



Transfer of Land and Building Taxes in the Plantation and Forestry Sector in Indonesia in a SWOT Analysis Review

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KEYWORDS	Indonesia is a country that has high natural resource potential. This potential encourages the government to collect the tax on land and building plantations, forestry, mining, and other sectors (PBB-P3). Then the proceeds are allocated to local governments to overcome vertical fiscal inequality. However, in practice, problems were found related to the low fiscal independence of regions due to dependence on Transfers to Regions (TKD) by the central government and the distribution of Revenue Sharing Funds (DBH) on Land and Building Taxes and natural resources. This paper analyzes the strengths, weaknesses, opportunities, and threats of Land and Building Tax (PBB) in the Plantation and Forestry sector devolution from the central tax to local taxes. Also, analyze the strategies for the transfer of PBB plantation and forestry sector. This study uses a qualitative approach with SWOT analysis and primary collection techniques through in-depth interview data and literature study. The analysis results show that PBB plantation and forestry sector has several weaknesses and threats related to the readiness of local government human resources, the mechanism for collecting PBB-P3, and the impact on the exploitation of natural resources. However, the strengths and opportunities found in this study can be considered for the regionalization of PBB plantation and forestry sector in the future. Strength-opportunity, strength-threat, weakness-opportunity, and weakness-threat strategies that can be prepared are preparing local government human resources, technological facilities for PBB-P3 administration, and special rules governing PBB-P3 regionalization.
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INTRODUCTION

The imbalance of fiscal capacity and regional fiscal needs is one of the crucial issues given the condition of regional independence which is still far from expectations. The imbalance condition due to differences in fiscal capacity and financial needs that occurs between the central government and lower levels of government (local government) is then referred to as vertical fiscal imbalance (Hamid, 2005). Fiscal inequality shows the unequal power in the management of revenue sources between the central government and local governments. Public financial constraints owned by autonomous regions (regencies/cities and provinces) occur because the income to finance the expenditure responsibilities of the region is not sufficient, while the central government has more income to finance its expenditures (Suyanto, 2017).

Regional autonomy and fiscal decentralization certainly expect local governments to have greater independence in regional finances. However, regional fiscal independence has not been realized optimally due to the low fiscal decentralization status of district/city governments in Indonesia, even though the city/district level is the focus of regional autonomy and fiscal decentralization. The following figure shows the very low status of fiscal decentralization for some level II local governments due to their high fiscal dependence on the central government:

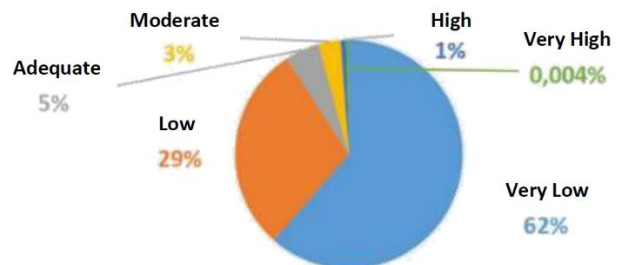


Figure 1. Status of Fiscal Decentralization in Regency/City Governments in 2018

Source: Expertise Board of the Indonesian House of Representatives (2020)

Figure 1. above shows that around 62% (percent) of district/city governments in Indonesia are in the very low category, followed by about 29% of regions having a low level of fiscal independence. The data concludes that around 90% of regencies/cities in Indonesia still depend on the central government to fund regional affairs (Pusat Kajian Anggaran Badan Keahlian Dewan Perwakilan Rakyat Indonesia, 2020). This means that the level of regional independence is considered very lacking because there are still many regional governments that receive direction and guidance from the central government.

This high dependence on the central government then indicates that the regions have not been able to carry out their autonomous affairs. Kuncoro (2004) explains that there are five reasons why local governments have not been able to carry out their autonomous affairs properly so that they are still very dependent on the central government, including 1.) Lack of role

of local companies as a source of income; 2.) The high degree of centralization in the field of taxation; 3.) Although local taxes are quite diverse, it turns out that only a few can be relied on as a source of revenue; 4.) There is concern that if the region has high financial resources, there is a tendency for disintegration and separatism to occur; and 5.) Weaknesses in providing subsidies from the government to local governments.

The difference in the ability of regions to manage their regional finances also shows that there are variations in the size of development success in each region. With more than 500 cities and regencies in Indonesia, there are major differences in regional development agendas. Capital expenditures for infrastructure by local governments are unique and depend on regional policies and the vision of regional heads (Aritenang, 2020). In line with this statement, Harefa, Permana, Mangeswuri & Meilani (2017) also stated the importance of financial independence for regions considering the meaning of the policy is how struggling regions not only gain authority but must be responsible for obtaining various funding to run the wheels of development and governance.

Therefore, in this case, the central government delegates several fiscal responsibilities of an administrative, political, and economic nature to local governments to support the sustainability of the region. The central government's efforts to increase regional fiscal capacity then refer to the concept of fiscal decentralization, which is the transfer of fiscal responsibility by the central government to regional governments, so that the basis for delegation of authority is based on a territorial hierarchy. This means that the transfer of authority and fiscal responsibility by the central government to local governments is aimed at enabling local governments to regulate their territory in terms of regional financial management.

