

Analysis of Changes in Rural and Urban Land and Building Tax Rates in DKI Jakarta in 2024 from the Perspective of the Principle of Equity

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KEYWORDS	ABSTRACT
Land and Building Tax; PBB-P2; DKI Jakarta; Tariff Change; Equity Principle; Tax Justice; Tax Policy	The changes in the Rural and Urban Land and Building Tax (PBB-P2) rates in DKI Jakarta for 2024 raise questions about their fairness and alignment with the principles of equity, especially considering the significant socio-economic disparities within the region. This study aims to analyze the impact of the 2024 PBB-P2 rate changes in DKI Jakarta, focusing on their compliance with the principles of equity in taxation, and to assess how these changes affect different social groups. The research approach uses a descriptive qualitative method with secondary data analysis of the latest regulations and data related to PBB-P2 rates. The results show that these tariff changes attempt to reflect the principles of vertical and horizontal equity, although there are challenges in their implementation, such as the gap between the value of the tax object and the taxpayer's ability to pay. This study provides policy recommendations to optimize the principle of equity in the application of PBB-P2 tariffs, so as to increase public confidence in the tax system in DKI Jakarta.

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Introduction

DKI Jakarta is one of the provinces with the highest land and property prices in Indonesia (Gnagey & Tans, 2018). As such, Rural and Urban Land and Building Tax (PBB-P2) is one of the significant sources of local revenue for the DKI Jakarta provincial government. PBB-P2 is an important instrument to support the development and financing of various regional programs (Bell et al., 2010). Therefore, policies related to PBB-P2 rates need to be carefully reviewed, including changes in rates that are often influenced by economic dynamics, fiscal needs, and principles of justice that the government wants to apply (Cobián Álvarez & Resosudarmo, 2019).

In 2024, DKI Jakarta has made changes to the PBB-P2 tariff that are of public concern. This change was made by considering various factors, such as inflation, economic growth, and property market dynamics that affect the value of the tax object. Nevertheless, the implementation of fair and equitable tax rate changes remains a concern for everyone and a major challenge for the Jakarta

city government, given the inequality of socio-economic conditions in DKI Jakarta.

Analysis of changes in PBB-P2 rates in DKI Jakarta in 2024 needs to be done by reviewing in terms of the principle of equity in taxation. The principle of equity in taxation refers to the principle that every taxpayer must pay taxes in accordance with their ability, meaning that the higher the income earned, the higher the tax burden imposed on the taxpayer concerned. In the context of DKI Jakarta, this principle is very relevant considering the economic gap between the suburban and central city areas.

Research Methods

Descriptive qualitative. This research is inductive, which means it starts with data collection and observation of existing phenomena, then draws conclusions or relevant theories based on the data. This approach is suitable because this research aims to understand social phenomena in depth and contextually. This research approach uses qualitative analysis with a focus on the study of taxation policy, particularly changes in PBB rates. The analysis is conducted by linking the existing data with the principle of equity in taxation. This research uses a case study design with a focus on analyzing the policy changes in PBB rates in DKI Jakarta in 2024. Secondary Data: Data obtained from relevant documents and reports, such as: 1) Local regulations related to the 2024 PBB tariff changes in DKI Jakarta. 2) Annual report of DKI Jakarta Dispenda regarding PBB revenue. 3) Literature study on the principle of equity in taxation.

The data collection techniques used are, Document Study, analysis of regulatory documents, taxation policies, and local government financial reports related to PBB. Focus Group Discussion (FGD): Group discussions with rural and urban communities to find out their perceptions of changes in PBB rates and the application of the principle of equity.

Results and Discussion

Taxation of property arises due to conflicts in the case of land, where the supply of land cannot be expanded and is limited, the existence of land is not the result of individual efforts (Thuronyi, 1996). Based on Article 1 Point 21 of DKI Jakarta Regional Regulation Number 1 of 2024, Rural and Urban Land and Building Tax, hereinafter referred to as PBB-P2, is a tax on land and/or buildings owned, controlled, and/or utilized by individuals or entities. Which means PBB-P2 is a tax imposed on the ownership or control of tax objects in the form of land and buildings, and is collected by the local government. Every year, taxpayers must pay according to the value determined based on NJOP (Susilawati, 2024).

Rural and Urban Land and Building Tax (PBB-P2) is one of the local own-source revenues (PAD) managed by local governments. In DKI Jakarta, there are changes in PBB-P2 rates that are made as a form of adjustment to economic dynamics, development needs, and the development of urban and rural areas (Rosdiana & Irianto, 2012). In the year 2024, the Provincial Government of DKI Jakarta has issued a new policy related to PBB-P2 tariffs through Local Regulation Number 1 Year 2024. In Article 34 of DKI Jakarta Regional Regulation Number 1 Year 2024, the PBB-P2 tariff is generally set at 0.5%.

Article 2 of Governor Regulation No. 17 Year 2024 also explains that the percentage of NJOP used in the Jakarta area is 40% for residential and 60% for other than residential. In addition, in Governor Regulation (Pergub) No. 16 of 2024 Article 3 paragraph (2) letter a that there is an exemption from PBB P2 for people who own land and or buildings that applies only to one PBB P2 object (Bandiyono & Simbolon, 2019).

