SUMMARY

HARTOYO, Phenomenon of Rent Seeking and Analysis of Determination of Tax Object Sale Value for Land and Building Tax in the Greater Jakarta Area. Supervised by DIDIN S. DAMANHURI, ASEP SAEFUDDIN and GUNADI.

To realize the independence of the nation, the tradition of the debt that had been used to cover the state budget should be discontinued. Much better, if Indonesia focus on development efforts rely on tax revenue. The role of taxes in the 2009-2013 state budget was between 72.5%-76.7%, but the Indonesian tax ratio, the ratio of tax revenue to Gross Domestic Product (GDP), in 2012 was only 12.0%, so far below, when compared to the average of Organisation for Economic Co-operation and Development (OECD) countries in 2012 amounted to 34.6%. Similarly, Indonesian property tax ratio, the ratio of property tax revenue to GDP, in 2012 was only 0.5%, so far below, when compared to the property tax ratio average of OECD countries in 2012 amounted to 1.79%. Furthermore, analysts and the International Monetary Fund (IMF) estimates that tax revenue leakage in Indonesia reaches 40% or 4% of GDP.

This study has four main objectives that include the following: (1) to reveal the behavior of rent-seeking; (2) to test the presence of under-assessment and regressivity (vertical inequity) in the determination of the Tax Object Sale Value (Nilai Jual Obyek Pajak/NJOP) in the Greater Jakarta Area (Jabodetabek); (3) to analyze and measure assessment (NJOP) performance comprehensively in every municipality / city in the Greater Jakarta Area; (4) to provide recommendations to the central government and local governments, so that rent seeking could be eliminated and tax revenue to be optimal. This study also perfected methods of NJOP determination to be able to improve the accuracy and the fairness of NJOP determination, as well as setting up the model estimates the potential loss of taxes in the Greater Jakarta Area (Jabodetabek).

The results of this study are useful for officials / agencies, especially in local governments, as a tool of analysis and improve performance in the management of land and building tax in rural and urban (Pajak Bumi dan Bangunan Perdesaan Perkotaan/PBB P2) as a local tax to be able to eliminate rent-seeking, maintaining performance of NJOP determination to be accurate and fair, and optimize tax revenue. The results of this study can be used and applied in municipalities / cities in Indonesia, to support and complement the preparation of local governments managing local taxes referred to Law Number 28 year 2009 on Regional Taxes and Levies.

Assessment Sales Ratio (ASR), which is the ratio between NJOP (Assessment) to the Market Value, were analyzed by testing for the level of assessment and testing for the level of equity. This study examines whether there has been rent-seeking behavior, and tests whether the NJOP determination in 13 municipalities / cities in the Greater Jakarta Area proved to be in good performance. Assessment performance can be expressed as good performance, if it meets the following criteria: (a) the level of assessment approaching 100% of the market price, not over-assessment nor under-assessment; (b) the level of equity is independent, not progressive nor regressive.
This study showed that based on testing the level of assessment, 13 cities / municipalities across the Greater Jakarta Area (Jabodetabek) are proven by performance of under-assessment. Assessment proved to be below the market value. Testing the level of equity proved that in the assessment performance, nine municipalities / cities performing regressive, a city performing progressive, and only in three municipalities / cities performing fair/independent. Assessment (NJOP) expressed regressive if relatively cheap properties taxed higher than the properties are relatively expensive, whereas progressive if relatively cheap properties taxed lower than the properties are relatively expensive. The results of this study indicate that underperforming (poor) municipalities / cities need assessment improvement or correction through reappraisal, reassessment or simply by assessment (NJOP) adjustment.

With the proposed model, the potential loss of property tax (Pajak Bumi dan Bangunan Perdesaan dan Perkotaan, called PBB P2) in 2012 is estimated to Rp1,384 billion or 24.3% of the tax potential which should be at Rp5,698 billion. 14.6% of the tax potential has been lost as a consequence of the application of mass appraisal, while 9.7% of tax potential is lost due to poor performance, including the potential loss due to the opening of the rent-seeking opportunities. Furthermore, the potential loss of transfer tax (BPHTB) and income tax, caused by rent-seeking activities, through property transactions in the primary and secondary markets in the Greater Jakarta Area in 2012 amounted to Rp874 billion or 10.7% of the estimated realizable transfer tax (Bea Perolehan Hak atas Tanah/BPHTB) and income tax on the transfer of property around Rp8.2 Trillion.

**Key words**: rent-seeking, assessment sales ratio, tax object sale value (NJOP), under-assessment, assessment regressivity, potential loss of taxes.