

Social-Economic Polemic on the Local Government Land and Building Tax Administration System in Indonesia

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Abstract

This research aims to determine the substance of the differences in the Land and Building Taxes (LBT) tax administration system during the Dutch colonial period, after independence, and after-tax reform until now. This study questions why local governments have only been able to be autonomous now, even though the potential for LBT is very high. This research uses a qualitative methodology with a comparative descriptive approach that compares two or more conditions and events through literature related to the socio-economic polemic paradigm. The research results reveal, first, the long history of the Dutch being in power, which shows that they introduced *Landrente* (LBT) on the island of Java, and then the British changed it to a land rental system. When the Dutch returned to power, they reapplied *Landrente* by force. Second: Administratively and legally, history shows that this tax belongs to the region and must be used for regional development. However, the central government is only willing to hand over a few tax objects because the potential for LBT is broad and has political elements. The conclusion shows that historical evidence validly proves that LBT is a tax intended for local governments to achieve regional autonomy. The local government needs to convince the central government to accelerate regional autonomy; the central government should hand over the management of all LBT objects to the local government with guidance from the central government.

Keywords: local government, socio-economic polemic, tax administration system, property tax, land and building tax

INTRODUCTION

The arrival of the British colonialists in the last century to Indonesia introduced a taxation system called the Landrent System, and the Dutch colonials established this tax system under the name Landrente. Landrente is the oldest type of property tax. It was implemented in 1811-16 and promulgated as the Landrente Ordinance in 1907 (Setyawan, 2021). Landrente was the primary income at that time. After Indonesia's independence, Landrente changed its name to Local Revenue Contribution Tax, whose income was used for regional development. The Indonesians called IPEDA, and it was enforced until December 31, 1990 (Booth, 2011). In 1985, after the tax reform, it changed its name to Land and Building Tax (LBT), and the land class division method that was introduced by the colonials - from ten classes increased to 50 classes. Currently, LBT

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objects are land, buildings, plantations, forestry, mining, geothermal mining, mineral and coal mining, waters and seas, toll roads, fisheries, aquaculture, pipelines, cable networks, storage, and processing facilities (Yulianti et al., 2018).

After the tax reform controversy in 1985, and LBT revenues became controlled by the central government, local governments tried to restore control of this tax administration system because, without LBT, it would disrupt the financial system and achieve regional autonomy (Apriliani et al., 2022). As a result, some of the LBT objects were handed over to the city and district governments, and the types and objects of tax were clarified. For district governments, it is called Rural Land Building Tax, while for city governments, it is called Urban Land Building Tax. The basis for submission to local governments is Law Number 28 of 2009 concerning Regional Taxes and Levies. Since then, some of the Rural and Urban sector LBT levies have become the local Government's property. Law Number 1 of 2022 regulates the tax administration system concerning Financial Relations between the Central and Regional Governments (Jenerio et al., 2023).

LBT has become a significant source of revenue for the central and local governments. Acceptance of LBT at the regional level plays an important role and is the main issue often communicated in newspapers. The average per local government shows that LBT is at the top, along with motor vehicle and license taxes, after 2014. This paper discusses the comparative administration system of land and building taxes during the British and Dutch colonial times under Land rent, Landrente, and LBT after Indonesia's independence.

LITERATURE REVIEW

Historical disclosure

Tax on Property: History of landrent

At the beginning of the 19th century, Indonesia showed a picture of contradictions in the political, social, and between kingdoms (Paine, 2019). Public knowledge about nationality still needs to be improved. Because of their ignorance, many failures in understanding land ownership occurred during the Portuguese, British, and Dutch

colonial periods. The main problem was maintaining peace with the various small kingdoms scattered throughout the Indonesian archipelago. The Dutch colonialists had studied and realized that the kingdoms could not be ruled directly by them, even though they were under central colonial power (Yousaf, 2021). It means that native rulers at that time still had autonomy.

In areas under direct colonial control, such as Jakarta and its surroundings, it was initially obtained through concessions due to trade negotiations between the Dutch East India Company and Indonesian kingdoms in the 15th century (Shafi et al., 2020). Two centuries later, the area of colonial power expanded, and Dutch trading behavior gradually changed toward politics. This change in orientation was due to the implementation of the *divide et impera* policy (pitting politics) (van Rossum & Tosun, 2021). The Netherlands got even more territory as a gift from native kingdoms for their services in helping wars with the surrounding kingdoms (Hart, 2014).