Goerl and Seiferling (2014) suggest that decentralization should be achieved at the aggregate level to reduce income inequality. This significant relationship only emerges after moving to a higher level of aggregation by taking into account all, or the total share of expenditure. As the foundation of regional autonomy in building regional independence, fiscal decentralization can increase revenue from regional revenue sources, make contributions such as providing efficient public services according to the wishes of the people in the region, as well as overcoming fiscal inequality. The achievement of vertical fiscal equity, namely between the central government and autonomous regional governments, is one of the objectives of fiscal decentralization. With the implementation of fiscal decentralization, regions have a broad scope to manage regional income and regional expenditures.

One of the events of fiscal decentralization that has made history in Indonesia is the transfer of the management of the Land and Building Tax in the Rural and Urban Sector (PBB-P2) to the Regency/City level, in which the central government delegates greater tax authority through the expansion of the regional tax base and the establishment of a tax base. tax rates to local governments at the Regency/City level. Efficiency in administration is often improved by centralizing tax management. However, some taxes such as the Land and Building Tax (PBB) can be local governments, even local governments can collect taxes that are generally provided by the central government (Smoke and Kim, 2002). In line with this statement, Bird and Vaillancourt (1998) also explain that local governments should be given a bigger role in tax administration, such as the

authority to set applicable tax rates, especially on immovable assets.

Learning from PBB-P2 regional experience, PBB-P2 tends to be concentrated in big cities with strong industrialization. Thus, the tax instruments that are possible to be regionalized or have their authority transferred to the Regional Government are Land and Building Taxes for the Plantation, Forestry, Mining, and other sectors (hereinafter referred to as PBB-P3), the collection of which is currently still under the authority of the central government. Transfers to the regions become the government's instrument for collecting PBB from natural resources. However, until now the dependence of the regions is still very high so the region transfer assistance from the central government to fund governance and development in their regions.

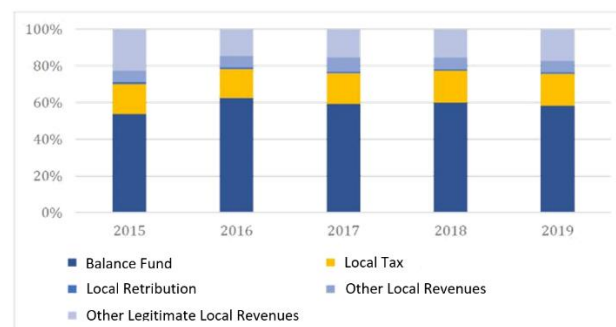


Figure 2. Structure of Regional Revenue for 2015-2019
 Source: Directorate General of Fiscal Balance, Ministry of Finance in Kristiaji, Vissaro & Ayumi (2021)

Figure 2. above shows that the contribution of balance funds still dominates total regional income with an average of 58% during the 2015-2019 period. In the same period, in aggregate, there is also a trend of increasing realization of balance funds every year with an average growth of 6.9% per year (Kristiaji, Vissaro & Ayumi, 2021). This shows that the dependence of regions on Transfers to Regions and Village Funds (TKDD) in the form of balancing funds is still very high. On the national average, the dependence of the regional budget for revenues and expenditures (APBD) on TKDD is 80.1%. Meanwhile, the contribution of local revenue (PAD) is only around 12.87% (Kontan, 2018).

Sudhipongpracha and Wongpredee (2016) explain that the causes of local governments being unable to collect sufficient revenue to fund their expenditures are administrative capacity and limited local economic conditions. The distribution arrangements for PBB are indeed designed to include an element of "equality" or equalization in taxes. However, although the regions receive most of their revenue from PBB, the regions do not have control over the tariff structure so it is like a shared source of revenue managed by the center (Ahmad and Mansoor, 2002). This means that local governments do not have discretion in determining the base and tax rates, thus losing the opportunity to regulate the size of the revenues needed to finance their expenditures.

Brockington (2008) explains that centrally controlled natural resources lack appropriate responsiveness and local ownership so this management is associated with poverty, inequality, and environmental abuses. According to him, regionalization n of natural resources is recommended as a means by which rural groups can generate wealth while managing resources in a sustainable can further lead to the management of PBB-P3

collection which is given to the whole region, as has been implemented by PBB-P2. This is based on the need to increase local taxing power in natural resource-based regions through the transfer or regionalization of PBB-P3.

Table 1. Realization of Tax Revenue Components for 2019-2020

Tax Revenue	December 2019 Realization (billion rupiah)	December 2020 Realization (billion rupiah)	Growth (2019- 2020)
Income Tax	772,3	593,9	-23,1
Non-Oil and Gas Income Tax	713,1	560,7	-21,4
Oil and Gas Income Tax	59,2	33,2	-43,9
VAT and LST	531,6	448,4	-15,7
Tax on Land and Building (P3 sector)	21,1	21,0	-0,91
Other Taxes	7,7	6,8	-11,7
Import Duty	37,5	32,3	-14,0
Excise	172,4	176,3	2,3
Exit Duty	3,5	4,2	19,5
Total	1.546,1	1.282,8	

Source: *Badan Pusat Statistik (2021)*

Based on Figure 3. above, the economic slowdown took place throughout 2020 due to the Covid-19 pandemic. This has an impact on the growth of tax revenues, which indicates that there is pressure on the performance of the Indonesian economy. Although PBB-P3 experienced a slowdown in tax revenue by 0.9 percent compared to the same period the previous year, this slowdown was considered smaller than the slowdown in other tax revenues. PBB-P3 is still a tax revenue that can except target, the realization of which is 155.9 percent. This is because PBB of Oil and Gas Mining is still the main contributor to PBB-P3 performance.

