

Advance Taxation

Lecture 12

Land & Building Tax

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- In the colonial era, various taxes were collected from the land owned or cultivated by the Indonesian people, such as contingenten and verplichte leverantien, better known as forced cultivation. Later, by Governor-General Raffles, the tax on land was called landrent, which actually means land rent. When Indonesia declared its independence, this landrent was still enforced by the Republic of Indonesia Government under the name of land tax. Subsequently, the name land tax was changed to produce tax.
- With the granting of autonomy and decentralization to local governments, the produce tax, which was later changed to regional development contribution (IPEDA), was handed over to local governments even though it was still a central government tax. The proceeds of IPEDA were used to finance regional development.
- However, it is very unfortunate that the legal basis of IPEDA was very weak, so each region could change the IPEDA regulations. Therefore, land and building tax (PBB) became a very valuable solution, providing a strong legal basis and uniformity so that the levy was not conducted arbitrarily in each region. The new PBB law was a very valuable solution that provided a strong legal basis and uniformity, ensuring the levy was not conducted arbitrarily in each region. Additionally, PBB aimed to simplify the various tax regulations that were still in force and caused misunderstandings because these taxes were perceived by the public as creating double taxation.
- In the Republic of Indonesia, where the people and economy are largely agrarian, land, including water and natural resources contained therein, plays an important role in building a just and prosperous society based on Pancasila and the 1945 Constitution. Therefore, those who benefit from the land and the natural resources contained therein because they receive rights from the state authority should rightfully surrender part of the benefits they receive to the state through tax payments.
- Land and buildings provide better socio-economic benefits or status to individuals or entities who have rights over them or benefit from them. Therefore, it is reasonable for them to be required to give a portion of the benefits or enjoyment they receive to the state through taxes.
- However, the taxation system in the past, particularly property tax and wealth tax, caused a double tax burden on society, which needed to be ended through a reform of the taxation system that was simple, fair, and provided certainty.
- This situation prompted the enactment of Law Number 12 of 1985 on Land and Building Tax, which came into effect on January 1, 1986. Under this law, land or buildings owned by the central government and local governments were subject to tax. The determination of PBB on tax objects used by the state for government administration was further regulated by government regulations (PP).

- The proceeds of this tax revenue were directed toward the interests of the community in the respective regions, so a portion of the tax revenue was handed over to the local government. This use of taxes by the regions would encourage the community to fulfill their tax obligations while reflecting the people's spirit of mutual cooperation in funding development.
- The reasons for the imposition of PBB are as follows:
 1. The philosophical basis used in various laws originating from the colonial era is not in accordance with Pancasila.
 2. Various laws impose taxes on immovable property, confusing the public.
 3. Laws originating from the colonial era are difficult for the people to understand.
 4. Laws from the colonial era are still written in Dutch, and amendments are written in Indonesian, creating a mixed language, while there is no official translation.
 5. Colonial-era laws are no longer in accordance with the aspirations and personality of the Indonesian nation.
 6. Old laws are no longer in line with economic growth in Indonesia.
 7. Old laws do not provide legal certainty.
- The objectives of PBB are as follows:
 1. To simplify tax regulations so that they are easily understood by the public.
 2. To provide a strong legal basis for the collection of taxes on immovable property and to harmonize taxes on immovable property in all regions, eliminating discrepancies.
 3. To provide legal certainty to the public so that people know the extent of their rights and obligations, and to eliminate double taxation resulting from the enforcement of various similar tax laws.
 4. To provide revenue to the regions that is very necessary to uphold regional autonomy and regional development.
 5. To increase revenue for the regions.
- The object of PBB is land or buildings. Land refers to the earth's surface (land and water) and the earth's body in the interior and territorial sea of Indonesia.
- Examples: rice fields, fields, gardens, land, yards, mines, etc. Buildings refer to technical constructions that are permanently planted or attached to the land or water.
- Examples: residential houses, business buildings, high-rise buildings, shopping centers, depots, luxurious fences, docks, luxurious gardens, and other facilities that provide benefits, toll roads, swimming pools, offshore oil platforms, and others.
- According to the Basic Agrarian Law (UUPA) Number 5 of 1960 Article 1 paragraph 2, all land, water, and space, including the natural resources contained therein within the territory of the Republic of Indonesia, are a gift from God Almighty. The land, water, and space of the Indonesian people are national wealth. At the highest level, they are controlled by the state as the organization of the power of the entire people.
- Buildings that are also made objects of PBB are technical constructions that are permanently planted or attached to the land or water intended for residence, business, or any profitable use.