When France took power in the Netherlands, the Dutch government sent Herman Willem Daendels, the most influential person then, to Indonesia as Governor-General (Burg, 2021). Daendels did not change policies that had existed before. However, the Indonesian people experienced tremendous pressure due to the enactment of policies in the field of labor, which became known as forced labor. This policy was to build a highway, resulting in many casualties.

The British entered Indonesia in 1811-16 and ordered the Landrente policy to continue. Lieutenant Governor Thomas Stamford Raffles introduced a new collection arrangement called Land Rent. (Hall, 2023). After 1816, when the British moved to Singapore, Indonesia was again colonized by the Dutch. The Dutch colonial intention was that any profits made in Indonesia should be used to save the Netherlands from the threat of corruption due to the war in Europe. Because of this, the Dutch authorities implemented the *cultuurstelsel* system on the island of Java and controlled it directly (Setiadi et al., 2022). Thus, it is clear that the policy of the rulers at that time was aimed at overcoming financial difficulties due to the war in mainland Europe (Hård & Tjoa-Bonatz, 2020). For example, Daendels was forced to adopt cruel and unfair labor policies due to the unfavorable financial situation of the Dutch Government, and they wanted to keep

Java as their main colony (Fasseur, 2023). By adopting European civil law, the Dutch colonialists stated that all lands owned by the Dutch and all forest resources belonged to the Dutch colonial state and were managed by the colonial authorities (Fahmi, 2020). What became known as service for the Lord was used in the Labor taxation to finance roads on the island of Java (Klaberen, 2023). Daendels continued the system of harvesting crops, which were demanded by force from sugar farmers, collected, and sent to Europe during the heyday of the Dutch trading company (Ingleson, 1995; Arifin, 2021).

Raffles considered the system applied by Daendels to need to be updated. For Raffles, people have to pay taxes in various forms to the Government, and not in kind, as is the case with agricultural products applied by Daendels. In practice, Raffles considered the landowning peasants as mere tenants who had to pay rent to the British government (Schrauwens, 2023; Manse, 2023). Therefore, Landrent is not considered a tax and is only considered as rent on land from Javanese peasants (Broere, 2019). In practice, however, ground rent was a tax, although Raffles called it rent to justify a landlord-tenant relationship (Lenggu & Kristanto, 2022).

The tax situation in areas where people lived under the direct authority of native rulers differed from areas under direct colonial control (Breman, 1983). Indigenous rulers apply tax rules to their people according to the rules they have, most of which are unwritten (customary rules). Because of this, there are two different kinds of tax administration systems: the type of tax for areas directly under colonial control and the type of tax on various lands in areas under native control, such as landlords, regents, and others (Samudra, 2024). Even on the island of Java, the situation is getting increasingly confusing (van Niel, 1964). Many principles must be applied to the community, such as service to the Lord, forced labor, and service to the chief.

The Idea of a Taxation System on Wet and Dry Land

The difference between Landrent and Landrente lies in land recognition rights. Most of the land ownership rights in Indonesia in the Landrente system belonged to the Dutch, whereas in the Landrent lease on land imposed by the British colonial Government on the rent of land owned by Indonesian farmers. Raffles, as the Governor

General assigned to Indonesia, has an advanced idea for implementing land rent regulations. Raffles chose individuals as tax subjects, not villages, and his successor applied this subject imposition. The system put forward by Raffles was straightforward: dividing the land into groups of dry and wetlands. Rice, as the primary production, grows on wetlands (paddy fields), while other types of production are grown on dry land. Sugarcane crops, with a system of coercion on farmers planted on dry land (Knight, 1992), became a colonial idol at that time, and management companies were given tax relief and tax credits (Knight, 1988). Each type of land is divided into three groups. The criterion for imposing the tax is the average production per year. The criteria, according to Raffles (Soebekti, 1964):

First, a land survey must be carried out on lands in Java. This survey is the beginning of the enactment of the Harvest Tax. Second, many village heads still need to be made literate, and they cannot begin to regulate the land lease as a follow-up to the survey. Third, each village head must become a tax assessor or employee of the tax office. If this were to happen, it would be contrary to customs that had existed for centuries, which prohibited village heads from becoming government employees because they were elected by and to serve the needs of their people, and village heads worked without pay (Fernando, 1996).