The Covid-19 crisis seems to provide an impetus to redefine the current multi-level governance arrangements. Governments at all levels must act simultaneously and in synchrony and require high coordination and a clear allocation of responsibilities to suit regional specificities (Allain-Dupré, Chatry & Phung, 2021). This need for a flexible and adaptive government system has prompted governments to review their policy tools and reconsider regional development priorities. Escaleras and Calcagno (2017) in their research test the hypothesis of whether developments such as the quality of bridge infrastructure and road surfaces can increase with the level of decentralization within a country. The results of the study found that fiscal decentralization improved the quality of bridge and highway infrastructure. From the research above, fiscal decentralization in PBB-P3 is expected to have a positive effect on the performance of a country's policies and improve local government financial governance for development purposes.

Ross (2013) revealed that revenue decentralization can be an effective way to reduce centralized revenues in the central government. However, local governments may not necessarily be able to utilize these funds better than the central government, it is undeniable that local governments may be corrupt, opaque, and incompetent. Local governments often have poor bureaucracies, are less able to manage revenue volatility, and have poor fiscal discipline. In line with this statement, Asher (2002) argues that continuous improvement in valuation techniques and expertise and improvements in property tax application need to be

emphasized more if the property tax is to play a greater role in Indonesia's fiscal system.

Turning PBB-P3 into a full-fledged local tax is realistically possible for many to be considered a long-term goal. There are many things that the central government still has to consider when transferring the tax authority to local governments, such as the complexity of zoning PBB-P3 such as different business locations from central management, administration of PBB-P3 collection, data collection on tax objects because the objects are in remote areas.

Taking into account the above matters, it is necessary to conduct an in-depth study of the regionalization of PBB-P3, especially the, plantation and forestry sectors so that the feasibility of the PBB-plantation and forestry sector can be considered for regionalization, either at the provincial or district/city level, or not regionalized. This study aims to describe the strengths, weaknesses, opportunities, and threats of the transfer of PBB in the plantation and forestry sector from the central tax to become a regional tax and analyze the strategies that need to be prepared for the transfer of PBB in the plantation and forestry sector from the central tax to a regional tax.

METHOD

The method used in this research is a qualitative approach. Qualitative research through inductive thinking processes aims to gain an understanding of a reality (Basrowi and Suwandi, 2008). This research is a descriptive study that presents an overview of the possibility of transferring land and building taxes to the plantation and forestry sector which is studied using Strength, Weakness, Opportunity, Threat (SWOT) analysis. Descriptive research is research where the main objective is to "paint a picture" using words or numbers and to present a profile, type classification, or outline of steps to answer questions such as who, when, where, and how (Neuman, 2014). The characteristics of descriptive research are using the question word 'how' in developing information to explain the mechanisms and processes in making a pattern or category (Prasetyo and Jannah, 2007). The research starts by analyzing potential, indications of obstacles, opportunities, and challenges in the transfer of PBB in the plantation and forestry sector from the central tax to local taxes, then analyzes the strategies that can be applied in preparing for the regionalization of PBB in the plantation and forestry sector.

This study reports detailed views obtained from informants and was carried out in a natural setting where the researcher was the main instrument in conducting data analysis. Data analysis was carried out from supporting sources such as primary data through field studies and secondary data through literature studies. Primary data sources come from in-depth interviews to further explore the research topic as a whole. The benefit of conducting in-depth interviews is that informants can provide historical information and allow researchers to "control" the question line (Creswell, 2013). Then, secondary data sources through library research are needed to see the suitability of the theory with social phenomena that have been researched through field studies (Babbie, 2004). Secondary data is obtained from official websites or other credible and trusted sources. This secondary data was analyzed through several documents related to taxation and research journals related to fiscal decentralization which were used as data to support the primary data in the study.

Meanwhile, primary data was obtained by in-depth interviews with resource persons/informants who would provide

data and explain their point of view from various professional backgrounds. In this case, the topic under study will get answers by using in-depth interviews to the Directorate General of Taxes (DGT), Fiscal Policy Agency (BKF), the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD), the Association of Indonesian City Governments (APEKSI), Indonesian Association of Forest Entrepreneurs (APHI), and the Association of Indonesian Palm Oil Entrepreneurs (GAPKI). Primary data were analyzed using a SWOT matrix which formulated a table of Internal Strategic Factors Analysis Summary (IFAS) and External Strategic Factors Analysis Summary (EFAS). The SWOT matrix is used to compile the company's strategic factors by clearly describing how the external opportunities and threats faced by the organization are adjusted to its strengths and weaknesses (Rangkuti, 2001). This matrix produces 4 (four) sets of possible strategic alternatives as shown in the following figure:

	IFAS	STRENGTHS (S)		WEAKNESSES (W)	
		Determine Internal Factors	5-10 Strengths	Determine Internal Weaknesses	5-10 Factors
OPPORTUNITIES (O)		SO STRATEGY		WO STRATEGY	
Determine External Opportunity Factors	5-10	Create strategies that use strengths to take advantage of opportunities		Create strategies that minimize weaknesses by taking advantage of opportunities	
THREATS (T)		ST STRATEGY		WT STRATEGY	
Determine External Factors	5-10 Threats	Create strategies that use strengths to overcome threats		Create strategies that minimize weaknesses by avoiding threats	

Figure 3. SWOT Matrix
Source: Rangkuti (2001)

RESULTS AND DISCUSSION

Business Development Services Program

Transfer to Regions and Village Funds (TKDD) is the scheme chosen by the government to fiscal decentralization to strengthen regional financial capacity. However, this makes the regions depend on the transfer of funds from the central government. One of the causes of this high dependence is the high degree of centralization in the field of taxation which seeks to reduce disparities between regions, administrative efficiency, and tax uniformity. The central government collects almost all productive taxes, both direct and indirect taxes, including in administrative management and tariff determination. Local governments seem to be limited in their space to create sources of revenue or expand the revenue base so that it creates low regional fiscal independence.

Regional fiscal independence can be seen from the large contribution to Regional Original Income (PAD) where the greater the contribution of PAD, the more independent the region. This means that their dependence on transfer funds from the central government will be smaller. Regions that have fiscal independence tend to be freer to regulate the sources of revenue obtained, compared to regions that are still dependent on transfer funds. When the transfer revenue received by the regional government is greater than the PAD, the region can only spend the APBD on things that have already been determined. On the other hand, when the region receives a PAD that is greater than

the transfer fund, the fund can be created for things that are indeed the needs of the region itself to achieve optimization of regional spending.

The government continues to strive to increase regional revenues for the sake of smooth development, one of which is by increasing regional fiscal independence through fiscal decentralization. Fiscal decentralization has been implemented in Indonesia through the transfer of the management of the Land and Building Tax in the Rural and Urban Sector (PBB-P2) to the Regency/City level which is considered effective in strengthening local taxing power at the regional government level. After the regionalization of PBB-P2 through Law No. 28 of 2009, PBB-P3 can now be considered for decentralization in the context of the need for regional tax revenues, especially in areas with abundant natural resource potential. PBB-P3 is considered to have the potential for tax revenue which tends to be large, especially during the Covid-19 pandemic because it can exceed the set target.

With the regionalization of PBB-P3, especially the plantation and forestry sectors, the authority for collecting is fully exercised by the regional government without any sharing of income with the central government such as the Revenue Sharing Fund (DBH) on land and building taxes and natural resources. This will have an impact on tax revenues sourced from PBB in the plantation and forestry sectors which are predicted to be greater for the sustainability of the area. The granting of tax autonomy for PBB, PBB, plantation, and forestry sectors by the Central Government to Regional Governments will also realize regional fiscal independence so that regions can finance regional development and provide better services to the community without being dependent on transfer funds from the Central Government.

Analysis of Strength in the Transfer of Land and Building Tax in the Plantation and Forestry Sector from the Central Tax to Regional Taxes

First, PBB-P3 has great potential to be developed because the acceptance of PBB-P3 in recent years has exceeded the target. Based on data from the State Revenue and Expenditure Budget (APBN), PBB-P3 revenues in 2019 reached Rp. 21.17 trillion from the target of Rp. 19.10 trillion. Thus, the realization of PBB-P3 revenues reached 110.84 percent. When compared with 2018 revenues, PBB-P3 grew by 8.90 percent (Kementerian Keuangan Republik Indonesia, 2020). This indicates that PBB-P3 has great potential to be developed, only the mechanism for regionalization needs to be rethought so that PBB-P3 regionalization can run effectively.

Second, the regionalization of PBB-P3 does not significantly reduce the central government's revenue because the portion of PBB-P3 does not exceed 2% of the total realized revenue of the central government. Based on information from the State Revenue and Expenditure Budget (APBN) for 2021 (Kementerian Keuangan Republik Indonesia, 2021), tax revenues from Land and Building Tax (PBB) only amounted to 14.8 trillion rupiah of actually total state revenue of 1,743.6 trillion. rupiah. This shows that PBB's contribution to central government revenues in the APBN is only around 0.8%. Thus, the central government's revenue will not decrease significantly if PBB-P3 is localized.

Third, the PBB-P3 assessment method and the current PBB-P3 collection system can facilitate the administrative process if PBB-P3 is regionalized as long as the regional government has/develops the human resources (HR) of PBB Assessors and

adapts the existing system at the Directorate General of Taxes. Fourth, the diversity of PBB-P3 tax objects is also considered not to complicate the PBB-P3 administration process if it is regionalized because the reporting has been accommodated in the same form and the assessment process for each PBB-P3 tax object has also been determined based on clear rules. The statements above have been based on written interviews with the Head of the PBB Regulations Section III and the Implementing Sections for PBB III Regulations, the Directorate General of Taxes (DGT).

Fifth, the potential for PBB revenue from the forestry sector in terms of the working area of production forests and protected forests is quite large. As expressed by the Indonesian Association of Forest Entrepreneurs (APHI):

"If you look at the area of production forest, there are about 66.7 million hectares, it is indeed a production forest. This production forest of the area that has been encumbered with permits is around 33.27 yes. Then there are 1.84 million hectares in Java, which was previously forested. If you look at that, it means that the potential is large in terms of area, right, if we compare it with other permits, for example, yes, such as plantations and mining. Mining is indeed small, but the value of the product is greater, yes, but if we look at our area, the potential is quite large. Then, in the future, the potential is also great, with the opportunity being opened for the permit to be allowed in a protected forest. So currently the protected forest is around 29.7 million hectares. There is a chance that the permit has not been burdened with around 27.48 million. So in terms of area, the potential is quite large." (Results of interview with Popi Komalasari, Deputy Secretary General of the Indonesian Forest Entrepreneurs Association, 21 April 2022).

Sixth, PBB-P3 revenue is not affected by the large oil palm plantation sector, because PBB-P3 does not correlate with Crude Palm Oil (CPO) prices. According to a study by the Sustainable Madani Foundation, the average PBB per hectare (ha) in Riau reaches Rp. 33,024 with an area of 2.3 million ha of oil palm. Thus, the potential for PBB revenue in the region is Rp. 74.52 billion per year. In addition, in West Kalimantan, PBB revenue for oil palm area of 4.5 million ha reaches Rp. 76.04 billion per year. The average PBB per ha is IDR 17,036. This indicates that the potential for PBB-P3 revenues in provinces rich in oil palm plantations reaches tens of billions per year (Katadata, 2021). Then related to the impact of the Covid-19 pandemic on UN revenues from the oil palm plantation sector, The Indonesian Palm Oil Association (GAPKI) states the following:

"But if we look at 2020 and 2021 (two years ago), it's a blessing. The price of CPO is quite good. If we talk about corporate income tax, it will increase, that's all the effect of CPO prices. So, if the potential for PBB doesn't affect the price, then PBB doesn't correlate with the price of CPO, it's the domain of corporate income tax." (Results of an interview with Yustinus Lambang Setyo Putro, Head of the Compartment for Taxation and Fiscal Affairs of the Indonesian Palm Oil Association, 19 April 2022).

Based on the for the transfer of PBB in the Plantation and Forestry Sector from the central tax to regional taxes as described above, the Strengths and Opportunities (SO) strategies that must be prepared are: (1) preparation of HR for PBB Assessors and officers who will face the implementation of the PBB administration system- P3 at the local government level; and (2) support from the central government can be done through the provision of HR training on the collection and assessment of PBB-P3 to the tax authorities in the regions.

Furthermore, the Strengths and Threats (ST) strategies that must be prepared are: (1) the regional transition of PBB-P3 must be made as good as possible so as not to cause lost tax potential; (2) preparation of human resources in terms of knowledge and skills, as well as a complete and comprehensive understanding of tax laws; and (3) preparation of a good PBB-P3 system (including software and hardware) by following technological developments.

Analysis of Weakness in the Transfer of Land and Building Tax in the Plantation and Forestry Sector from Central Tax to Regional Tax

First, the distribution of potential PBB-P3 revenues in various regions in Indonesia is uneven. This is exemplified by the Directorate General of Taxes in a written interview that the Land and Building Tax Objects for the Plantation and Forestry Sector are mostly found in the North Sumatra area, while the PBB Tax Object for the Mining Sector is mostly found in the South Sumatra area. However, these tax objects are difficult to find in DKI Jakarta and its surroundings.

Second, the complexity in PBB-P3 is more complicated than PBB-P2 considering that there are various area differentiations in the tax object of PBB-P3 plantation and forestry sectors. This is also exemplified by the Directorate General of Taxes that to determine the NJOP of the earth which is the object of PBB tax in the Plantation Sector, it includes productive plantation areas, plantation unproductive areas, plantation unproductive areas, plantation safety areas, and plantation emplacement areas. Various area differentiations are also found in the Land and Building Tax object for the Forestry Sector, the PBB tax object for the Oil and Gas Mining Sector, the PBB tax object for the Mining Sector for Geothermal Exploitation, and the PBB tax object for the Mineral or Coal Mining Sector.

Third, the lack of cooperation in exchanging data on PBB objects in the plantation sector between KPPs, especially in border areas. As expressed by the Indonesian Palm Oil Association (GAPKI):

"I once held a seminar at GAPKI regarding PBB in the oil palm plantation sector. For example, our HGUs are in 2 districts, in 2 tax offices. Now, each tax office asks for the tax to be divided, that's one of the issues. For example, Sampit Regency and Kotawaringin Regency (Pangkalan Bun), are in the middle. So, 1 HGU but across districts. What makes it difficult for the taxpayer, the PBB must be divided. Some must be reported to the Sampit KPP, the other part must be reported to Pangkalan Bun. Well, that's probably one of the issues that have been raised. Why not just one of them, it's a hassle, what land, where does the building go, Sampit or Pangkalan Bun. Then which plants enter Sampit and which plants enter Pangkalan Bun. We have to make it like an imaginary line, following the district boundaries. So that might be one of the issues we are concerned about." (Results of an interview with Yustinus Lambang Setyo Putro, Head of the Compartment for Taxation and Fiscal Affairs of the Indonesian Palm Oil Association, 19 April 2022).

Fourth, the number of levies based on land area, including the PBB levy on the forestry sector, imposes a burden on taxpayers. The forestry sector levies in Indonesia are known to reach 8 (eight) types of levies, while in other countries only 1-3 types of levies are charged to forestry entrepreneurs. These levies include permit fees, reforestation funds, forest resource provisions (PSDH), replacement of logging value, compensation to the community, land and building tax (PBB), and income tax (PPH) (Bisnis.com, 2013). This was revealed by the Indonesian Forest

Entrepreneurs Association (APHI) that the government levies on the forestry industry include PBB-P3, Non-Tax State Revenue (PNBP), and permit fees.

Fifth, the lack of transparency based on the calculation of the PBB for the forestry sector and the lack of fairness in the determination of forestry NJOP classes. As expressed by the Indonesian Association of Forest Entrepreneurs (APHI):

"So, imagine if for example later it was transferred to the regions, yes, the center can't control it because the KPP assessors are in the regions. When we ask, what is the basis of the calculation? So, if it's not productive, it's an approach from the surrounding industry, yes, if the business or APHI is close to the plantation industry, yes, he uses it, even though our status is different, we are forest area, while he is a HGU, or is he a settlement, use the settlement value. Settlements can have a higher value, we just don't have a selling value, that's a weakness, right?" (Results of interview with Popi Komalasari, Deputy Secretary General of the Indonesian Forest Entrepreneurs Association, 21 April 2022).

Sixth, there has been no realization of the allocation of PBB revenue from the forestry sector to producing regions because the level of welfare of the people living in forest-producing areas is still low, and regional infrastructure development has not been maximized. As expressed by the Indonesian Association of Forest Entrepreneurs (APHI):

"Sometimes we are sad, sometimes we have a lot of contributions such as taxes, PNBP, but we feel why there is no allocation around us that produces. What's the benefit of paying a big tax like that, while we build the road ourselves, then for example for the loading and unloading port we have to build it ourselves. There should be an allocation that can be returned, what percentage is it for building the tax producer? It's the same as in the city, we pay PBB, oh, there is road construction, but so far, we haven't felt what form the PBB we pay for, because we build the infrastructure ourselves. From the electricity one, we have to be independent, yes, all yes". (Results of interview with Popi Komalasari, Deputy Secretary General of the Indonesian Forest Entrepreneurs Association, 21 April 2022).

Seventh, the UN objection process for the forestry sector is very long and has been exacerbated by the suspension of forest management certification. This was exemplified by the Indonesian Forest Entrepreneurs Association (APHI) in an interview conducted that when the right to file an objection is used by a forestry business actor, the tax authorities identify the company's performance to process the objection submitted by the taxpayer. If the business actor has arrears, the standardization process for forest management certification is temporarily suspended so that the certification is frozen. The suspension of this certification will then have an impact on marketing where business actors cannot sell forest products.

Based on the indications of obstacles to the transfer of PBB-P2 in the Plantation and Forestry Sector from the central tax to local taxes as described above, the Weaknesses and Opportunities (WO) strategy that must be prepared is to conduct a comprehensive regional evaluation of PBB-P2 first to become a lesson learned before regionalizing PBB-P3. Furthermore, the Weaknesses and Threats (WT) strategy that must be prepared are: (1) uniformity of PBB-P3 administration in various regions through the formulation of operational regulations for implementing regulations that are generally applied; (2) the application of law enforcement on regional taxes; (3) the determination of limits or classification of tax objects and

tax rates clearly in accordance with the applicable laws and regulations that have been approved by the central government in order to provide legal certainty; (4) standardize the NJOP PBB class in the forestry sector to create justice for forest entrepreneurs in various regions; (5) preparation of special institutions for PBB-P3 that support PBB-P3 management at the regional level; (6) local governments should look at the relationship between PBB-P3 and macroeconomics in the regions in setting local tax rates in order to influence the willingness to pay of taxpayers; and (7) multiply studies and discussions on PBB-P3 regionalization discourse among the central and regional governments so that PBB-P3 regionalization can bring benefits to both.

Analysis of Opportunity in the Transfer of Land and Building Tax in Plantation and Forestry Sector from Central Tax to Regional Tax

First, the regionalization of PBB-P3 has the potential to help achieve regional fiscal independence because PBB-P2 has not been able to increase regional fiscal independence. As expressed by the Association of Indonesian City Governments (APEKSI):

"So, the problem is, actually (PBB-P2) has not realized regional fiscal independence because the PAD maybe if it has been determined from the central government all the calculations can still not be taken too much by the regions." (Results of interview with Tri Utari, Policy Advocacy Manager, Association of Indonesian City Governments, April 14, 2022).

Second, zoning PBB-P3 can be the right choice because the Revenue Sharing Fund (DBH) is considered not to be effective and efficient, the distribution of DBH is also unstable due to the use of T-1, and legal drafting of DBH is only based on things that are nature-centric. This is explained by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD) that in calculating the current DBH scheme, the distribution of DBH is unstable because it is highly dependent on world oil prices, especially natural resources and also the exchange rate. The implication is that regions often determine that the estimated DBH they receive is not as expected. This uncertainty will then have an impact on budget planning in the regions which has the potential to cause errors in preparing budgeting plans. Besides that, DBH which is still nature-centric in character encourages regions to exploit their natural resources on a large scale in order to get the maximum DBH.

Based on data from the [Ministry of Energy and Mineral Resources \(2017\)](#), the uncertainty of the DBH has led to errors in budgeting in the Bojonegoro area. In 2015, the Bojonegoro Regional Government projected that it would receive around 900 billion rupiah from DBH, but in fact, that year Bojonegoro only received DBH of around 700 billion rupiah. This caused in 2016, Bojonegoro to have a debt of around 100 billion rupiah to partners. This incident then indicates that the uncertainty of the DBH received by the Regional Government will have an impact on regional budgeting planning which has the potential to cause errors in preparing the budget plan.

Third, regional fiscal reform is needed through regionalization of the taxation sector such as PBB-P3 because changes in the HKPD Law are only fundamental things. As revealed by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD):

"Why do I say fundamentals, miss, for example, the tax regime before 2008 and after 2008 was drastic, all types of taxes were regionalized. Meanwhile, the changes from 2008 to 2022 are only slight changes. That's

what I said the change was just a fundamental thing, like that. Now, what I mean by fundamental steps is that breakthrough steps in regional taxation are actually like this, PBB-P3 is just regionalized, that's what I want. There are innovations like this in the HKPD, but there isn't, right, it's still like that in our HKPD." (Results of interview with Eduardo Edwin Ramda, Monitoring Committee for the Implementation of Regional Autonomy, 22 April 2022).

Then, based on data from the official BPK RI website quoted by [Bisnis.com \(2021\)](#), the BPK RI report launched in June 2021 noted that 443 or 88.07 percent of the total 503 Regional Governments were in the "not yet independent" category. Around 468 Regional Governments or 93.04 percent did not experience a change in the category of fiscal independence from 2013 until the Covid-19 pandemic in 2020. The findings show that most Regional Governments are still very dependent on regional transfers from the Central Government to finance their respective expenditures. each local government. Thus, the regionalization of PBB-P3 can be a fiscal reform for the regions to increase PAD and also achieve regional fiscal independence.

Fourth, the central government will provide assistance or transfer of knowledge related to the assessment and administration that has been built by the needs and/or requests submitted by the regional government. Fifth, the implementation of the PBB-P3 system and database can be integrated at the local government level although it takes time to ensure the process can be carried out properly. These statements have been based on written interviews with the Head of the PBB Regulations Section III and the Implementing Sections for PBB III Regulations, the Directorate General of Taxes (DGT).

Sixth, GAPKI supports the issue of PBB-P3 zoning to create new potential local taxes, especially from PBB in the plantation sector. As revealed by the Indonesian Palm Oil Association (GAPKI):

"At that time, I spoke to local government officials. It's a reminder, if you can remove it, enter it into the HKPD settings. But it didn't. The Central Government still holds the PBB-P3. So, it's too late. So, I'm not proposing, I'm conveying to the local government, are you aware that this PBB-P3 is a revenue for the central government and only part of it is distributed through profit-sharing funds to the regional government. If you want to get a direct contribution, you have to negotiate with the central government. Withdraw the PBB-P3 to the local government, I don't know later on to the provincial or district governments, it's up to the rules, right?" (Results of an interview with Yustinus Lambang Setyo Putro, Head of the Compartment for Taxation and Fiscal Affairs of the Indonesian Palm Oil Association, 19 April 2022).

Analysis of Threat in the Transfer of PBB in Plantation and Forestry Sector from Central Tax to Regional Tax

First, is the risk of increasing regional ego that is rich in PBB-P3 revenue potential, on the other hand, for regions that do not have PBB-P3 potential, resistance will arise. This was revealed by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD) that the disparity in natural resources owned by the regions would pose a risk of disparities between regions that have PBB-P3 income and those that do not. If regions in Indonesia have PBB-P3 income, of course, there will be minimal distortion. In contrast to a region that does not have PBB-P3 income or can only receive it for a certain period of year, then the area will not receive PBB-P3 income at all. This will result in an increase in ego for regions that have high PBB-P3 revenues. On the other hand, for regions that do not have PBB-P3 income, it will bring up a reactive attitude from each region because the natural character of various regions is different.

Second, the issue of horizontal disparities between rich and poor regions simultaneously arises. Third, PBB-P3 revenues for regions, if their authority has been transferred to regions, may not necessarily change the degree of regional fiscal independence and raise the fiscal dignity of a region, although it can increase the amount of PAD. As revealed by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD):

"So, if it is said that PBB-P3 is regionalized, will it encourage regional fiscal strength? Adding PAD is certain, yes, but again, look at how much the addition is, whether the addition will be by its goals, regional fiscal independence. Do not forget that the purpose of fiscal decentralization is not to increase PAD, but to increase regional fiscal independence. If the PAD increases, the transfer funds also increase, it's the same. He must have a large PAD. But to boost its PAD, it doesn't necessarily mean just regionalizing the types of taxes, but yes, increasing the amount of PAD is certain, but if it's said to change the degree of regional fiscal independence, raise the fiscal dignity of a region, it's not necessarily. (Results of interview with Eduardo Edwin Ramda, Monitoring Committee for the Implementation of Regional Autonomy, 22 April 2022).

Fourth, fiscal risk is very likely to occur if local governments are not able to adapt in the area of PBB-P3 considering that PBB-P3 revenues have always exceeded the target in recent years. Fifth, the determination of NJOP, tax administration, and different billing methods in each region if PBB-P3 is regionalized can pose a risk of inhibiting investment in the region. This was revealed by the Fiscal Policy Agency (BKF) that PBB-P3 has a strong relationship with the economy so that it can greatly affect the sustainability of investment in the plantation and forestry sector industries. Sixth, extracting the potential for PBB-P3 revenue will be difficult if the local government does not have qualified and trained human resources in the administration of PBB-P3 and does not have regulations and information systems that support the management of PBB-P3.