- The PBB law allows people who own houses on someone else's land to be taxed separately from the tax imposed on the landowner. This issue has become relevant now because multi-story houses are being built in big cities, each floor owned by different individuals.
- Individuals or entities subject to PBB must register their tax objects at the tax service office (KPP) and the tax counseling and consultation service office (KP2KP) whose work area covers the location of the object, using the tax object notification form (SPOP) available for free at the KPP or KP2KP.
- Registration of PBB objects is carried out by the tax subjects by taking and filling out the SPOP form clearly, correctly, and completely, then signing and returning it to the relevant tax service office or designated place for taking and returning the SPOP.
- Besides tax objects, there are also objects exempted from PBB. Article 3 of the PBB law stipulates that the following are not subject to tax:
 1. Used by the government and regions for government administration.
 2. Objects (land, buildings, and water) used solely for public interest in the fields of worship, social services, national education and culture, and not intended for profit.
 3. Objects used for cemeteries, relics of antiquity, or similar.
 4. Objects that are protected forests, nature reserves, state-owned tourism forests, national parks, grazing land controlled by the village, and state land not yet burdened with any rights.
 5. Objects used by diplomatic or consular representatives provided the respective country reciprocates.
 6. Objects used by international organizations determined by the Minister of Finance.
- Land and buildings that are clearly used for public interest and not for profit are exempt from PBB. This can be known, among other things, from the articles of association and bylaws of foundations or bodies engaged in worship, social services, health, education, and national culture. This includes pesantrens, madrasahs, waqf land, public hospitals, and state-owned tourism forests.
- Industrial and real estate areas are required to provide public facilities or social amenities that can be directly utilized by owners or operators or users of industrial and real estate areas, which are also used by the general public. According to the letter from the Minister of Finance to the Minister of Housing Affairs Number S-413/MK.04/1987 dated April 7, 1987, regarding the imposition of PBB in the context of housing and settlement development, land and buildings clearly used for public and social facilities and not intended for profit are tax-exempt objects.
- The subjects of land and building tax are individuals or entities that clearly have rights over the land, benefit from the land, own buildings, control buildings, or benefit from buildings.
- Taxpayers are tax subjects who are required to pay taxes. However, PBB subjects are not necessarily PBB taxpayers. PBB subjects become PBB taxpayers only if they meet the objective requirements of having PBB objects subject to tax. Having taxable objects means having rights to the taxable objects, owning, controlling, or benefiting from taxable objects.

- If a taxable object such as land or a building does not have a clear taxpayer, for instance, because the rights holder or owner is unknown, but someone controls it and another person benefits from the object, the director-general of tax (dirjen pajak) is authorized by law to designate and determine the tax subject.
- The law does not explicitly mention the domicile of the tax subject or taxpayer. Therefore, individuals or entities residing or domiciled abroad can become PBB subjects or taxpayers. This is reasonable because PBB is an objective tax whose amount is not influenced by the status, condition, or residence of the taxpayer.
- Regarding entities as tax subjects or taxpayers, it is also not influenced by the nature, form, or status of the entity, so entities that are not legal entities or associations that are not legal entities can also become tax subjects and taxpayers.
- Considering PBB is an objective tax, it does not recognize the exception of subjects, only the exception of PBB objects.
- Diplomatic representatives and representatives of international organizations designated by the Minister of Finance are exempt from PBB not due to subjective exemption, but due to objective exemption as stated in Article 3 paragraph (1) letters d and e of Law Number 12 of 1994, because the PBB objects used by these representatives are exempt from tax imposition on a reciprocal basis. This means that the exemption of the object applies only if the respective foreign country also grants the same tax exemption to Indonesian diplomatic representatives in that foreign country. If this condition is not met, the exemption does not apply, and the diplomatic representatives remain subject to PBB.
- Article 6 paragraph (1) of the PBB law stipulates that the basis for tax imposition is the NJOP. NJOP means the average price obtained from fair sale and purchase transactions. If there are no sale and purchase transactions, NJOP is determined through a price comparison with similar objects or new acquisition value or replacement NJOP.
- NJOP encompasses the selling value of the surface of the earth (land, inland waters, and Indonesian territory) along with the natural resources located above or below it and any buildings attached to it. NJOP is determined by the Minister of Finance every three years, except for certain areas where it is determined annually. This three-year period is considered reasonable because NJOP generally does not change quickly unless there is a change in category or classification, such as garden land or grazing land becoming industrial land or residential land. In determining this selling value, the Minister of Finance considers input from the governor of the relevant province. Although NJOP is determined every three years, the tax due notification letter (SPPT) is issued annually.
- If there is no sale transaction, NJOP is determined through price comparison with similar objects or new acquisition value or replacement NJOP. Price comparison with similar objects refers to an approach or method for determining the selling value of a taxable object by comparing it with another similar taxable object that is located nearby, has the same function, and has a known selling price. New acquisition value is an approach or method for determining the selling value of a taxable object by calculating all costs incurred to acquire

the object at the time of valuation and then subtracting depreciation based on the physical condition of the object. Replacement NJOP is an approach or method for determining the selling value of a taxable object based on the production output of that taxable object.