This unfortunate fact led to changes in Raffles' system (Wahid, 2018). It is not the individual who is made the subject but the village as a unit. As a unit, the village has to make money. At that time, the concept of the *admodatie* system was introduced (van der Eng, 2023). The advantage of this system is that it is more flexible and can haggle over the land tax paid each year between the authorities, villages, and farmers. This regulation was issued in 1912 after Raffles left Java. This system applied better to the types and levels of wealth of villages as a unit. On the other hand, the regulation was not profitable for the people.

The Landrente system has been tested by Meyer Ranneft and Huender (Kerkhof, 2005). In his research on the taxes paid by Indonesians, several thoughts regarding this Landrente were raised in 1904. According to Meyer, Landrente is a tax income. According to Meyer, the main characteristic of Landrente is to impose a tax on land

ownership. In Meyer's recommendation to the Dutch East Indies government, two alternatives were presented: a). Landrente must be made as a progressive land tax, and b). Income derived from agricultural produce must be included in Income Tax.

The first alternative turns out to be less profitable because the tax has to be progressive according to the size of land ownership. For its implementation, it is necessary to have a good system. According to Meyer, two types of taxes can be imposed on individuals: Labor Tax and Landrente (Kerkhof, 2005). Both types of taxes constitute an income tax. Farmers' real income can be calculated precisely if applied. The implementation of the Labor Tax and Landrente seems good. The problem is whether implementing the system is more practical and accessible than the existing one.

Meyer's opinion is the beginning of thought about modern taxes. However, to be implemented, this system will encounter many difficulties because it does not pay attention to the values of deliberation, which are solid in Indonesian society, especially among Javanese farmers in the village (Margana, 2023), and the difficulty of collecting income tax from low-income taxpayers, and the need for straightforward explanations for farmers. The data collection recommended by Meyer was not as expected because most of Indonesia's population is illiterate. The idea of a Labor Tax is considered wrong because residents cannot find reasons to justify the implementation of a Labor Tax.

The Codification of Landrente

In line with the forced labor policy of 1854, this period was marked by the start of the codification of Landrente Ordonatie (Manse, 2023). The collection of taxes through Landrente was separated from other types of taxes. It is shown in Article 59 of the Law on the Government of the Dutch East Indies 1894, which is regulated by the Statute Books of 1866 No. 219a and 219b. Land categorization is based on a statistical survey of 'real production volumes over the last three years.' The grouping depends on the value of agricultural production, which is valued according to the Gulden value per land odor. One *bau* = 7,096.49 M2, but the term per *bau* is replaced by hectares. In practice, it takes work to get an exact calculation of the actual production of agricultural land. Landrente is charged one-fifth of the total production value. The payment is subject to tax based on

the general agreement that applies to a village. The system was later refined, and exceptions were applied to crop failures and uncultivated land.

Land Perceels and Plot Systems

Several unfavorable aspects of the land classification system inspired Inspector Liefrinck to abolish Landrente imposition on villages. To find the best system, he researched the Priangan area in West Java. Eventually, a plot system was applied for the entire Priangan area, and in 1896, the system was further expanded in the area.

The basis for imposing the tax on the plot system is that land is divided into wetland and dry land in the form of *perceels*. *Perceels* are Dutch and defined as plots of land with a specific size that can be used as land for plantations or housing. These land groups were examined by topographical officials who were part of the Dutch East Indies army (Foldvari et al., 2012). These researchers were guided by village heads to confirm *perceels* belonging to one group. *Perceels* that have low yields are separated into several groups. Each separated land group is divided into maximum to minimum production sizes. This land survey was the initial work of the land classification applied to date.

A land grouping map was made after classifying the land in each village. One must be noted that rural residents help Landrente employees classify land in rural areas. The decision on on-land classification is carried out by consensus (*musyawarah*) (Margana, 2023). On average, land classification is carried out in approximately ten days for three or more villages in one district that Landrente officials simultaneously visit. Once every two months, a meeting is held by four or more representatives from adjoining villages to readjust the maps and land classification schemes. This meeting is called a *banding* (land comparison), which helps find comparisons that class I land in village A might be the same as class II land in village B or maybe the same as class III land in village C, depending on the condition of agricultural land in the village.

The success of the land survey in Priangan was extended by conducting surveys in Java and Madura. Since 1963, this topographical survey has been considered a success. 1967, the Landrente Act strengthened landrente regulations, especially for the

Java and Madura regions, except for land controlled by self-governing land (Booth, 1980).

