

# Tax Incentive on Subsidized Housing in Kupang City

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**Abstract**—Regulation of tax incentive is regulation issued by the government that aimed to provide easiness in taxation especially for process of subsidized houses ownership by applying the schedular Income Tax at rate of 1% and exemption of Value Added Tax. This paper provides an explanation for schedular income tax and exemption of Value Added Tax on the transactions of rights transfer against the land and/or building on the transactions of subsidized houses, analyzing supporting and inhibiting factors during the implementation of tax incentive. This paper was kind of descriptive research with qualitative approach, focusing on one local authority area in Kupang city. The result is an increase in households deciding to buy subsidized homes, especially for the lower middle class. However, there is still a lack of campaign media related to the ease of purchasing subsidized houses and the asynchronous regulation between the state tax rate and the local tax rate.

**Keywords**—tax incentive, schedular income tax, value added tax, subsidized houses

## I. INTRODUCTION

The real estate business is a business sector that is growing rapidly with a growing need for public housing and better economic growth [1]. Based on this, the government as a policy maker makes plans to support the fulfillment of community needs for housing that is needed for the provision of housing provided by both the government and private sector. Housing refers to the type of housing by taking into account the level of affordability of purchasing power by the people of Indonesia who regulate in Law Number 1 of 2011 concerning Housing and Settlement Areas.

The rapid development of the real estate business sector will inevitably always intersect with its tax obligations. The Government of Indonesia in 2008 made a policy in order to support the procurement program for Simple Houses (RS) and Very Simple Houses (RSS), namely the issuance of Government Regulation No. 71 of 2008 concerning Payment of Income Taxes on Income from Transfer of Land and / or Building Rights by applying Income Taxes to real estate businesses at the final rate. Developers who earn income from the transfer of land and / or building rights are subject to a final Income Tax rate of 5% (five percent) of the gross amount of the transfer value. However, for the transfer of land and building rights that meet the criteria of Simple Houses and

Simple Flats (subsidized houses) carried out by the Taxpayer whose principal business is to transfer land rights and / or buildings subject to Income Tax of 1% (one percent) of gross amount of the transfer value. According to Sibero, et all this policy is expected to be able to increase compliance and to provide convenience and simplicity in fulfilling tax obligations of taxpayers concerned so that tax revenue can increase [2].

In 2016, there was a change to Government Regulation No. 71 of 2008 concerning Payment of Income Tax on Income from Transfer of Land and / or Building Rights related to the imposition of Final Income Tax rates to housing developers. This amendment with the enactment of Government Regulation (PP) Number 34 Year 2016 Regarding Income Taxes on Income from the Transfer of Land and / or Building Rights, and Agreement on Sale / Purchase Binding of Land and / or Buildings and Amendments. It contained a reduction in the Final Income Tax rate for housing developers who earn income from the transfer of rights to land and / or buildings from 5% (five percent) to 2.5% (two point five percent). For the transfer of land and building rights that meet the criteria of a Simple House and Simple Flats (subsidized house) carried out by a Taxpayer whose principal business is to transfer land rights and / or buildings subject to Income Tax of 1% (one percent) of the gross amount transfer value.

The difference in the imposition of a tax rate on the transfer of rights to land and / or buildings by the developer does not only occur in the Income Tax sector. The imposition of Value Added Tax (PPN) on the transfer of rights to subsidized and non-subsidized land and / or buildings is also different. In accordance with the provisions of PMK No.197 / PMK.03 / 2013 Regarding the Limitation of Value Added Tax Small Entrepreneurs, those subject to VAT tax are Taxable Entrepreneurs who have total sales of goods or services of more than Rp.4.8 billion.

Value Added Tax is payable at the time of the down payment and when the purchase is paid. Value Added Tax will be imposed on the buyer and collected by the seller provided that the seller is a taxable entrepreneur. When transferring rights to land and / or non-subsidized buildings will be subject to a tariff of 10% of the transaction value. When transferring rights to subsidized land and / or buildings are exempt from the imposition of Value Added Tax as stipulated in the Minister of Finance Regulation No. 113 / PMK.03 / 2014 of 2014

concerning Limitation of Simple Houses, Simple Flats, Pondok Boro, Student Dormitory and Students, as well as other Housing, upon Transfer of Exemption from the Imposition of Value Added Tax. This is one form of facility provided by the government with the aim of increasing home ownership of low-income people.

The problem of residential housing / buildings is a condition that occurs in almost all regions of Indonesia. Based on data obtained from the Central Statistics Agency in 2016 in East Nusa Tenggara Province, there were 47.42% of households that occupy non-owned residences on the grounds that they do not yet have their own homes. The province of East Nusa Tenggara in September 2016 ranks 5 (five) with the largest number of poor people in Indonesia with 1,150,080 million poor people ([www.bps.go.id](http://www.bps.go.id)). The high demand for housing results in higher housing prices [3]. High housing prices make it difficult to realize the dream of owning a home, especially for low-income people.