- As you know, land and buildings come in many varieties, making it impossible to standardize their values. Therefore, land and buildings need to be categorized and classified. What is meant by the classification of land and buildings? The classification of land and buildings is the grouping of land and buildings according to their selling value, used as a guideline to facilitate the calculation of the tax due.
- The factors used to determine the classification of land are as follows:
 - a. location of the land/building;
 - b. allocation of the land/building;
 - c. utilization;
 - d. environmental condition;
 - e. area of the land, earth, and building;
 - f. fertility or yield of the land/building;
 - g. availability of irrigation.
- Meanwhile, in determining the classification of buildings, the following factors need to be considered:
 - a. materials used;
 - b. engineering;
 - c. location;
 - d. environmental condition.
- According to Article 2, paragraph (1) of the PBB Law, the Minister of Finance has the authority to determine the classification of taxable objects. Categorization and classification of land hold a very important position in the PBB Law. Land can be categorized as follows:
 - a. paddy fields;
 - b. gardens (planted with various fruit trees, cassava, yams, corn, etc. that do not receive regular irrigation);
 - c. residential land;
 - d. agricultural, plantation, forestry land;
 - e. industrial land;
 - f. retail/office land;
 - g. livestock land;
 - h. fishpond land.
- Categories can be divided into classes according to their production capacity. Buildings can be categorized as follows:
 - a. concrete buildings, multi-story buildings;
 - b. buildings made of stone;
 - c. semi-permanent buildings.

- NJOP of land is determined based on the conversion value of each land value zone into classification, grouping, and selling value provisions of the earth's surface (land).
- A land value zone is a geographical zone consisting of a group of taxable objects with a single average indicative value, bounded by the control/ownership boundaries of the taxable objects within an administrative area of a village/sub-district, not tied to block boundaries. The average indicative value is the fair market value average that can represent the land value in a land value zone.
- NJOP of buildings is determined based on the conversion value of the new construction cost of each building type after deducting physical depreciation according to the valuation method into classification, grouping, and building selling value provisions.
- In the process of buying and selling a house, NJOP is something you must understand first. By knowing the Selling Value of Taxable Objects, you will know the amount of funds and taxes that will be borne from the transaction. Therefore, the Selling Value of Taxable Objects can be said to function as a price determinant and consideration in selling buildings or properties. If the price is far above the NJOP, it could mean that the landowner is selling it at too high a price.
- In addition to being a reference price, another advantage of NJOP is that it adjusts to the area. If the area is considered strategic, located in the city center, easily accessible, and so on, the Selling Value of Taxable Objects can also be high.
- Thus, infrastructure and facilities improve. A high NJOP adjusts to the surrounding conditions. The percentage value determined by the regional head will also adjust.
- Unfortunately, NJOP does not distinguish between building locations. Its price will not differ from buildings of different types in the same area where the land price is high, but the Selling Value of Taxable Objects remains the same as other types as long as they are in the same area. Its percentage value will always increase year by year.
- NJOP is an estimated price of a property calculated based on the area and zone of the house and building. Therefore, the Selling Value of Taxable Objects is determined based on price comparison with other similar objects. NJOP determination is per square meter and is often assumed to be the lowest price of a property. Generally, the price of a property sold can be 1.5 to 2 times the Selling Value of Taxable Objects.
- From this, it can be concluded that the higher the market price of houses and buildings in an area, the higher the NJOP. The Selling Value of Taxable Objects is set to calculate the amount of tax due and is adjusted to the condition of the taxable object every January 1, according to the tax year.
- The amount of NJOP updated must be completed or determined before January 1 of each tax year. The goal is for the tax authority to determine the amount of PBB owed on each taxable object in its area.
- NJOP is obtained through a valuation process differentiated into:
 1. NJOP of Land

The Selling Value of Taxable Objects or NJOP of Land is the result of multiplying the total area of the taxable object with the NJOP of Land per square meter.

2. NJOP of General Taxable Object Buildings

The NJOP of General Taxable Object Buildings is the result of multiplying the total building area with the NJOP of the building per square meter.

3. NJOP of Special Taxable Object Buildings

The Selling Value of Taxable Objects or NJOP of Buildings is the result of multiplying the total building area with the NJOP of the building per square meter.