Interestingly, the terminology used in the comparison meeting is the land group (plot) and not class. Land groupings are distinguished from zero (0) for very few productive Lands, which will be subject to the lowest tariff, up to group nine (9) for the most fertile lands, subject to the highest tariffs. Therefore, land group I in Village A, land group II in Village B, and land group III in Village C might be included in the same group. This grouping decision is meant to be taken by consensus.

The classification was continued in the next stage with the second land survey. In this survey, land classification is based on ownership. This second survey differs from the first survey, which uses the triangle and quadrangle method called the *rincikan* (detail) method. *Rincikan* is a Javanese language that means calculating the size of the land in detail and comprehensively. Register B is the procedure in which the Landrente office calculates and determines the tax for each *perceel*. The amount of tax to be paid is divided among the landowners. After the objects are grouped per *perceels*, individual tax subjects can be reached with a second survey that provides the correct data—for example, the land owner's name and the land's area (Fepi, 2021). Individual landowners will receive a copy of the register, which is then known as the D' (*petuk*)' register. Thus, it is possible to reach all tax subjects through measurement using grouping in the first survey and applying the *rincikan* method in the second survey.

When the Volksraad was founded in 1922, the steps to unify the Landrente rules had been completed. The authorities have made improvements towards unification to improve tax regulations and sanctions. Whereas previously, the authorities could not do it because they ignored the conditions and habits of the indigenous people.

Landrente after the Independence period

In 1951, the House of Representatives annulled Landrente and converted it to Income Tax after a member named Tauchid submitted a resolution. Some of the settlement points put forward by Tauchid are canceling the name Landrente, which tends to have colonial connotations; implementing a progressive tax system; tax exemption for

low-income farmers, following existing regulations on income tax; tax deductions for people who have dependents, and tax adjustments must follow economic fluctuations. After that resolution, the government changed and announced the Transition Tax (Sumitro, 1979).

Furthermore, the recommendations put forward by the committee proposed a new type of tax relating to productive lands as a substitute for the Transitional Tax. The new tax in question is Harvest Tax based on considerations a). In an agrarian Indonesia, land is an essential source of livelihood for people's lives, b). Land rights have a solid economic position and definite benefits for the owner, c). Therefore, it is appropriate for the Government to have a collection system that is simple and easy for the public to understand (Sujadi, 2008).

The difference between the Transitional Tax and the Land Produce Tax is material principles (*zakelijke blasting*) (Jan Bloemendal, 2012). The principle of imposing taxes must be preceded by measuring each piece of land and gathering information about the condition of each piece of land. The benefit of the results of land surveys that have been carried out is land registration in rural areas. Such a tax system still applies to India, Pakistan, Myanmar, Thailand, and other Asian countries with such characteristics.

This Land-Products Tax still uses Landrente provisions, and changes must be made to a). Landrente valuation is based on the net harvest, while the yield tax is based on corporate value, a definition similar to the term awarded in the Verponding Law (Tessema et al., 2019), and b). The Landrente percentage for each village amounts to between 8% and 20% of the annual net proceeds. Meanwhile, the percentage of Land Produce Tax consists of ½ to 1% of the actual planting value (corporate value-based), equal to 5% to 10% of net production per year. Therefore, the percentage of Land Tax is lower than Landrente. Agricultural products tax is only applied in areas where Landrente has existed before, such as in Bali, Java, Madura (de Jonge, 2004), Lombok, Sumbawa, and South Sulawesi, using existing data and considering the land value's price at that time. The combination of Landrente with Transitional Tax and finally with Land Produce Tax leads to another type of tax: the Wages tax and the Income-tax.

Land and Building Tax in Unified Perception

Since the LBT Law was passed in 1985, the Central Government has collected this tax. That year, the central Government was reluctant to hand over LBT to the regions. Various lobbies were carried out by the provincial, city, and district governments to the central Government and the people's representative council so that this tax collection was handed over to them. Finally, the central Government, Parliament, academics, and tax experts united the same perception to submit LBT to city and district governments with three essential tax records.

First, LBT is used to support municipal and district government finances. Second, the Land Building Tax submitted to the city and regency governments is the Rural Land Building Tax and the Urban Land Building Tax. The basis for the handover is Law Number 28 of 2009 concerning Regional Taxes and Regional Levies. LBT in the Rural and Urban sectors became a local tax (Mandala, 2016). The taxation system was regulated by Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (Pala'biran & Rombebunga, 2019).

