | NAME AND ADDRESS OF | |
| LOCATION | | | TAXPAYERS: | |
| TAX OBJECT | TOTAL AREA | CLASS | PER M ² | NJOP TOTAL |
| LAND | 0 | | | 0 |
| BUILDING | 20 | 015 | 3,625,000 | 72.500.000 |
| LAND | 2 | 050 | 3,375,000 | 7.750.000 |
| BUILDING | 5 | 015 | 3,625,000 | 18.125.000 |
| NJOP as the basis for the Imposition of L&B Tax | | | | 97,375,000 |
| NJOPTKP (Non-Taxable NJOP) | | | | 12,000,000 |
| NJOP for L&B Tax Calculation | | | | 85,375,000 |
| L&B Tax Rate | | | 0.1% X | 85,375 |
| 85,375,000 | | | | |
| Land and Building Tax Payable | | | | 85,375 |
| Land And Building Tax to be Paid | | | | |
| EIGHTY-FIVE THOUSAND THREE HUNDRED SEVENTY-FIVE RUPIAH | | | | |
| DUE DATE: AUGUST 29, 2020 | | | BEKASI, JANUARY 3, 2020 | |
| THE PLACE OF PAYMENT | | | HEAD OF MUNICIPAL REVENUE AGENCY | |

Table 7: Example of L&B Tax Calculation for Plantation (P3)

| MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA DIRECTORATE GENERAL OF TAXATION REGIONAL OFFICE: TAX OFFICE: | | | |
|--|------------------------------|--|--------------------------|
| TAX PAYABLE LETTER | | | |
| Number : | | Issuance Date : | |
| SPPT Code : | | Tax Identification Number (NPWP): | |
| The number of Tax Object: | | Name of Taxpayer: | |
| Name of Tax Object: | | | |
| Location of Tax Object | | Address of Taxpayer | |
| Sector : | | Account Code: 411313 | |
| Subsector : | | Deposit Type Code: 100 | |
| Tax Year : | | | |
| TAX OBJECT DATA | | | |
| Tax Object | Total Area (m ²) | NJOP per m ² (Rp) | NJOP (m ²) |
| Land | 61,763,800,000 | 35,780,000 | 2,209,908,764,000 |
| Building | 285,725,000 | 656,660,000 | 190,250,818,500 |
| | TOTAL NJOP | | 2,400,159,582,500 |
| CALCULATION OF L&B TAX PAYABLE | | | |
| 1. NJOP as the Basis for the Imposition of L&B Tax | | | 2,400,159,582,500 |
| 2. Non-Taxable NJOP (NJOPTKP) | | | 12,000,000 |
| 3. NJOP for L&B Tax Calculation | | | 2,400,147,582,500 |
| 4. Percentage of Taxable Sales Value (NJKP) | | | 40% |
| 5. NJKP for L&B Tax Calculation | | | 960,059,033,000 |
| 6. L&B Tax Payable (0.2%) | | | 480,295,165 |
| 7. L&B Tax Principal Deduction | | | 0 |
| 8. L&B Tax Paid | | | 0 |
| 9. L&B Tax to be Paid | | | 480,295,165 |
| Amount in Words: Four billion eighty million two hundred ninety-five thousand a hundred sixty-five rupiah | | | |

Adjustments to the NJOPTKP value have no relationship either to inflation, UMR, or PTKP, as in PTKP of personal income tax. Three-time adjustments of NJOPTKP during the enactment of the L&B Tax Law in 1985, 1994 and 2009 are the evidence. In comparison, PTKP of income tax has been adjusted six times, and the determination is related to the increase in income or UMR in which taxpayers can feel the benefits of the deduction factor, especially for those with low incomes. People with low incomes and dependents are not taxed as in other countries. It reflects a sense of fairness for taxpayers following the guidelines for making tax policies.

The deduction factor does not consider the condition of the tax subject and object. The amount of the tax payable is not defined by whether or not a person is married and has dependents or whether or not the land is used (productive). It does not reflect a sense of fairness in making tax policies.

For L&B Tax-P3 with NJOP of > 1 billion, the NJOPTKP as a deduction factor in calculating the tax payable is materially less significant. The deduction factor obtained from taking the average NJOPTKP ranges from IDR 12,000,000 to IDR 15,000,000. The amount is equivalent to a value of IDR 24,000 (IDR 12,000,000 x 0.2%) to IDR 30,000 (IDR 15,000,000 x 0.2%). In the example of L&B Tax calculation for a plantation company in Figure 3, IDR 24,000 becomes less significant compared to the L&B Tax payable of IDR 480,295,165 (only 0,0005%).

In reality, there are almost no, or very few lands and buildings for the P2 category in urban areas with a selling price of IDR 10,000,000 to 15,000,000, which is the lowest and highest NJOPTKP applied in calculating L&B Taxes (P2) payable. That is, the application of NJOPTKP seems to be only a formality and becomes less significant. In the example of the L&B Tax calculation in Figure 2, IDR 24,000 obtained from the multiplication of 0.2% x 12,000,000 is much different than the L&B Tax payable which reaches IDR 22,892,600.

It can be explained that NJOPTKP adjustments by following more moderate conditions and the increase in land and building values will indeed affect state revenues, both the central government (L&B Tax-P3) and the local government (L&B Tax-P2). However, if it is followed by a better administrative system, such as digitizing the ownership database or digitizing the land certificates, NJOPTKP adjustments given to the land and building owners can be used, at least, as compensation for state revenues. It is because NJOPTKP is only given to one owner of land and building. In fact, NJOPTKP can be given to people who own more than one land and building, even though, according to the law, it can only be given to one tax object due to the unorganized administrative data. The provision of NJOPTKP of more than one tax object will undoubtedly reduce the amount received.

A sense of fairness for taxpayers can be better reflected if the L&B Tax is applied by providing compensation to tax subjects for productive and unproductive land in the form of different rates or progressive rates.

Conclusions and Recommendation

The application of NJOPTKP as a deduction in the calculation of L&B Tax payable does not correlate with changes in indicators, including inflation rates, increases in NJOP, UMR, or changes in exchange rates. The application of NJOPTKP tends to be used as a calculation formula only and does not have a material effect on the L&B Tax payable.

NJOPTKP of L&B Tax is no longer relevant when compared to the increase in NJOP-P2, especially in urban areas whose NJOP increases every year along with the increasing inflation rate. In this regard, NJOPTKP is recommended to be adjusted to the increase in NJOP periodically so that the benefits are material enough in determining the L&B Tax. The benefits can be felt or eliminated because it does not have a significant material impact due to its minimal effect, which is only a maximum of IDR 30,000 (0.2% x 15,000,000) for all layers of NJOP for both L&B Tax-P2 and P3.

Furthermore, NJOPTKP of P2 can also be distinguished as in Personal Income Tax based on taxpayers' status (single, married, and having children). Again, NJOPTKP is adjusted to family circumstances and tax subjects (productive and unproductive land).

Another alternative is providing NJOPTKP only for those with NJOP below 1 billion. Meanwhile, for those with NJOP above 1 billion (or a certain value), NJOPTKP can be omitted. It reflects a sense of fairness in the payment of L&B Tax.

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