- The Non-Taxable Selling Value of Objects or NJOPTKP is the NJOP threshold that is not subject to tax. NJOPTKP is used to determine the amount of PBB tax by subtracting it from the NJOP amount. Thus, in determining the amount of land and building tax owed, each taxpayer is given NJOPTKP.
- Each taxpayer receives a NJOPTKP reduction once in one tax year. If a taxpayer has several taxable objects, only one with the highest value gets the NJOPTKP reduction and it cannot be combined with other taxable objects.
- The amount of NJOPTKP varies by district/city depending on the economic conditions of each area but always refers to the lower limit set by the Ministry of Finance.
- The NJOPTKP limit is set by the Minister of Finance (Menkeu) as a reference for each area to determine the NJOPTKP amount set by the Head of the Regional Office of the Directorate General of Taxes of each province, considering the local government's revenue. Each area typically reviews the NJOPTKP of the district and/or city every three years. For certain taxable objects, the NJOPTKP determination is usually done annually according to the development of each area. Generally, even if the NJOPTKP value is increased, not all PBB tax values from taxpayers also increase.
- The amount of PBB tax to be paid in each area may increase or remain the same. This variation is due to differences in land zones in each area.
- The definition of Taxable Selling Value (assessment value) or NJKP is the selling value used as the basis for tax calculation, which is a certain percentage of the actual selling value.
- Initially, the NJKP percentage in the PBB Law was set at 20%. Then, through Government Regulation No. 25 of 2002, NJKP for taxable objects with a selling value of Rp1 billion or more, including objects in the plantation, forestry, and mining sectors, was set at 40% of NJOP.
- NJKP for other taxable objects with a selling value of less than Rp1 billion is set at 20% of NJOP.
- In the example of NJKP calculation in the PBB Law, if the selling value of a taxable object is Rp1,000,000 and the NJKP percentage set for that taxable object is 20%, then the NJKP of the taxable object is $20\% \times \text{Rp}1,000,000 = \text{Rp}200,000$.
- If NJOP is Rp1,000,000 and the NJKP percentage set for that object is 50%, then the NJKP of the object is $50\% \times \text{Rp}1,000,000 = \text{Rp}500,000$.
- Since the enactment of the PDRD Law, PBB management has been divided into two, namely PBB-P2 and PBB-P3, as mentioned above.
- Previously, the NJOPTKP amount was set at Rp2,000,000 in Law No. 12/1985.

- Through Law No. 12 of 1994, the NJOPTKP amount was changed to Rp8,000,000.
- Then, the NJOPTKP amount in Minister of Finance Decree Number 201/KMK.04/2000 concerning Adjustment of NJOPTKP Amount as the Basis for Land and Building Tax Calculation was increased to Rp12,000,000.
- The NJOPTKP amount was changed again through Law No. 28 of 2009 to at least Rp10,000,000.
- Next, through PMK No. 67/PMK.03/2011 on Adjustment of NJOPTKP Amount for Land and Building Tax, the NJOPTKP amount was set at Rp24,000,000.
- The NJOPTKP amount was updated again through Minister of Finance Regulation Number 23/PMK.03/2014 on Adjustment of NJOPTKP Amount for Land and Building Tax.
- In Article 1, paragraph (3) of PMK Number 23 of 2014, the NJOP amount is set at Rp12,000,000.
- However, this NJOPTKP amount only applies to Land and Building Tax or PBB tax other than the rural and urban sectors.
- Thus, the NJOPTKP amount for the rural and urban sectors still refers to PDRD Law No. 28/2009, namely Article 77, paragraph (4), and Article 87, paragraph (4), which states that the NJOPTKP amount is set at least Rp10,000,000 for each taxpayer.
- Therefore, the provision of NJOPTKP reductions for PBB is determined by each region referring to regulations issued by the Ministry of Finance.
- As mentioned above, NJOPTKP in the PMK serves as a reference, and the determination of the NJOPTKP amount for each region is established by the Head of the Regional Office of DJP of each province/region.
- As stated above, the basis for calculating the PBB Tax Due is the result of multiplying the PBB rate of 0.5% by NJKP. NJKP is the taxable value of the object included in the calculation of the tax due, which is part of NJOP.
- To calculate NJOP as the basis for PBB imposition is NJOP Bumi + NJOP Bangunan. This value influences the amount of PBB tax later. The higher the NJOP, the higher the PBB tax to be paid.
- NJKP is the result of subtracting NJOPTKP from NJOP, with the NJKP percentage set by the government. NJKP set in Article 6 paragraph 3 of the PBB Law is at least 20% and at most 100% of NJOP.
- As stated in Article 5 of Law No. 12 of 1985 and Law No. 12 of 1994 on Land and Building Tax (PBB), the tax rate on taxable objects is 0.5%.
- In Article 6 of Law No. 12 of 1985 and Law No. 12 of 1994 Article 2 (3) KMK-523/KMK.04/1998 regulating the basis of PBB imposition, the basis for PBB imposition is the Selling Value of Taxable Objects (NJOP).
- NJKP itself has been established with a minimum value of 20% and a maximum of 100%.
- The amount of NJKP is determined by Government Regulations, taking into account national economic conditions. The NJKP percentage is set through the Details of KMK Number 201/KMK.04/2000, which is 40% for plantation taxable objects, mining taxable objects, and forestry taxable objects.