Analysis of Changes in PBB P2 Rates in DKI Jakarta

The changes made by the DKI Jakarta government in 2024 certainly at first glance look like there is a problem that with the tariff changes there is an injustice that occurs (Habir & Negara, 2023), where the government charges the same tariff for all tariffs.

houses in the DKI Jakarta area is 0.5%, in contrast to before 2024 where the DKI Jakarta government used a progressive rate of 0.01% to 0.3% where the rate was charged based on the Tax Object Sale Value (NJOP) of the land / building so that it was more adapted to the conditions of each house.

Indeed, PBB P2 is basically a tax that does not look at the condition of the subject but rather looks at the object, although PBB P2 does not look at the *ability to pay* condition of the community, but with the existence of progressive tariffs that applied before, it can alleviate taxpayers because the tariff imposed adjusts to the NJOP of the land/building. This can certainly help the community in easing the burden of PBB P2 payable.

With the issuance of Law No. 1 of 2022 (Law No.1 of 2022), local governments are given broader and more flexible authority to determine PBB P2 rates for their regions, equipped with various aspects such as the existence of NJOPTKP and the latest is related to the NJOP that can be used as in Article 40 of Law No.1 of 2022, the lowest is 20% and the highest is 100%. Through this regulation, it can provide space for local governments to simulate and determine the rates and percentages of NJOP that will be subject to tariffs so as not to burden the community.

In DKI Jakarta itself, there are things that are slightly different from other regions, namely the DKI Jakarta government provides a facility in the form of *tax exemption* or tax exemption for homeowners who have dwellings with NJOP up to IDR 2 billion as stipulated in Governor Regulation (Pergub) No. 16 of 2024 Article 3 paragraph (2) letter a. The tax exemption only applies to one PBB object as stipulated in Article 3 paragraph (3). With this tax exemption, the owners of PBB P2 objects in DKI Jakarta in the form of dwellings that have NJOP up to IDR 2 billion will not be taxed and the community will not bear the tax burden.

With the exemption of PBB P2, it can certainly help the lower class and help ease their burden, especially for people who have a residential NJOP of up to Rp 2 billion. Broadly speaking, although in the changes in 2024 the imposition of 40% of NJOP makes the tax burden smaller, on the other hand for some DKI Jakarta people who have PBB P2 objects in the form of dwellings with NJOP above but close to the *threshold*, it can still be said to be unfair because the change in rates in 2024 also has an impact where some DKI Jakarta people must continue to pay PBB at the same rate as the owners of PBB P2 objects in the form of dwellings in DKI Jakarta with NJOP far above the threshold (Doni, 2018; Fischel, 2001; Martinez & Masron, 2020).

Indeed, PBB P2 is not a tax that looks at the condition of the tax subject, but the goodwill of the government can already be felt by the people of DKI Jakarta with the exemption carried out and with the imposition of 40% of the NJOP of the residence which then becomes the basis for the imposition of PBB P2, but at the same time it has not realized the expected justice because there is still the same treatment for dwellings that have a much smaller NJOP compared to dwellings that have a much larger NJOP.

Conclusion

The Provincial Government of DKI Jakarta has established a new policy related to Rural and Urban Land and Building Tax (PBB-P2) through Regional Regulation Number 1 Year 2024. This policy replaces the previous progressive rate system of 0.01% to 0.3% with a single rate of 0.5%. In addition, Governor Regulation No. 16 of 2024 provides a tax exemption for residences with a Tax Object Sale Value (NJOP) of up to IDR 2 billion, which applies to one tax object only. This aims to ease the burden on the lower class, especially homeowners with NJOP values below IDR 2 billion.

While the policy shows the government's good intentions in providing support to low-income communities, the single tariff policy poses a number of challenges in its implementation. This change is considered to be less reflective of the principle of fairness because all dwellings are subject to the same tariff, regardless of the significant disparity between low NJOP and high NJOP. This may impact people who own dwellings with NJOPs close to the IDR 2 billion threshold, where they are still taxed at the same rate as owners of dwellings with much larger NJOPs.

In addition, the imposition of a single rate may not fully comply with the principle of fairness in taxation, where taxes should consider the economic ability of taxpayers. Although this policy has reduced the tax burden through the reduction of the tax base to 40% of the NJOP, the application of a uniform rate remains a concern as it may create an impression of unfairness, especially for the middle class whose NJOP is slightly above the exemption threshold.

The middle class is in a very squeezed position due to the relatively similar tax rates as the upper class, although their property sizes are much different and with smaller incomes they do not have much money left to spend. This backfires on the government when the middle class has to conserve the amount spent on spending because the middle class is getting smaller in number and continues to decline. According to BPS data, the number of middle class from 2019 to 2024 decreased by 9.48 million people to the level of aspiring middle class or vulnerable middle class. This is also a government nightmare because the economy will stagnate.

The government can reconsider the application of a single rate and evaluate the possibility of restoring a more proportional progressive rate system. This will better reflect the taxpayer's ability to pay and reflect the equity principle of tax collection, so that residential owners with high NJOP are charged more than those with low NJOP.

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