The results of LBT acceptance are directed towards goals for the benefit of the community, and all proceeds from this tax revenue are submitted to the region. The handover of LBT to the city and district governments is expected to stimulate the community to fulfill their obligations to pay taxes. At the same time, it reflects the people's cooperation in financing development. In reflecting the community's participation and cooperation in the development financing field, all LBT tax objects are subject to tax. Even though there will be provisions on exempted tax objects later, due to matters such as the principle of reciprocity, force majeure, and others, this tax collection makes it easier for the community and does not cause double taxation. Until now, the Central Government has collected the lion's share of these tax objects. LBT objects are the sectors of plantations, forestry, mining, geothermal mining, minerals and coal, waters and seas, toll roads, fisheries, aquaculture, pipelines, cable networks, storage, and processing facilities.

LBT Taxation Rates, Procedures, and Administration Systems

The tax rate is 0.5% of the taxable sales value, and the tax base is the sales value of the tax object. The Minister of Finance determines the selling value of tax objects every three years (Siahaan et al., 2019), except for specific regions, which are determined yearly following the region's development. The LBT theory explains three tax systems: self-assessment, official assessment, and withholding tax. LBT in Indonesia adheres to the official assessment system (OAS) (Gstach, 2009).

The theory of taxation with the OAS tax system began in 1985, calculated and determined by the Director General of Taxes for central LBT and by city and district governments for LBT at the local level (Samudra et al., 2020). In determining taxes, it is based on data on land certificates from land owners or cultivators. The taxpayer must complete a Tax Object Notification Form (Lastu & Nurmalasari, 2023). Fiscus sends a Tax Assessment Letter containing the land area, building area, and a determination value of 20% for taxpayers who own land with a price below US\$66,000 and 40% for land above. Fiscus processes and sends tax returns on debt, and then the taxpayer pays taxes at the bank via an Automatic Teller Machine Bank (ATM). All data is done based on computer processing.

RESEARCH METHODS

This research uses a qualitative methodology with a comparative descriptive approach (Abdolazadeh et al., 2023). In comparative descriptive studies, researchers must be able to find similarities and differences in phenomena from two or more objects or compare two or more conditions, events, activities, programs, or others (Barroga et al., 2023). Therefore, this research will develop an approach based on the history of the tax system from the colonial period until after Indonesian independence, supported by relevant and valid data.

In comparative research, the researcher combines theoretical aspects of inductive reasoning with practical skills, namely, the researcher's readiness to collect and organize the data needed to find the objective facts (Khan, 2022). Data collection techniques were carried out through literature studies and study materials, which included regulations from 1900-1945, laws, tax administration regulations, regulations from the Minister of

Finance and the Directorate General of Taxes, and regional government regulations up to the present.

RESULTS AND DISCUSSION

The literature review shows a comparison table regarding implementing the land and building tax administration system during the British and Dutch colonial periods and post-independence Indonesia. The similarities and differences are as follows:

Table 1. Comparison of Land rent, Landrente, and LBT Taxation Systems

Variable	Landrent (1900-1918)	Landrente (1900-1948)	Land & Building Tax (1985-now)
Basis of formation	The spice trade, land tenure, land lease	The spice trade, land tenure, Dutch economic bankruptcy, forced labor, land <i>cultuurstelsel</i>	Regional autonomy, people's economic welfare, handing over part of the vote to the regions
Profit yield	For the cost of running the Government	Ruler/colonial interests brought to the Netherlands.	Small folk interest
Land mapping	Not done yet	Done, incomplete	Done, completed (remapping)
Land Class	3 land classes	10 land class grades	50 classes of land and buildings
Land certification	Register C	Register B, C	Complete
Financial system	Centralization	<i>Centralisatie</i> , financial decentralization	Fiscal decentralization
Administration Tax system:	The idea of a landlord-tenant relationship, a Land lease	Land plot (<i>perceels</i>)	Official assessment system
	Wet and dry land	Triangle and quadrangle: a system of <i>rincikan</i> (detailing) and banding (comparing). Deliberations are held at the service of the Lord.	Individuals, companies, and customary land groups determine land classes. Community deliberations,
- Tax subjects	Village individuals as a unit, Bargaining taxes that give rise to corruption	Landlord, land tenant	Landowners, land tenants, individuals, companies
- Tax Objects	Land	Land, building, villa, gold, silver, motor vehicle	Land, buildings and emplacements, plantations, forestry, mining, Geothermal Mining, Mineral and Coal Mining, water and sea areas, toll road sections, fisheries, aquaculture fisheries, pipelines, cable networks, storage, and processing facilities.
- Tax Base	Average production per year	The yield value of rice and dry land	Selling Value of Tax Objects
- Assessment Value	1/5 of the production	1/5 of the production	NJOP x tariff
- Tariff	20%	20%	0.50%