- For houses and apartments related to Rural and Urban Tax, these objects are assessed based on their NJOP value. If the NJOP is greater than 1 billion Rupiah, the NJKP percentage is 40%, and if the NJOP is below 1 billion Rupiah, the NJKP percentage is 20%.
- The Non-Taxable Selling Value of Objects (NJOPTKP) varies for each region. Based on the Minister of Finance Decree Number 67/PMK.03/2011, it is stipulated that the NJOPTKP value for each taxpayer is set at a maximum of 24 million Rupiah.
- The formula for calculating PBB:
 - $NJOP = (NJOP \text{ Land} = \text{land area} \times \text{land value}) + (NJOP \text{ building} = \text{building area} \times \text{building value})$.
 - NJOPTKP = Rp 12,000,000
 - NJOP for PBB calculation = NJOP – NJOPTKP
 - NJKP = 40% of NJOP or 20% of NJOP for PBB calculation
 - PBB due = 0.5% x NJKP (amount of PBB to be paid annually)
- The government has enacted new regulations regarding Stamp Duty as stipulated in the Republic of Indonesia Law Number 10 of 2020 concerning Stamp Duty, replacing Law Number 13 of 1985.
- Since January 1, 2021, this regulation introduces a change in the nominal value of Stamp Duty, from Rp 6,000 (six thousand rupiah) to a fixed nominal value of Rp 10,000 (ten thousand rupiah).
- The principles governing Stamp Duty include the principles of simplicity, fairness, legal certainty, and usefulness. The implementation of Stamp Duty aims to optimize state revenue for national development and welfare, as well as to provide fair legal strength and certainty.
- Stamp Duty is a tax on documents owed from the moment the document is signed by the interested parties or when the document is completed or delivered to another party if the document is made by a single party.
- Due to the development of information technology, there have been many changes in the form of documents or modifications from previous forms. Documents subject to stamp duty include handwritten, printed, or electronic forms.
- Since October 6, 2021, electronic stamps or e-Stamps have been implemented. Electronic stamps are used for electronic documents. Electronic stamps are used as objects of Stamp Duty, imposed on documents of a civil nature or documents used as evidence in court.
- As stipulated in Article 5 of Law No. 10 of 2020, Stamp Duty is imposed at a fixed rate of Rp 10,000 (ten thousand rupiah) per document, effective from January 1, 2021. However, Stamp Duty with nominal values of Rp 6,000 (six thousand rupiah) and Rp 3,000 (three thousand rupiah) remains valid until December 31, 2021, according to the usage provisions, i.e., affixing three stamps each worth Rp 3,000, two stamps each worth Rp 6,000, or stamps worth Rp 3,000 and Rp 6,000 on the document.
- As regulated in Article 3 of Law No. 10 of 2020, Stamp Duty is imposed on two types of documents: documents used to explain events (civil in nature) and documents used as evidence in court. Civil documents include agreements, certificates, statements, notarial

deeds along with grosses and copies, transaction documents of securities in any name or form, deeds of Land Deed Officials along with copies and extracts, auction documents in the form of auction minutes, securities in any name or form, documents valued at more than Rp 5,000,000 (five million rupiah) that specify the recipient of money and contain an acknowledgment of debt repayment or calculation, and other documents specified in Government Regulations.

- Meanwhile, several documents are not subject to Stamp Duty as stipulated in Article 7 of Law No. 10 of 2022, including documents related to the movement of people and goods such as warehouse receipts, bills of lading, passenger and cargo tickets; diplomas in any form; proof of receipt of state money from the state treasury, regional treasury, and other agencies; receipts for pension, allowance, and salary payments; receipts for internal organizational use; receipts for all types of taxes and other receipts; all pawnshop documents; documents stating money deposits, securities, payment of savings to banks, cooperatives, and other entities to customers; documents issued by Bank Indonesia to implement monetary policy; and profit, dividend, or return receipts from securities in any name or form.
- Stamp Duty is owed when the document is signed, applicable to notarial deeds along with grosses and copies, agreements and duplicates, and deeds of Land Deed Officials along with copies and extracts. Stamp Duty is also owed when the document is delivered to the party for whom it is made, such as certificates, statements, auction documents, and documents specifying monetary amounts. Additionally, Stamp Duty is owed when the document is completed. This applies to securities in any name or form and securities transaction documents in any name or form.
- Stamp Duty is owed when the document is submitted to the court for use as evidence, as well as for documents used in Indonesia that are created abroad.
- Generally, the party liable for Stamp Duty is determined as follows: if the document is made unilaterally, the recipient of the document is liable for the Stamp Duty; if the document is made by two parties, each party is liable for their share of the Stamp Duty. If the document is a security, the issuer is liable for the Stamp Duty, and if the document is made abroad for use in Indonesia, the beneficiary of the document is liable for the Stamp Duty.
- Stamp Duty collectors are those required to collect the Stamp Duty owed on certain documents, remit the Stamp Duty to the state treasury, and report the collection and remittance to the DJP.
- Moreover, Stamp Duty payments can also be made using a Tax Payment Slip (SSP). SSP usage is suitable when adhesive stamps or electronic stamps are deemed less efficient, for example, for documents used as evidence in court in large quantities, with payments made through Post-Stamping.
- Post-Stamping is a method used to pay Stamp Duty by Post Officials at the request of the document holder when the Stamp Duty has not been paid. Post-Stamping is carried out for documents used as evidence in court, documents for which Stamp Duty has not been or insufficiently paid, and documents created abroad for use in Indonesia.