The Indonesian Real Estate Companies Association, which was later abbreviated as REI, stated that the enthusiasm of Indonesian Real Estate developer members in the Province of East Nusa Tenggara (NTT) to build subsidized people's houses was quite high. This is evidenced from the realization of the construction of subsidized houses in NTT throughout 2016 which reached 1,654 units, where all of the supplies were completely absorbed. The Chairman of the Regional Representative Council (DPD) of REI NTT said that until 2017 the number of REI NTT members was still quite small, as many as 55 developers and only 39 developers were active. NTT REI DPD Chair targets new developers in NTT Province. The Chairman of the DPD REI NTT also mentioned that due to the lack of developers, the construction of subsidized houses is still largely concentrated in Kupang City and Kupang Regency ([www.rei.or.id](http://www.rei.or.id)).

The construction of subsidized houses in East Nusa Tenggara Province until 2017 is still centralized, one of which is in the city of Kupang. Related to the sale of subsidized housing transactions with real estate companies in implementing tax policies. The researcher feels it is necessary to further research especially on the application of Final Income Tax and Value Added Tax, because nationally in the sale of subsidized houses, the government provides taxation facilities in the form of imposition of Final Income at a rate of 1% and exemption of VAT that applies in all regions of Indonesia. While for the application of PBB and BPHTB vary by region because it is the authority of each local government. Without appropriate application, the granting of this tax facility will not get maximum results. Therefore, the researcher wants to do a thesis research entitled "Tax Incentive on Subsidized in Kupang City"

## II. RELATED WORK

Kusumastuti "Government Study in Providing Subsidies in the Sector Housing" [3]. This research is a normative legal research, that is research which is done by examining

secondary data (libraries). Results of research this is the provision of subsidies to low-income people is expected to realize the community, especially low income people to own a home.

Sibero, Joewono, Susanto stated "Comparative Analysis of Tax Imposition Income Based on Scheduler Income Tax" [2]. The research approach used is a descriptive approach to the qualitative method. The results of this study are changes in the income tax provisions of global income being the scheduler income tax according to researchers looks beneficial for the mandatory tax because the calculation of Income Tax with the scheduler income tax is smaller than the imposition of global income rates.

## III. METHODOLOGY

This research was undertaken through a qualitative approach to gain natural setting of the local authority area in Kupang city. Data was collected through direct observation, documentation, and in-depth interview. Tax authority, real estate company, and Regional Representative Council of Real Estate Indonesia were selected as informants. Interactive Model of qualitative data analysis was employed to examine the qualitative data. Interactive analytical model is process data analysis that has been done simultaneously with data collection process. The flow of analysis follows an interactive analysis model. In this research process analysis is done through four stages, data collection, data reduction, data presentation, and withdrawal Conclusion [4].

## IV. RESULTS AND DISCUSSION

In order to accelerate the implementation of government development programs in the public interest, assistance in the framework of, as well as assistance for low-income people, it is necessary to reduce the Income Tax on land and/or building sales. As well as regulations on subsidized housing, upon the surrender of subject to Value-Added Tax, taking into account the ability of low-income people, and the need to provide greater opportunities for low-income people to own a home, it is therefore necessary to be given a Value Added Tax incentive.

Based on each of the considerations in the two policies determined in the framework of home ownership by low-income people, motivated by the government's concern for low-income people, they can provide housing. This is in accordance with public policy theory according to W.I. Jenkins in Solichin is a comparison of interrelated decisions taken by political actors or joint actors, regarding the objectives chosen by making various efforts to achieve them for goals [5]. For the first is the provision of tax incentives on the sale of subsidized houses in the form of Final Income at a rate of 1% and secondly the provision of value added tax incentives in the form of VAT exemptions in the purchase of subsidized homes. As illustrated as figure 1 follows:

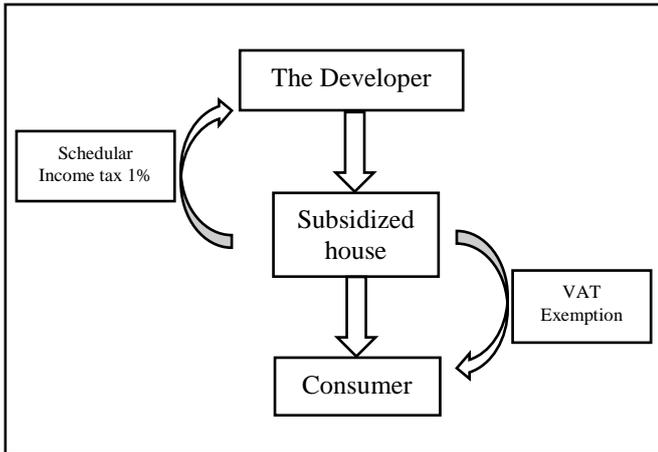


Fig. 1. Subsidized house transaction scheme.

Subsidized house sales transactions from the developer of subsidized houses to low-income communities there are tax obligations that are charged to each party. The developer owes the final income tax at a rate of 1% and the consumer is exempted from VAT for the sale of subsidized housing. In 2019 the Ministry of Public Works and Public Housing (PUPR) raised its National Million Homes Program target to 1,250,000 units. The increase is in view of the realization of the One Million Houses Program in 2018 that has reached 1,132,621 units (www.pu.go.id). See table 1 bellow.

TABLE I. REALIZATION OF THE NATIONAL MILLION HOUSES PROGRAM

Year	Realization
2015	699,770 units
2016	805,169 units
2017	904,758 units
2018	1,132,621 units

Source: www.pu.go.id, 2019.

In 2018 the City of Kupang donated 1,002 housing units in order to realize the National Million Houses Program from the previous 834 units in 2017. Based on the background explanation of the National Million Houses program, it can be seen that the degree of change to be achieved in the application of this policy is the fulfillment of the needs of low-income people for housing through government support, one of which is the application of schedular Income Tax and VAT Exemption for subsidized housing transactions. This is in accordance with the regular function in tax according to Sundry, namely tax is used as a tool to regulate the community in the economic, social and political fields with specific objectives, one of which is by providing tax incentives [6].

The application of the tax incentive policy on subsidized housing transactions in Kupang City shows good results including the response of subsidized housing developers and low-income people who can enthusiastically be seen by the increasing number of subsidized housing developers and the increasing number of subsidized housing sales in Kupang City.

This is inseparable from the conveniences provided by the government, one of which is convenience in the taxation sector. This is in accordance with one of the objectives of taxation policy proposed by Cobham in Arini, namely representation which is a very potential advantage triggered by a functioning tax system and Re-pricing economic alternatives which means the tax sector is a tool. The main reason for the government to influence the behavior of taxpayers in their country has been achieved in the application of this policy [7]. See table 2 bellow.

TABLE II. NUMBER OF SUBSIDIZED HOUSING

Years	Amount	Housing Unit
2014	14	774
2015	19	804
2016	32	859
2017	37	912
2018	51	1,002

Source: REI 2019

However, the subsidized housing program itself is well known to the public, but not many know what facilities can be obtained when buying a subsidized house. So that more means of socialization are needed, through advertisements in print and electronic media. The advantages of subsidized mortgages for low-income people include low interest and fixed nature, long term, fixed and suspect installments, VAT free, and free insurance (www.pdpdp.id).

Further, the asynchronous regulation between the state tax rate and the local tax rate. Regulations on tax incentives are only provided by the central government but not so for local governments. Subsidized house purchases are subject to a transfer tax on immovable property of 5%. thus for the sale and purchase of property, a seller has a tax burden of 1% while the buyer has a burden of 5%. as illustrated in figure 2 below.

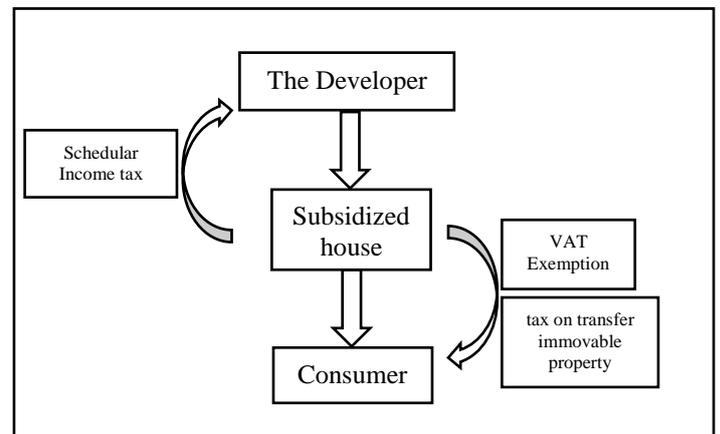


Fig. 2. Subsidized house transaction scheme.

A taxation system can be successful if people who believe that the taxes levied by the government have been charged fairly and everyone pays according to his ability. However, in

this case a buyer has a greater tax burden than a seller. Though a seller has the ability to pay more than a buyer (people with low middle income). It appears that the wealthy people pay less tax than what they should pay or even enjoy tax incentives.

#### V. CONCLUSION AND FUTURE SCOPE

The application of this policy is the fulfillment of the needs of low-income people for housing through government support, one of which is the application of schedular Income Tax and VAT Exemption for subsidized housing transactions. However, in this case a buyer has a greater tax burden than a seller. Though a seller has the ability to pay more than a buyer (people with low middle income). So, for the next researcher could analysis from an economic perspective.

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