Source: Compiled by the authors

Basis of formation and Profit yield: Table 1 explains that the basis for forming a tax system on property during the British colonial era came to power in Indonesia, initially based on the spice trade and shifting to land control by subduing kingdoms. Then, we will come up with an idea to implement land rent. Unlike the Dutch colonialists, besides wanting to control spices, defeat kingdoms, and control trade, they forced farmers' crops to be brought to Europe. During the 50 years that Landrente has been subjected to forced labor, this has become a deep suffering for the Indonesian people. This system was implemented due to the bankruptcy of the Dutch economy and the loss of the war with France. After independence, Indonesia imposed a tax system on land and buildings and revised regulations. All colonialist ideas that harmed society were removed from the Landrente ordinance, and a regional autonomy system was imposed. The handover of LBT to the local Government is intended to improve the welfare of the grassroots community; therefore, the rate applied is only 0.5% (Nurbawono, 2016). The Government does not rely on income from LBT but income tax, value-added tax, and commodity trading to finance governance.

Tax object map revision: Indonesia revised its land map, improving and perfecting the land class method using topography. Land mapping has often been done to adjust and reach more tax objects (Widianingsih et al., 2018). Tax objects are not only landowners and lessees but added to emplacements, plantations, forestry, mining, geothermal mining, mineral and coal mining, water and sea areas, toll roads, fisheries, aquaculture, pipelines, cable networks, facilities Storage and Processing (Rizka et al., 2019).

Tax System: During the Landrente era, the land tax system was based on a landlord-tenant relationship, renting land by implementing triangle and quadrangle plots (*perceels*) of land using a system of detailing and comparison–deliberation on the determination of land class for the interests of the Dutch colonialists. Indigenous produce was requested, collected, and shipped to Europe during the glory days of the Dutch trading company (Lord's Service). After the LBT was invited, the Government implemented an official assessment system (Afifah, 2022) and extended and intensified

taxes (Baok et al., 2020). Deliberations are held between the fiscus and the community, individuals, companies, and customary land groups to determine land class.

Tax Administration, rates, tax basis, and assessment value: In the tax system, fiscus helps determine tax objects, visits potential taxpayers, collects data, inputs field data, and asks the public to convey honestly and openly about land ownership by prioritizing tax compliance (Wulandari & Budiaji, 2018; Rahmadiani & Saepudin, 2021). By adding tax extensions, the LBT tax object expands. For fairness in taxation to occur, land classes were expanded from 10 classes during the Landrente era to 50 classes during the implementation of LBT. The goal is that the tax paid by lower class land, for example, class 50 for buildings, is set at a selling price of US\$ 3/meter, and the tax paid is only US\$ 0.3. Meanwhile, for Land Class 1, the selling price is US\$ 4,570/meter, and the tax paid is US\$ 457/meter.

Therefore, the tax administration system requires good governance, taking-into account the Central and Regional Governments. After the tax reform of 1984, from 1 January 2014, LBT was transferred to Municipalities and Municipalities. This transfer is a follow-up to the policy of regional autonomy and fiscal decentralization as stated in Law Number 28 of 2009 concerning Regional Taxes and Regional Levies. Therefore, administratively and legally it is confirmed that this tax belongs to the city and district and must be used for regional development.

Currently, there are crucial issues that must be discussed between the Central and Local Governments. The Central Government is only willing to hand over some LBT objects to City and Regional Governments. The Central Government is taking a half-hearted policy because this tax has broad LBT potential and contains political elements. This finding is interesting, because the Regional Government only obtains income from rural and urban levies and LBT. Meanwhile, the Central Government obtains results in the form of land, buildings and emplacements, plantations, forestry, mining, geothermal mining, mineral and coal mining, water and sea areas, toll roads, fisheries, aquaculture, pipeline networks, cable networks, storage areas, and processing facilities.