- After the document holder pays the Stamp Duty, Post-Stamping must be validated by a Post Official. Payment of Stamp Duty through Post-Stamping can be made using adhesive stamps or a Tax Payment Slip (SSP).
- Stamp Duty owed on documents that are not paid or underpaid will be subject to an administrative penalty of 100% of the Stamp Duty owed.

Summaries

- All governments share a responsibility, to varying degrees, to deliver essential services to their citizens, including maintaining a legal system, ensuring defense, providing healthcare, and developing infrastructure like roads. Financing these public services requires obtaining funds, with taxation being the primary method, although borrowing is also an option. Taxation is necessary to cover public spending and involves mandatory charges imposed on taxpayers, though it can serve additional social and economic purposes beyond funding government activities.
- Taxation entails moving funds or assets from individuals or the private sector to the government without offering direct compensation. It diminishes individual income and spending capacity, influencing microeconomics by changing consumption habits.
- Characteristics inherent in the concept of taxation in Indonesia are:
 1. **Mandatory Contribution**
Every party, whether individuals or entities, has the same obligation to pay taxes. However, according to the applicable laws, this obligation can be fulfilled by citizens who meet the subjective and objective criteria as Taxpayers.
 2. **Compulsory for Every Citizen**
This characteristic is one of the essential features of taxes that must be complied with when individuals or entities have met the subjective and objective criteria for tax payment. Under tax regulations, it is stated that if someone intentionally fails to pay taxes that should be paid, they may be subject to administrative sanctions or criminal penalties in accordance with the prevailing laws.
 3. **Citizens Do Not Receive Direct Compensation**
Taxes are a means to equalize the income of its citizens. This differs from fees where when we receive a specific benefit, we must pay for the benefit received. Regarding taxes, if we pay taxes that are rightfully imposed on us, Taxpayers do not directly receive benefits from the taxes paid. Instead, Taxpayers can experience the benefits of taxes through the facilities provided by the government for the prosperity of its people.
 4. **Strong Legal Basis**
In this regard, it means that taxation is a policy established by the government and enshrined in the national laws related to taxation, with binding and valid legal implications. Therefore, Taxpayers can exercise their rights and fulfill their tax obligations in accordance with the applicable laws and will face sanctions or penalties if they fail to fulfill their tax rights and obligations properly.

- Typically, governments levy taxes for three primary reasons: to provide public goods, ensure resource distribution, and stabilize the economy.
- Tax function: budgetary function, regulatory function, stability function, and income redistribution function.
- Tax collection systems in Indonesia: official assessment system, self-assessment system, and withholding assessment system.
- In Article 1 of the General Provisions and Procedures of Taxation Law (UU KUP), taxpayers are defined as individuals or entities including tax payers, tax withholders, and tax collectors, who have rights and obligations in taxation in accordance with tax legislation.
- Entities refer to a group of individuals and/or capital forming a unity, both engaged in business and non-business activities, including limited liability companies, limited partnerships, other companies, state-owned enterprises or regional-owned enterprises with any name and form, firms, partnerships, cooperatives, pension funds, associations, foundations, mass organizations, socio-political organizations, or other organizations, institutions, and other forms including collective investment contracts and permanent establishments.
- In the Income Tax Law (UU PPh), corporate taxpayers in the form of Permanent Establishments (PE) are distinguished from corporate taxpayers. PE is a form of business utilized by:
 - Individuals who do not reside in Indonesia or stay in Indonesia for no more than 183 days in a 12-month period, or
 - Entities not established and not domiciled in Indonesia to conduct business or activities in Indonesia, which may include: Management headquarters; Company branches; Representative offices; Office buildings; Factories; Workshops; Warehouses; Spaces for promotion and sales; mining and excavation; natural resource areas, oil and gas mining work areas; fisheries, livestock farming, agriculture, plantations, or forestry; construction projects, installations, or assembly projects; provision of services in any form by employees or others, if conducted for more than 60 days in a 12-month period; individuals or entities acting as agents whose positions are not independent agents or employees of insurance companies not established and not domiciled in Indonesia that receive insurance premiums or bear risks in Indonesia; computers, electronic agents, or automatic equipment owned, leased, or used by electronic transaction providers to conduct business activities via the internet.
- Every taxpayer who has met the subjective and objective requirements in accordance with tax regulations is obliged to register with the Tax Directorate General office within the jurisdiction covering the taxpayer's residence or domicile, and is provided with a Taxpayer Identification Number (NPWP).