Seventh, the regionalization of PBB-P3 still requires a long study, especially regarding the consideration of the tax collection system and mechanism, as well as training of local government human resources. This is exemplified by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD) that many things must be considered, starting from the readiness of the system considering that the digitalization infrastructure in the regions is still very minimal. Then, the suitability of the PBB-P3 collection mechanism if it is regionalized, including the readiness of regional human resources to accept the methods that have been used by the central government to collect PBB-P3 so far. Eighth, in line with the need for a long study related to PBB-P3, advocating PBB-P3 regional policies by the city government also requires a long time because the HKPD Law was only issued in early 2022. Ninth, requires a very complex law change because it will set a bad precedent for the investment world if there is a change in the law again shortly. As revealed by the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD):

"Well, if we want to regionalize this, we automatically have to change the law again. So, the question is, how? Do we want to change the law again? This is a new law, there is no evaluation yet. If this discourse will be developed 10 years later, it doesn't matter, but if it takes 2 years to change the law again, this will set a bad precedent for the investment world. Remember that regulating taxation is not an issue of regional income, but also an issue of ease of doing business because those who pay taxes are taxpayers, both the community and business actors, so this is a strategic issue that cannot be taken lightly. But as an idea, as an ideal, the regionalization of PBB-P3 is good and usually, when you bring this issue to the political table in the DPR, it

means that the discussion must not only have substance, but how about creating political support." (Results of interview with Eduardo Edwin Ramda, Monitoring Committee for the Implementation of Regional Autonomy, 22 April 2022).

Tenth, technical expertise in the administration of the PBB-P3 plantation sector which is not easy can make it difficult for local governments so that there is a risk of loss of potential PBB-P3 in the plantation object area. As expressed by the Indonesian Palm Oil Association (GAPKI):

"United Nations skills are not easy, for example in plantations, how to measure how many hectares it is, how to measure building potential, plant technicalities, plant age is standardized per age, right, there is a separate skill, right. The technical skills must be prepared by them first because if not, the potential will be lost. So, what must be prepared are human resources and regional transitions. Because of this, the PBB in the plantation and mining sectors has a large value and the potential for dispute is also large. Are they ready if we later have an objection mechanism, an appeal, later let's say that the taxpayer is dragged to the tax court to face the decision filed by the taxpayer, that's the right of the taxpayer, so are they ready? Later he was summoned to Jakarta and put-on trial. Well, that's one example like that. It will happen". (Results of an interview with Yustinus Lambang Setyo Putro, Head of the Compartment for Taxation and Fiscal Affairs of the Indonesian Palm Oil Association, 19 April 2022).

Eleventh, there is a risk of competition between regions to increase PBB revenue for the forestry sector if there is no standardization of the NJOP PBB Forestry class. The need for standardization of the NJOP PBB forestry class aims to avoid the emergence of a negotiation process that has an impact on the high economy. This is exemplified by the Association of Indonesian Forest Entrepreneurs (APHI) that forest companies usually prepare budget activity plans for next year. When the realization of the budget misses the initial budget, the PBB-P3 bill can become very high because of the increase that the taxpayer cannot predict.

CONCLUSION

Based on the SWOT identification above, the conclusions of this study are as follows: 1) The results of the identification of Strengths/Strengths indicate that PBB-P3 has great potential to be developed, the valuation method, collection system, and the rules for assessing the tax object of PBB-P3 are clear and can facilitate the administrative process of PBB-P3, as well as the potential for PBB revenues, especially the forestry and oil palm plantation sectors, which is quite large; 2) The results of the identification of Weaknesses show that the distribution of PBB-P3 potential in various regions in Indonesia is uneven, the complexity of PBB-P3 is more complicated, and there is a lack of transparency, clarity and difference in the NJOP PBB of the forestry and plantation sectors, especially in border areas. ; 3) The results of the identification of opportunities/opportunities show that PBB-P3 regionalization has the potential to increase the distribution of PAD and achieve regional fiscal independence and the implementation of the PBB-P3 system and database can be integrated and then there will be assistance or knowledge-transfer related to assessment and administration to the local government level; 4) The results of the identification of threats/Threats indicate that extracting the potential for PBB-P3 revenue will be difficult if the local government human resources are not qualified and untrained, the regionalization of PBB-P3 still requires study/study as well as changes to very complex laws, and

the risk of competition between regions to increase the acceptance of PBB-P3.

Then, the strategies that need to be prepared for the transfer of PBB-P3 from central taxes to local taxes are as follows: 1) The Strengths-Opportunities (SO) strategy that can be carried out is the preparation of PBB-P3 assessors and officers who will face the implementation of the PBB-P3 administration system in Indonesia. local government level and providing HR training on the collection and assessment of PBB-P3 to the tax authorities in the regions; 2) Strengths-Threats (ST) strategies that can be carried out are a good PBB-P3 regional transition, preparation of software systems, hardware, and human resources, especially in terms of knowledge, skills, and understanding of tax laws; 3) The Weakness-Opportunities (WO) strategy that can be carried out is to conduct a comprehensive evaluation of PBB-P2 regionalization first to become a lesson learned before regionalizing PBB-P3; and 4) Weakness-Threats (WT) strategies that can be carried out are uniformity of PBB-P3 administration and local tax law enforcement, preparation of special institutions for PBB-P3 sector, and more studies and discussions on PBB-P3 regional discourse.

Taking into account the strengths, weaknesses, opportunities, and threats of PBB-P3 regionalization, especially the plantation and forestry sectors, it can be concluded that the land and building tax of the plantation and forestry sector is not ready to be transferred to local taxes in the near future due to findings on weaknesses and threats. still dominates in this study which has a significant effect on local governance. There are still many things that need to be considered regarding the administration of PBB-P3, especially the readiness of local government human resources and the mechanism for collecting PBB-P3, as well as the impact of exploitation of natural resources in regions in Indonesia.

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