LBT Revenue in Indonesia and Future Strategies for Improvement

Currently, the revenue from Land and Building Tax (LBT) in Indonesia remains low, despite its significant potential. Data from the Central Statistics Agency (BPS) indicates that in 2022-2023, LBT contributed less than 2% to total national revenue, amounting to US\$ 730,898,262. In comparison, income tax contributes nearly 48%, making the contribution of LBT relatively small. At the regional level, the average LBT revenue only accounts for 2.9% of total local tax revenues, highlighting the gap in the full utilization of this tax's potential.

Case Studies of Low Tax Compliance

The low LBT revenue can be seen through several cases of poor tax compliance that directly affect LBT income. In Rokan Hulu Regency, Riau Province, the tax compliance rate is only 48.14%. Meanwhile, in Brebes, Central Java, the housing sector also faces significant LBT arrears. Tax avoidance and tax evasion are prevalent in the plantation and mining sectors, particularly by large companies in the palm oil, nickel, and coal industries. This results in substantial revenue losses for the country, estimated at US\$ 313.42 billion annually.

Strategies to Address Political Resistance at the Central Government Level

Since 1985, the central government has had full control over the collection of LBT. However, local governments have lobbied for the authority to manage this tax, which was eventually recognized in Law No. 28 of 2009. The transfer of most tax objects to local governments is further regulated by Law No. 1 of 2022 concerning the Financial Relations between Central and Regional Governments, which mandates a balance in the management of LBT between the central and local governments. To improve LBT revenue, several strategic steps are necessary:

- a. **Increasing the Role of Notaries in Preventing Tax Evasion:** Many tax losses occur in land transactions. The practice of under-the-table land sales, often with blank receipts, is commonly used to reduce the selling price and the tax owed. Therefore, the role of notaries is crucial to ensure transparent transactions that reflect market values.

- b. Addressing Tax Avoidance in Housing Clusters: Many cases of LBT arrears occur in luxury housing clusters, particularly in major cities. Payments that do not reflect the actual sale value of property often reduce local revenue.
- c. Tax Avoidance by Corporations: Some large companies engage in tax avoidance by lobbying tax officials for relief or delaying tax payments until after an audit. Corruption also arises in some sectors, including palm oil and coal plantations, where companies evade their tax obligations.
- d. Tax Corruption at the Local Level: Tax corruption also occurs at the village level, where village heads or tax officers fail to remit the collected taxes to the local treasury. This causes significant losses to regional finances.

CONCLUSION

Conclusions are divided into three periods with the following descriptions. As the main tax system in Indonesia, Landrente dominated the income of the colonists. Dutch wealth has contributed for centuries to colonial society's ownership and cultural systems. The colonialists implemented a tax system called Landrente from 1900 to 1945. Not many people understand why the Dutch implemented Landrente. However, literature in ancient libraries reveals that the economic crisis in the Netherlands made the Dutch government panic, so the Dutch were cruel when they colonized Indonesia and brought abundant agricultural products to mainland Europe. After Indonesia's independence, the idea of taxation from colonialism was abolished as a form of public dislike, and the basic concept of Landrente was not allowed to be included in the LBT Law. The Central Government hopes that this law will be able to fund the Local Government. Therefore, even though the central Government manages several LBT objects, the fiscal decentralization system ensures an adequate balance of Government administration funds for the villages.

Future of LBT: The LBT tax system now belongs to local governments, with the central government providing guidance. The next step is to accelerate regional autonomy by transferring all LBT management to local governments, fostering balanced governance and regional development. To increase future LBT revenues, more effective tax management policies are needed. The government should focus on improving tax

compliance, enhancing administrative systems, and enforcing stricter laws. Increasing transparency in property transactions and improving the tax administration system are key steps to maximize LBT's potential. With a more structured approach, LBT can become a significant source of revenue for both regional and national development.

Contribution to Knowledge

This study provides insight to other researchers, related institutions, and policymakers to strengthen and perfect the LBT collection administration system following developments, especially to strengthen the LBT base in local government. This study recommends that every decision regarding LBT must be based on valid empirical and historical evidence, and the implementation of LBT laws is based on justice. For example, it can be observed from the relationship between factors in the tax administration system, the basis for formation, yield profiles, land maps, land classes and land certificates, which should be aimed at community welfare.

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