- In the self-assessment tax system adopted in Indonesia, taxpayers are obliged to report taxes truthfully in accordance with applicable tax laws. In their reports, taxpayers include the Tax Notification Letter (SPT).
- For taxpayers, filling out the Annual Tax Return is one of the obligations to be fulfilled in the reporting process. The SPT, or Annual Tax Notification, is a document used by taxpayers to report calculations and payments, taxable and/or non-taxable objects, and/or assets and liabilities in accordance with the provisions of tax laws and regulations.
- The Corporate Tax Return (SPT Pajak Badan) is intended for corporate taxpayers and must be submitted no later than four months after the end of the tax year or in April of each year. Monthly Tax Returns (SPT Masa) are used to report taxes within a specific period (monthly) and include various types such as SPT Masa PPh 21, 22, 23, 25, 26, PPh Article 4 Paragraph 2, PPh Article 15, Value Added Tax (VAT), Luxury Goods Sales Tax (PPnBM), and VAT Collectors.
- Tax Payment Letters (SSP) are evidence of tax payment or deposit made by taxpayers using forms or other methods to the state treasury. Submission of SSP can be done through payment points such as post offices, state-owned banks, and others.
- As a taxpayer, you must fulfill various obligations in taxation. In case of errors in filling out the Annual Tax Return (SPT) or discovery of unreported tax data, the Tax Directorate will issue a tax assessment letter (SKP) for you.
- Based on Law No. 6 of 1983 regarding General Provisions and Procedures for Taxation as the third amendment to Law No. 28 of 2007, Article 1 number 15, a tax assessment letter includes a Letter of Tax Underpayment (SKPKB), Additional Letter of Tax Underpayment (SKPKBT), Tax Nil Letter (SKPN), or Excess Tax Letter (SKPLB). According to the decision of the Tax Directorate, the authority to issue these letters lies with the Primary Tax Office (KPP) and is issued based on the results of tax audits.
- The Indonesian Income Tax system adopts self-assessment and withholding systems. Taxpayers fulfill their tax obligations through self-assessment for annual tax obligations such as Individual and Corporate Annual Income Tax Returns. Furthermore, tax obligations under the withholding system, often referred to as withholding and collection of Income Tax, are carried out for Article 21, Article 22, Article 23, Article 26, and Article 4 paragraph (2) Income Taxes.
- Taxpayer Income Tax obligations can be divided into obligations for the current year and the end of the year. In the current year, taxpayers pay taxes themselves and withhold/collect Income Tax from others. This self-payment mechanism is done through self-deposit for Article 25 Income Tax and Article 25 Income Tax Principal (STP), and withholding/collection by others for Article 21/22/23/24 and Article 4 paragraph (2). This self-payment of taxes is prepaid taxes that can be credited in the year-end Income Tax calculation, applicable to non-final Income Tax. Furthermore, in the current year, taxpayers also have obligations to withhold and collect taxes and report them through Monthly Income Tax Returns, applicable to taxpayers engaged in businesses or freelance work. At the end of the

year, when taxpayers know their annual income, they must submit the Annual Income Tax Return. The calculation of underpaid/overpaid/nil Income Tax is done by subtracting the tax owed from the tax paid during the current year that is not final. Through this pattern of fulfilling Income Tax obligations, it can be understood that both self-assessment and withholding systems are used by taxpayers.

- Considering the tax burden borne by taxpayers, the higher the income, the higher the Income Tax imposed. The general tariff for corporate taxpayers uses a proportional rate, while for individual taxpayers, a progressive rate applies. This results in a higher amount of tax owed as the income received or obtained by the taxpayer increases. Based on the progressive rate, the applicable tax rate consists of several layers, adjusted to the layers of taxable income. The higher the layer of taxable income, the higher the tax rate layer. This progressive rate is stipulated in Article 17 of the Income Tax Law.
- The Income Tax Law stipulates that Income Tax is a tax imposed on Tax Subjects on the income received or obtained during the tax year.
- Furthermore, to be subject to Income Tax, two conditions must be met, namely meeting subjective and objective tax obligations. Taxpayers who have objective tax obligations are called taxpayers.
- Income Tax (PPH) Article 21, as per the Director General of Tax Regulation Number PER 16/PJ/2016, refers to the taxation on income in the form of salaries, wages, honorariums, allowances, and other payments under any name and in any form related to employment or position, services, and activities performed by individual taxpayers within the country.
- Income Tax (PPH) Article 21, according to Law Number 36 of 2008, entails the withholding tax on income related to employment, services, or activities under any name and in any form received or acquired by Domestic Individual Taxpayers from employers, government treasurers, pension funds, or other bodies paying pensions, bodies paying honorariums or other payments, and event organizers.
- In Article 22 of the Income Tax Law, it is stipulated that the Minister of Finance may appoint government treasurers to collect taxes related to payments for the delivery of goods, and certain bodies to collect taxes from Taxpayers engaged in import activities or other business activities.
- Provisions regarding the basis of collection, nature and amount of levies, deposit procedures, and tax reporting procedures are determined by the Minister of Finance.
- The collection of taxes based on Article 22 of the Income Tax Law is intended to ensure the availability of food and stabilize food prices, maintain the availability of raw materials for domestic refineries, facilitate the export of minerals and coal, and harmonize the provisions of the income tax collection tariff under Article 22 on consignments with the customs duty rates for consignments, it is necessary to replace the provisions regarding the designation of certain bodies as collectors of income tax Article 22.

- Income tax 22 is a form of deduction or collection of taxes carried out by one party against taxpayers and related to the trading of goods.
- Income Tax 23 is levied on income received by a corporate entity, while on the other hand, Income Tax 21 is imposed on income received by individuals. Generally, this type of income occurs during transactions between two parties, namely:
 - The income recipient (service provider) will be subject to Income Tax 23, and
 - The income provider (service recipient) will withhold, pay, and report the Income Tax 23 to the tax office.
- Objects of Income Tax 23 include:
 - Income Paid to Other Parties / Contractors in the Form of Rent and Other Income Related to the Use of Assets (Other than Land/Buildings), Such as Vehicle Rental or Sound System Rental
 - Income Paid to Other Parties / Contractors in the Form of Compensation Related to Technical Services, Management Services, Consulting Services, and Other Services (Such as: Repair Services, Cleaning Services, Catering Services, etc.)
 - Dividends: Dividends are income in the form of profit distribution from the company to shareholders according to their shareholding.
 - Interest: Income in the form of interest includes discount, premium, and compensation related to debt securities.
 - Royalties: Royalties are also a type of income subject to Article 23 Income Tax. This is income in the form of fees paid by individuals for the production of goods to the person who holds the patent rights to those goods.
 - Gifts, Awards, Bonuses, and Similar Items Other Than to Individuals: any income obtained by domestic individual taxpayers from event organizers.
- Article 4 Paragraph 2 Income Tax, often known as Final Income Tax, is a tax imposed on Corporate Taxpayers or Individual Taxpayers on certain types of income obtained according to the provisions stipulated in the Income Tax Law, and its tax deduction is final in nature.
- Final in nature means that the tax deduction on this type of income cannot be credited in the calculation of Corporate Tax or Individual Tax at the end of the period. This final tax cannot be categorized as an advance payment of the tax due, but rather as a tax that has been settled and is separate, thus cannot be categorized as a tax credit.
- Income Tax (PPH) Article 4 paragraph (2) is a deduction on income paid in connection with certain services and sources, such as construction services, land and/or building rentals, lottery prizes, and so forth.
- In summary, PPh Article 4 paragraph (2) is income tax on specific types of income that is final in nature and cannot be credited with the income tax due. Therefore, PPh Article 4 paragraph (2) is also known as Final Income Tax.
- Income Tax (PPH) Article 26 concerning Work, Services, or Activities is a tax on income in the form of salaries, wages, honoraria, allowances, pensions, and other periodic payments, as well as other payments under any name and in any form related to work, services, and

activities performed by non-resident individual taxpayers, as referred to in Article 26 of the Income Tax Law.

- Every business entity that earns income is obliged to pay taxes, both monthly and annually, to the government. According to Law Number 28 of 2007 on General Provisions and Tax Procedures, a body is a group of people or capital that constitutes a unity, whether engaged in business or not, including limited liability companies, partnerships, other companies, state-owned enterprises, or regional-owned enterprises under any name and form, firms, associations, cooperatives, pension funds, partnerships, associations, foundations, mass organizations, socio-political organizations, other organizations, institutions, and other forms of entities, including collective investment contracts and permanent establishments. Corporate income tax is imposed on the taxable income received by corporate taxpayers after fiscal corrections.
- State-owned enterprises and regional-owned enterprises are tax subjects regardless of their name and form, so every specific unit of government bodies, such as institutions, bodies, and so on, owned by the Central Government and Regional Government that conducts business or activities to earn income is a tax subject. The term association includes associations, unions, gatherings, or ties of parties with similar interests.
- In principle, the process of calculating Corporate Income Tax cannot be separated from various other taxation aspects such as final tax objects, income not categorized as taxable income, allowable and non-allowable deductions according to tax regulations, Article 22 Income Tax, Article 23 Income Tax, Article 25 Income Tax, Article 28 Income Tax, Article 29 Income Tax, and so on.
- VAT is a tax collected by individual taxpayers, corporations, and the government who are registered as Taxable Entrepreneurs (PKP) on the sale of taxable goods and/or services.
- Due to its objective, non-cumulative nature, and indirect tax status, the party paying this tax is not required to remit it directly to the state treasury, but through the party withholding/collecting VAT.
- The VAT subject is the Taxable Entrepreneur (PKP) and non-PKP.
- The difference is that a PKP must collect VAT, while a non-PKP cannot collect VAT. However, non-PKPs, when transacting taxable goods/services, cannot credit Input Tax.

Reference:

- Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Taxation Procedures
- Law Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax