

# Analysis of land and building tax's incentive to building cultural preservation In Yogyakarta city, Indonesia

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**Abstract** : Indonesia is a country well-known for its tourist paradise. One notable destination is the city of Yogyakarta, the second tourist destination in Indonesia after Bali. Yogyakarta is known as a special region in Indonesia referred to as a special region of Yogyakarta. Yogyakarta as one of the world heritage city, has hundreds of historic buildings in the area of cultural heritage. UNESCO appraise Yogyakarta as a city that has good effort towards the preservation of cultural heritage objects. On the other hand, the local Government of Yogyakarta gives its great attention on improving the development of the city. There is an understanding that the development of the Yogyakarta will have big impact on its position as a city of culture. One of the support provided by the Yogyakarta City Government to encourage owners of cultural heritage preserve is to provide incentives of Land and Building Tax toward Heritage Buildings/ Cultural Heritage Building. Land and Building tax is one of local revenue area in the local budget. Land and Building Tax's incentive aims to support the owner / manager of Heritage Buildings/ Cultural Heritage Building in his tax payments. The amount of incentive funds can be budgeted up to 1% of the revenue target of Land and Building Tax in the current fiscal year. This study analyzes the tax incentive in Yogyakarta City. The analytical method used is descriptive qualitative analysis. The analysis conducted on the amount of the incentives and evaluate the magnitude of such incentives. Data obtained from the archives of the Department of Regional Tax and Financial Management of Yogyakarta City, Financial Statements and official website of the City Government of Yogyakarta, as well as other related websites. The amount of the incentive will compare with the tax target in the regional budget of the year, then analyzed its effectiveness. In the period 2011-2015, the tax incentives averaged 75.78% of the target or Rp316.494.000, - per year. According to the source, unsuccessful 100% realization of the target incentive tax is due to rounding in the calculation process. In nominal terms, on some objects, the value of the incentive is quite small. Actually there is a chance to increase the realization of the tax's incentive which is equal to the existing gap, i.e an average of 24.22% per annum of the target incentive that is Rp100.522.554,00. It required a new formula or new policies, for example to revise the regulation so the tax incentives could be more than 1% against to the Land and Building Tax target.

**Keywords:** Heritage building, culture heritage building, Land and Building Tax, tax incentive, preservation of cultural heritage objects

## Introduction

### Background of The Study

Indonesia is well-known as the tourist paradise. Many foreigners regularly come to Indonesia to enjoy beautiful landscape of Indonesia. The data from Central Bureau of Statistics showed that there were 9,435,411 visitors coming to Indonesia in 2014. It reached 10,406,759 people in 2015, it is higher than the target of 10 millions. In 2016 Indonesia intend to reach 12 millions visitors. Indonesia has many tourism places in every tourism destination. One of destinations is the city of Yogyakarta.

Yogyakarta is identified as the cultural city and tourism city. There are so many ancient relics, heritages, palaces, Dutch heritage buildings, cultural buildings, culinary, and arts in Yogyakarta. Yogyakarta becomes the second

tourist destination after Bali. Yogyakarta is considered as world heritage city. Yogyakarta has hundreds of historical buildings located in the area of cultural preservation.

In the other side Yogyakarta's economic growth requires the people to utilize assets they have in order to fulfill economy needs. House renovation is something they often do to build commercial buildings such as shops, office affairs, boarding houses, and many others. It sometimes collides with the role of Yogyakarta as the local symbol laden of cultural buildings having important value of history and culture. The Center for Preservation of Cultural Heritage of Yogyakarta recommends the Licensing Department of Yogyakarta to manage building permit in some area (<http://purbakalayogya.com/info-perlindungan-pengantar.html>).

The United Nations Educational, Scientific and Cultural Organization (UNESCO) evaluates that the government of Yogyakarta succeed to keep the population of cultural building in Yogyakarta. UNESCO sizes up Yogyakarta as a city keeping the good efforts towards preservation of the cultural heritage. Meanwhile in other cities some cultural heritage buildings are not in a good condition, the number of cultural building in Yogyakarta rated equal to the previous (<https://m.tempco.co/read/news/>). Department of Tourism and Culture wrote there were 455 cultural heritage objects in Yogyakarta. Eighty nine properties has officially assigned as Cultural Heritage Property by the central government and the Special Region Province of Yogyakarta, and the rest of them are assigned as cultural heritage properties by the Mayor of Yogyakarta in 2009 ([https://m.tempco.co/read/news/...](https://m.tempco.co/read/news/)).

Based on Law of Republic of Indonesia Number 11 year 2010 concerning Cultural Heritage, cultural heritage shall mean tangible cultural heritage including cultural property, structure of cultural property, cultural sites, and cultural heritage area in land or in sea to be preserved because of its important values for history, science, education, religion, and/or culture through provision process. Property, building, or structure to be proposed as cultural heritage property, cultural building, or cultural structure based on the criteria provided herein:

- Have an age of 50 years old or more;
- Represent style period at least 50 years old;
- Comprise particular meaning for history, science, education, religion, and/or culture; and
- Posses cultural values for strengthening national identity.

Beside the concept of Cultural Preserve Building, based on the Mayor's Regulatory number 66 year 2010 concerning the Calculation Manual Land and Building Tax incentive and Cultural Heritage Buildings, the other concept of Cultural Heritage Buildings is added. Cultural Heritage Building are buildings made by people in the age of at least 50 years and having historical value.

Related to this cultural heritage there are some efforts in preservation and protection. Preservation is dynamic effort to keep the existence of cultural heritage and to evaluate by conserving, extending, and utilizing. While protection is the effort to prevent and to overcome from damage, ruin, and obliteration by rescue, safety, zoning, maintenance, and restoration the cultural heritage. Cultural heritage Building means very strategic in developing Yogyakarta city as an international cultural city. Cultural Heritage Building can belong to personal, nation, inheritance, donation, exchange, gift, purchasing, and/or the decision or determination, except those controlled by the nation.

One of supports given by the city government of Yogyakarta encouraging the owners of cultural heritage in order to conserve is by giving Land and Building Tax incentive on Cultural Heritage Buildings owned by society. Land and Building Tax is a material tax charged on land and/or building managed by business entity or personal.

The incentive Land and Building Tax aim to help ease the burden of the owners/managers of Cultural Heritage Building in purchasing the land and Building Tax. The Regulation of Yogyakarta's Mayor number 66 year 2010 arranges calculation formula to the amount of the incentive to Cultural Heritage Building based on the some applied criteria. It can be proposed not more than 1% from the income target of Land and Building Tax in the current year. The basic advantage in giving Land and Building Tax incentive is a manifestation of Yogyakarta as an international culture city. This is in line with the construction development of Yogyakarta city to increase the local income potential through tourism lane.

This study analyzed the supporting Land and Building Tax incentive on Cultural Heritage Buildings in Yogyakarta. The analysis was done on the amount of incentive given and to evaluate the decision on the amount of its incentive related to justice the owners/managers of Cultural Heritage Buildings. Accordingly the researchers wrote this paper entitled The Analysis of Land and Building Tax Incentive towards the Preservation of Cultural Heritage Buildings in Yogyakarta City.

### **Problem Formulation**

Based on the background of the study, the writers formulated three problems as the following:

- a. How much Land and Building Tax incentive is paid to the owners/managers of Cultural Heritage Buildings?
- b. How is the administrative implementation of Land and Building Tax incentive to the owners/managers of Cultural Heritage Buildings?
- c. Is the determination of the amount of incentive to Cultural Heritage Buildings fair?

### **Problem Limitation**

Problem limitation of this research is from 2011 to 2015 which elements of the study are the amount of the Land and Building Tax target, the amount of Land and Building Tax incentive, calculation procedures of Land and Building Tax incentive, and the distribution to the manager Cultural Heritage Buildings in Yogyakarta by analysis unit of government of Yogyakarta.

### **Objectives of The Study**

The objectives of the study are:

- a. To undertake the general study of Land and Building Tax concept and Land and Building Tax incentive on Cultural Heritage Buildings of Yogyakarta.
- b. To find out the ways in giving Land and Building Tax incentive to Cultural Heritage Buildings in Yogyakarta.
- c. To describe the role of Land and Building tax towards the preservation of Cultural Heritage Buildings in Yogyakarta.

### **Benefits of The Study**

The benefits of the study are:

- a. The teoritical matter, is to enriche the various empiric study in taxation and sustainable development
- b. The practical matter, are :
  - To find out the description of Land and Building Tax and the incentive of Land and Building Tax on Cultural Heritage Buildings in Yogyakarta.
  - To find out the idea of the growth of Cultural Heritage Buildings through tax section.
  - To provide feedback to city government of Yogyakarta related to Land and Building tax incentive on Cultural Heritage Buildings in Yogyakarta.

### **Theoretical Description**

#### **Cultural Heritage**

According to Law of Republic of Indonesia Number 11 year 2010 article 1 concerning Cultural Heritage, cultural heritage shall mean tangible cultural heritage including cultural property, structure of cultural property, cultural sites, and cultural heritage area in land or in sea to be preserved because of its important values for history, science, education, religion, and/or culture through provision process. Cultural heritage is a part of nation's characteristics. It is written in the highest law in Indonesia, the 1945 Constitution of the State of the Republic of Indonesia. In the article 32 of the 1945 Constitution it is stated that "the state shall improve Indonesia national culture amidst the world civilization by guaranteeing a freedom to maintain and develop cultural values." Besides, cultural heritage becomes the assets to show nation's identity. One of the fundamental differences between Law number 11 year 2010 and Law number 5 year 1992 concerns in protection and preservation the cultural heritage.

In the earlier period the authority was commanded by the government however the regulation was stated that people were demanded to participate in conducting the roe of cultural heritage prevention.

As we know that the ownership of cultural heritage is not only government but also other parties, such as personal or other legal entities. Therefore the managers or the owners are nessessary to keep working on the preservation of cultural heritage.

In Law number 11 year 2010 cultural heritage in the form of property, building, structure, sites, and areas needed to be managed by the government and regional government by improving the role of society's participation to protect, develop and utilize culture heritage. This cultural heritage is located in the area of cultural heritage. The Area of Cultural Heritage is an area covering territorial agglomeration having property or cultural heritage building and having the characteristics and also the same cultural background in geographical boundaries with physical and non-

physical delineation. Recently there are five Cultural Heritage Areas in the city of Yogyakarta i.e. Kotagede, Kotabaru, Pakualaman Palace, and Malioboro.

According to the Regulations of Governor of Yogyakarta Special Region Number 74 Year 2008 concerning Procedures for the Determination and Classification of Cultural Heritage Area and Cultural Heritage Objects, there are five classification of Cultural Heritage Area as follows:

- Class A, it is a world scale class where Cultural Heritage Area and Cultural Heritage Building have the highest value of cultural preservation and all criteria ratings of international values;
- Class B, it is a nationwide where Cultural Heritage Area and Cultural Heritage Building have the second ratings of cultural preservation and all criteria ratings of national values;
- Class C, it is regional/province scale where Cultural Heritage Area and Cultural Heritage Building have the third ratings of cultural preservation and all criteria ratings of regional values;
- Class D, it is a district scale where Cultural Heritage Area and Cultural Heritage Building have the fourth ratings of cultural preservation and all criteria ratings of local values;
- Class E, it is a local scale where Cultural Heritage Area and Cultural Heritage Building have the fifth ratings of cultural preservation and all criteria ratings of local values;

The region of Yogyakarta is a rich region on the past historical heritage. People often discover objects or sites accidentally. When discovering cultural heritage objects, they will have rescue action. The rescue procedures are as follows:

- There is a report of Cultural Heritage Buildings
  - a. People come to Centre for Preservation of Cultural Heritage of Yogyakarta
  - b. Announce the findings in newspaper
- Doing a literature study as the references: It is done to check whether the objects have been an inventory of Centre for Preservation of Cultural Heritage of Yogyakarta, or to find out whether there is previous research on the objects.
- Surveying the discovery location: it is conducted to find out the discovery location, and the discovery context with environment.
- Rescuing the discovery objects: it is carried to Centre for Preservation of Cultural Heritage of Yogyakarta to be analyzed.
- Evaluating the discovery objects: the evaluation involves some aspects:
  - c. Extrinsic aspect, by laboratory analysis
  - d. Intrinsic aspect, by determination important value on the discovery objects done by the Analysis Team of Cultural Heritage Objects and Cultural Heritage Area.
- Determining the discovery objects status: it can be concluded whether the objects are Cultural Heritage Buildings or not after the analysis have been done.
- Discovery compensation: if the findings is not Cultural Heritage Buildings, it shall be possessed by the finder. If it is Cultural Heritage Building, there will be two possibilities:
  - e. If the discovery defined rare type, unique design and rare number, shall be taken over by the state and give the compensation to the finder.
  - f. If the objects are many, some of them shall be taken over by the state and the rest shall be possessed by the finder. Both of them deserve a certificate and a letter of ownership of Cultural Heritage Buildings.

Cultural heritage building is a building having the value stipulated by either Governor of Yogyakarta Special Region or centre government, and Cultural inheritance building is a building stipulated by city government of Yogyakarta. It is possible to change the cultural inheritance building into cultural heritage building after proposed to the centre government and following some steps determined by law. The stipulation of cultural building as a cultural heritage/inheritance building brings positive benefits for many parties included the building itself. The owner should understand how to treat it, what should do, and what should not do. Beside the owner, the society around the cultural building is intended to know the status of the building and keep it save. Cultural heritage building cannot be demolished and rebuilt into other styles. However, it can be converted, for example from a house into shop so that it has additional value.

There are some cultural heritage objects authorized by the government which is used as public interest, like Gedung Agung in Yogyakarta City used as a Presidential Palace. Another buildings are Hotel Natour Garuda on Malioboro

street, Ndalem Pujokusuman, some joglo houses in Kotagede, BNI Bank building, and many more. They are authorized by government and region in order to organize administration, and interests of national culture, so that they are not obligated to pay the Land and Building tax (Article 77 Verse 3 Law Number 28 Year 2009). However, for those who possess them personally must be obligated to pay Land and Building tax. As a support from government in keeping the preservation of cultural heritage building, they distributed an incentive on Land and Building Tax payment.

### **Land and Building Tax**

According to Law Number 28 Year 2009 concerning Regional Tax and Retribution, Land and Building Tax – Rural and Urban is a tax on land, and/or building owned, authorized, and utilized by agency or personal, except for the area used for plantation, forest, and mining. Land is the surface of earth consisting land, inland waters, and sea of urban region. Building is a technique contraction put permanently in the ground and/or inland waters and/or sea.

The objects of Land and Building Tax – Rural and Urban are Land and Building owned, authorized, and/or utilized by personal or agency, except some areas for plantation business, forest, and mining. Building means:

- a. Street located in buildings area, such as hotels, factories, and railway yard, united in one area;
- b. pools;
- c. fancy fences;
- d. sport centre;
- e. luxuriant gardens;
- f. oil refinery, water plant, gas refinery, oil pipeline; and
- g. tower.

In the other hand Tax Property which is not charged a Land and Building Tax – Rural and Urban are:

- a. used by the central and regional government to a governance
- b. used to serve public interest which is not profit oriented, such as worship area, national education and culture, and social health.
- c. Used for cemetery, non profitable ancient relics
- d. Protected forest, forest preserves, tourism forest, national park, greenland owned by districts, dan ground state.
- e. Tourism forest and ground land not burdened with authorization
- f. Used by diplomatic representatives and consulate based on reciproca treatment
- g. Used by agencies or representative of international institutions determined by Regulations of Ministry of Finance

Article 80 Law Number 28 Year 2009 concerning Fare of Land and Building Tax – Rural and Urban is stated in 0.3% (zero point three percents as the maximum number). Based onn Regional Regulations of Yogyakarta City Number 10 Year 2010, the Fare of Land and Building Tax – Rural and Urban in Yogyakarta is determined as follows:

- a. 0,1 % (zero point one percent) for Land and Building Tax Imposition Base up to Rp. 500.000.000,- (five millions rupias);
- b. 0,125 % (zero point a hundred and twenty five percent) for Land and Building Tax Imposition Base more than Rp. 500.000.000,- (five million rupias) up to Rp. 1.000.000.000,-(one billion rupias);
- c. 0,160 % (zero point 1 hundred and sixty) for Land and Building Tax Imposition Base more than Rp. 1.000.000.000,- (one billion rupias) up to Rp. 2.000.000.000,- (two billion rupias).
- d. 0,220 % (zero point two hundred and twenty percent) for Land and Building Tax Imposition Base more than Rp. 2.000.000.000,- (two billion rupias) up to Rp. 5.000.000.000,- (five billion rupias);
- e. 0,3 % (zero poin three percent) for Land and Building Tax Imposition Base more than Rp. 5.000.000.000,00 (five billion rupias).
- f. The bases of Land and Building Tax – Rural and Urban is Land and Building Tax Imposition Base. The amount of Land and Building Tax Imposition Base is assigned every once in a three years, except for some object tax that can be assigned every year based on the region development. The amount determination of Land and Building Tax Imposition Base is conducted by the distric Head. According to Law Number 12 Year 1994 concerning Land and Building Tax, Land and Building Tax Imposition Base is the avarage price obtained by transaction, and when there is no transaction, Land and Building Tax Imposition Base is determined through a price comparison to the other same objects or a new acquisition value.

The principal amount of Land and Building Tax on Rural and Urban owed is calculated by multiplying the fare to the base of Land and Building Tax which is Land and Building Tax Imposition Base after reduced by Non Taxable Land and Building Tax Imposition Base).

$$\text{L\&B Tax} = \text{Fare} \times (\text{Land Value} + \text{Building Value} - \text{NT L\&B Value})$$

In Yogyakarta City, based on the Regional Regulations of Yogyakarta Number 10 Year 2010, Non Taxable Land and Building Tax Imposition Base is Rp 12.000.000,- (twelve million rupias) for every taxpayer.

### Land and Building Tax Incentive for Cultural Heritage Properties

Article 22 Law Number 11 Year 2010 concerns about any person shall possess and/or authorize cultural property, cultural building, cultural structure, and/or cultural site by considering their social function as long as it follows this constitution regulation. Incentive in a form of reduction of Land and Building Tax can be distributed by the Government or Regional Government to the owner of cultural heritage who conserves cultural heritage like in Law. Meanwhile special incentive on Cultural Heritage Building in Yogyakarta City was arranged through Mayor Regulation Number 66 Year 2010 concerning about Distribution Calculation Guidelines of Land and Building Tax incentive on the Cultural Heritage Building. In order to appreciate the preservation of Cultural Heritage Buildings, the government of Yogyakarta provide incentive in a form of social assistance in the payment of land and Building Tax. Cultural property shall represent natural and/or manmade resource utilized by human and biota fossils that shall be related to human activities and/or related to mankind history. They shall have an age of 50 years old or more, represent style period at least 50 years old, comprise particular meaning for history, science, education, religion and/or culture, and possess cultural values for strengthening national identity.

Article 2 of Mayor Regulations Number 66 Year 2010 manage that the criteria of distribution incentive is for tax objects categorized as:

- i. Objects of Land and Building Tax determined as cultural heritage buildings by:
  - a. Ministry of Education and Culture
  - b. Ministry of Culture and Tourist
- ii. Objects of Land and Building Tax determined as cultural heritage buildings by Mayor
- iii. Objects of Land and Building Tax located in Yogyakarta City.

The basic calculation of incentive distribution is by the building values. It is determined by the formula in the following:

- The sum of the multiplication of the weight and score from Heritage value, utilization, and location are multiplied by the provision value
- The minimum incentive given is Rp 50.000, except when the provision of Land and Building less than Rp 50.000, the taxpayer will get 90% incentive from the tax provision.
- The provision of Land and Building in which cultural heritage building is incomplete, the incentive will be counted based on the width of cultural heritage building or cultural inheritance building.

### Budget Absorption Performance

One on the benchmarks of government institution in doing budgets is the absorption of calculation. Regulation of Ministry of Finance 249/PMK.02/2011 concerning the Measurement and Performance Evaluation on Work Plan Implementation and Budgets Ministries/Institution states a performance evaluation in accountability function and quality enhancement function. Accountability function aims to prove and be responsible to the society in the use of budgets managed by relevant Ministries. Meanwhile quality enhancement function aims to find out the supporting and/or obstacle factors of the previous Work Plan and Budget of Ministry/Agency (WPBMA) as the arrangement WPBMA to improve the following performance.

One of performance evaluation is implementation aspect where one of the indicators is the absorption of budgets. Performance evaluation nowadays is conducted at least once a year. The data needed is budget realization. It also applies for the regional. It is generally arranged in Government Regulations Number 39 Year 2006 concerning The Procedures in Control and Performance Evaluation of Development Plan. Realization is an achievement level which is successfully realized. It is always compared to the targets, so it should be stated in clear unit quantity. The amount of activity realization is equal to the target therefore activity achievement status is good. According to Government Regulations e-money manual of National Development Planning Agency Number 39 Year 2006 was made a gab

measurement between realization and target. The gap/difference amount between realization and target is calculated separately between budgeting and performance. However those two things have the the basic formula. The gap measurement is explained in the following table:

Table 1. The Example of Gap’s Measurement Between Realization and Target

Activity	Quarterly Targets (%)				Realization of Performance Q II (%)	Realization of Target	Calculation of difference / gap	Gap value
	I	II	III	IV				
Activity A.1.	25	40	80	100	22	18	18/40*100	45%

Source: The e-monev manual of National Development Planning Agency, 2012

Note :

Example: Trimester Target II Activity A.1= 40 %




Value of budgeting achieved in trimester II = 22 %

Realization Difference of Target = 40% – 22% = 18 %

Gap calculation/difference= 18/40\*100%= 45%

45% is compared to the range to determine Achievement Status of Activity/Program in green, yellow, and red. The table is shown below:

Table 2. Note for Programs Achievement Status

Performance Status	Color	Target’s Gap vs Realization (X)	Explanation
	Green	$X \leq 0 \%$	Good
	Yellow	$0 \% < x < 25 \%$	Beware
	Red	$X \geq 25 \%$	Bad

Source: The e-monev manual of National Development Planning Agency, 2012

Based on the table, it can be concluded that 45% is considered RED (poor).

**Review of the Related Studies**

- Santi Handayani (2008) wrote a thesis entitled “A Reduction of Land and Building Tax on cultural heritage building in Yogyakarta”. She said that there were taxpayers proposing reduction on paid Land and Building Tax.
- Candra Irfandita Adiputra (2014) wrote a thesis entitled “The Efforts of Preservation of Cultural Heritage Building in Kauman Village, Yogyakarta”. He explained that the preservation of cultural heritage building had some steps which were government should identify the cultural heritage building, then the identification can present a preservation policy of cultural heritage building.
- Kamashakti Wondoamiseno (2015) wrote a thesis entitled “Functional change of Dalem Kaneman in the area of Jeron Benteng Kraton Yogyakarta”. He stated that the new economic activity and tourist used by cultural social activity became a factor which had a role in socio-cultural changes in functional and spatial meaning and pattern of spatial used and time changes. The optimalization of socio-culture function could be done parallelly with the economic function and tourist by developing economic and tourism activities integrated with socio-culture activities in Dalem Kaneman.

## **Research Methodology**

### **Type of Research**

Type of research conducted linear with the aim of this study is to find out knowledge of a phenomenon (taxonomical) concerning in Cultural Heritage Buildings related to distribution of Land and Building Tax incentive on those buildings. This research type is descriptive qualitative research.

### **Definition of Variable Operational**

There are some definitions of variable operational in this study as follows:

- Cultural property shall represent natural and/or manmade resource utilized by human and biota fossils to show spatial function and/or non spatial function in Yogyakarta. Cultural Heritage Buildings requires manmade buildings, has an age 50 years, or represent style periode at least 50 years old, and comprise particular meaning for history, science, education, religion, and/or culture.
- Cultural Heritage Building shal represent manmade resource utilized by human at least 50 years old and possess values for history in Yogyakarta city.
- Land and Building Tax is Rural and Urban Land and Building Tax meaning property tax on land and/or building owned/authorized/utilized by personal or business entity. Land and Building is a part of local admission in Reional Government Budgeting of Yogyakarta City.
- The objects of Land and Buiding tax incentive and Cultural Heritage Building are determined by Ministry of Education and Culture and Mayor of Yogyakarta.
- Incentive of Land and Building Tax is fund distribution to owners/managrs of Cultural Heritge Building which is budgeted 1% from the target of Land and Building Tax income in the current year.

### **Type and Data Source**

This study collected the data from the second data which were gained using indirect way from the data source. The data were collected from Departement of Regional Tax and Finance Management of Yogyakarta City, Finance Report of Yogyakarta City and official website of Yogyakarta Government, and other websites. Beside, literature studies were conducted to support this research. The data needed are

- A number of Cultural Heritage Building in Yogyakarta City
- Admission target of Land and Building Tax in Budgeting in Yogyakarta City
- The amount of Land and Building Tax incentive to the tenants/managers of Cultural Heritage Buildings.
- Finance report of Yogyakarta City

### **Data Analysis Method**

The data obtained from this study, both literature study and field study, was analyzed using qualitative descriptive method. The obtained data were arranged systematically and selected based on the problem and observed according to the rules and reguations, and the last was concluded to get the answer of the problems.

The analysis of descriptive qualitative using land and Building Tax incentive on Cultural Heritage Building. This study analyzed the distribution Land and Building Tax incentive and the amount of Land and Building Tax incentive in Yogyakarta City. The amount of Land and Building tax incentive was compared to the Land and Building Tax target in regional budgeting to analyse its effectiveness. In the other hand it will be discussed on how to deliver the incentive to the managers of Cultural Heritage Buildings and the interviewees' point of view on the amount of Land and Building Tax incentive for Cultural Heritage Buildings.

### **Data Validation**

The validation ratings was conducted through cross-checking on data source or information. Validation in qualitative research is expected to show that the data is valid is when there is no difference between reported research and the real examined objects. To have the legal documents the writers applied triangulation. It is technique of legal evaluation to utilize something. The most popular triangulation ofted used is an evaluation from other sources. It compares and rechecks the degree of trust in the information conducted through different times and devices in a qualitative research.

Triangulation with some interviewees are conducted in these following ways:

- To compare data of observation result to interview result.



- To compare the condition and perspective of a person by sharing opinion and people’s point of view such as ordinary people, educated people, and government staffs.
- To compare the interview result through the content of related documents.

**Research Location**

This study was conducted in Yogyakarta city having official interviewees in Management Department of Tax and Local Wealth of Yogyakarta, Department of Tourist of Yogyakarta, and some experts.

**Result and Discussion**

**General Description of Yogyakarta**

The city of Yogyakarta is the capital city and the center administration of Special Region of Yogyakarta, Indonesia. It is the location where Sultan Hamengkubuwana and Adupati Paku Alam live. Yogyakarta city is one of the biggest cities in Indonesia. Kotagede is one of Yogyakarta’s sub-districts. It used to be the centre of Mataram’s Sultanate in 1575-1640. Keraton (palace) functioning in actual meaning is Palace of Yogyakarta and Puro Paku Alaman, which were part of Sultanate of Mataram.

The word of Yogyakarta comes from two words, Ayogya or Ayodhya meaning ‘peaceful’ (or no war, a for not, yogya for war), and Karta meaning ‘good’. Ayodhya is a historic town in India where Ramayana story began. Yogyakarta is located in a valley of three rivers, Winongo, Code, and Gajahwong. This city is 600 kilometers of east-south of Jakarta. It is on 112 meters above sea level (masl). Even though located on the valley, Yogyakarta is hardly ever floods because the drainage is well-arranged by colonial rule, added to extra waterways completed by city government of Yogyakarta.

Yogyakarta city is a province capital city of Special Region of Yogyakarta and the only regional level II status as a city beside the other 4 regional level II status as distric. Yogyakarta city is located in the middle of the province. The borderlines are as follows:

- North : Distric of Sleman
- East : Distric of Bantul and Sleman
- South : Distric of Bantul
- West : Distric of Bantul and Sleman

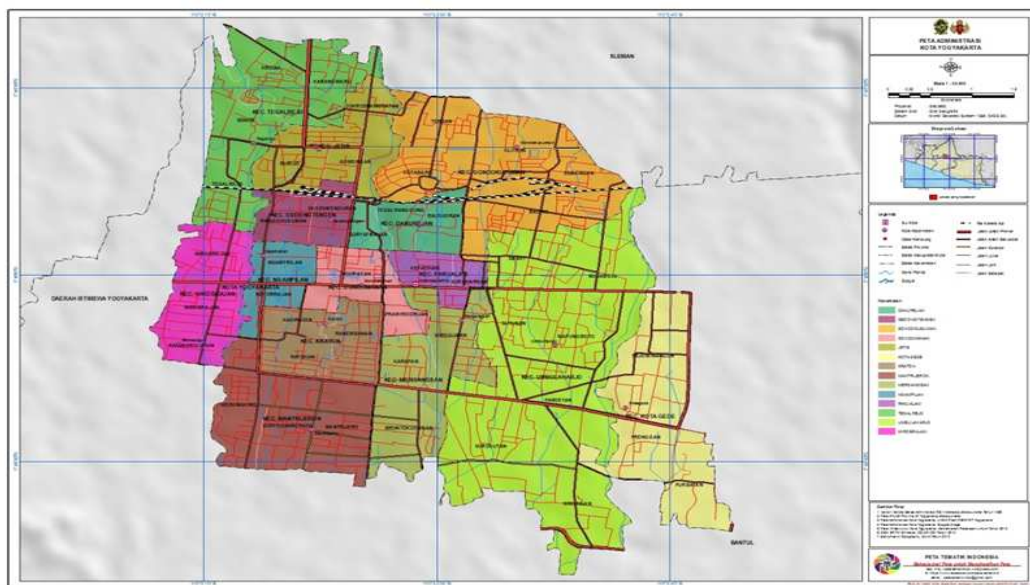


Figure 1. Map of Yogyakarta

Sumber: <https://www.google.com/search?q=peta+kota+yogyakarta&client>

Yogyakarta city has the narrowest area compared to the other cities, which is 32.5 square kilometers or 1.025% of the total area of Yogyakarta Special Region. In order to keep buildings of cultural value, the government of Yogyakarta pointed five areas as cultural heritage areas and strengthened the position of Yogyakarta city as the City

of Heritage. The five areas are Kotabaru, Kotagede, Pakualaman, Malioboro and Kraton because those areas have something unique from many sides. One of them is the building style. Therefore, the people want to build or renovate the buildings in cultural heritage areas, so that the new building should adapt the architecture in that area. Meanwhile, there are still many buildings categorized as cultural heritage property, yet it has not been decided officially by the government. Many of them have its own architect styles, such as Javanese classic, colonial, and China which will be cultural heritage property as the plan when the data result is ready (Kharisma, Wilujeng, 2015). Beside of the five cultural heritage areas, there are 457 units cultural heritage objects in 14 sub-districts as follows:

Table 1. Cultural Heritage Properties in Yogyakarta City

NO	DISCTRICT	AMOUNT	NO	DISTRICIT	AMOUNT
1	Danurejan	31	8	Mantrijeron	11
2	Gedongtengen	18	9	Mergangsan	14
3	Gondokusuman	115	10	Ngampilan	17
4	Gondomanan	27	11	Pakualaman	22
5	Jetis	59	12	Tegalrejo	2
6	Kotagede	89	13	Umbulharjo	6
7	Kraton	39	14	Wirobrajan	7
<b>TOTAL</b>					<b>457</b>

Source: <http://purbakalayogya.com/potensi-yogyakarta.html>

As a part of local government attention towards the existence of Cultural Heritage Buildings sustaining Yogyakarta City as tourist and culture area, city administrative of Yogyakarta then provide incentive on the Land and Building Tax payment conducted by the tenants/managers. It refers to the Rules and Regulation of Yogyakarta Mayor Number 66 Year 2010 concerning A Calculation Manual Land and Building Tax incentive and Cultural Heritage Buildings. The incentive fund can be budgeted, 1 % is the highest from the target of Land and Building Tax income in the following budgeting year, and the basic incentive calculation is the value of the relevant cultural heritage buildings.

#### **The effectiveness of the distribution of Land and Buiding Tax incentive**

The foundation applied in incentive calculation to Cultural Heritage Building is the value of the building. It is formulated as follows:

- 1) The sum of multiplication between quality and score from heritage score, utilization, and location multiplied to the score of provisions as formulated below.

Table 2. The Formula calculation of tax incentive

Heritage Value				utilization					Value				The number of value	Value of provision	Value of building	incentive	
Weight 50%	High	Medium	Low	Value	Weight 25%	Home	Social	Business	Value	Weight 25%	Strategic	Rather					Not
	3	2	1			3	2	1			3	2	1				

Source: Mayor Regulation Number 66 Year 2010

The distributed quality of heritage weight is 50%, 3 is for the highest score, 2 is for the average score, and 1 is for low score. The factor considered in deciding high and low if heritage value is the originality of the buildings, historical heritage value, architecture, and many more. From the utilization side the score is 25%, 3 for Cultural Heritage Building of the household utilization, 2 for Cultural Heritage Building in social, and 1 for Cultural Heritage Building in business utilization. Meanwhile location is at 25%, 3 for strategic area, 2 for rather strategic location, and 1 for non strategic spot. This incentive will be distributed proportionally, concerning the comparison between building value and total number of budgeted incentive.

- 2) Incentive is distributed at least Rp 50.000, unless if there is a rule to pay less than Rp 50.000, there will be paid 90% from the tax. For incomplete Cultural Heritage Buildings, the incentive calculation will be fit to its area.

According to the data in 2014 there are 457 units in 14 sub-districts of Yogyakarta City . The 316 of 457 Cultural Heritage Buildings were distributed a Land and Building Tax incentive since there was some Cultural Heritage Buildings which were not taxable, such some Cultural Heritage Building used for government performance, social facility, school buildings, public facility, worship buildings and many others. The application of Land and Building Tax incentive is shown as in Table 4.

Table 4. The Target of Land and Building admission and the incentive realization of Land and Building Tax on Cultural Heritage Buildings of Yogyakarta city in 2011-2015

Year	Revenue Target of L&BT	Incentive CHB Target	Realization of incentive CHB	Realization/Target Proportion
2011	29.685.709.856	296.857.099	235.563.000	79,35%
2012	32.000.000.000	320.000.000	249.946.000	78,11%
2013	42.000.000.000	420.000.000	217.750.000	51,85%
2014	46.700.000.000	467.000.000	399.910.000	85,63%
2015	57.100.000.000	571.000.000	479.301.000	83,94%

Source: data, processed

As stated in the the Regulation of Yogyakarta’s Mayor Number 66 year 2010 the highest incentive shared is 1% from the Land and Building Tax admission target. The effectiveness of Cultural Heritage Buildings incentive can be measured by the comparison on incentive application supported with incentive target which is 1% from the admission target of Land and Building Tax.

Table 5. Performance Criteria in distributing incentive to Cultural Heritage Building

Year	Incentive's Target	Incentive's Realization	Realization's Percentage	Gap (Realization to Target)	Performance Status
2011	296.857.099	235.563.000	79,35%	20,65%	Beware
2012	320.000.000	249.946.000	78,11%	21,89%	Beware
2013	420.000.000	217.750.000	51,85%	48,15%	Bad
2014	467.000.000	399.910.000	85,63%	14,37%	Beware
2015	571.000.000	479.301.000	83,94%	16,06%	Beware
Mean	414.971.420	316.494.000	75,78%	24,22%	Beware

Source: data, processed

As we can see that Table 4 explains that the incentive for Cultural Heritage Building in 2011, 2012, 2014, and 2015 achieved with the result for 'be careful', meanwhile in 2013 the achievement was 'poor'. 'Be careful' means gap  $0\% < \text{gap} < 25\%$  warns the relevant institution must be careful since budgeting does not reach the stated target meaning that between budgeting realization towards budgeting plan is higher or equal to 25%. In the period 2011-2015 Land and Building incentive reached 75,78% from the the target or in the avarage of Rp 316.494.000,- per year. Based on the interviewees it was not applied 100% target of Land and Building Tax incentive since there was rounding off process in calculation,

- a. Concerning the incentive supporting criteria in Mayor Regulation Number 66 Year 2010, interviewees from Departement of Tourist of Yogyakarta evaluated that the distribution incentive is poor. In addition the tenants o Cultural Heritage Buildings did not take the incentive. As a result the number of accomodation fee needed to take higher than the incentive received. Some interviewees from DPPKAD of Yogyakarta stated the same description where this incentive should be observed more in order to get the higher number. However the other interviewees explained that the grade of Land and Building Tax incentive was sufficient since ths fund was not intended as improvement fund of Cultural Heritage Buildings, however, it was in the incentive on Land and Building Tax payment. Moreover there were only some people not collecting the incentive.
- b. There should be some empty space to extend the realization of Land and Building Tax incentive as high as the gap which is in the avarage of 24.22% per year from the avarage incentive target reaching Rp 100.522.554,-. This number was applied and devided equal for about 300 Cultural Heritage Buildings where always received the incentive so that each of them would get icentive Rp 335.075,-. This number is high enough for Cultural Heritage Building in Yogyakarta city

Beside the incentive of Land and Buliding Tax payment distributed by the government, Law Number 28 Year 2009 concerning Local Tax and Local Retribution mandates that the tax objects as ancient relics and tax objects used as a matter of serving public interest in the field of worship, social life, health, education, and culture, which is not intended to earn profits, non tax. The real condition showed that there were some cultural heritage authorized by the government used as public interest/government interest, for example Gedung Agung as the Presidential Palace. There are also some cultural heritage used as personal business or firm, and it is not applied as public interest, such as Natour Garuda Hotel on Malioboro street, Ndalem Pojokusuman, and some joglo houses in the area of Kotagede, Bank of BNI building in Kraton area, and many others. Therefore there will be different tax treatment. There is no tax for some cultural heritage owned by the government being used as public interest. However, there is tax for the cultural heritage objects which is allocated not for public interest, and it belongs to personal or institution. The incentive distribution considers some factors, such as a clarification of Cultural Heritage Objects, the ability of taxpayer, and others.

There is still another fund except incentive distribution from government on Cultural Heritage Buildings that is Special Fund of Yogyakarta Special Region. It comes from central government and is distributed to the province of Yogyakarta Special Region. Province will use the fund to conserve and develop Yogyakarta's culture as cultural heritage. Some of this fund is distributed to districts in Yogyakarta to maintain the Cultural Heritage Building.

However the facts shows that the distribution of Cultural Heritage Buildings is delicate since the receivers from government should be legal entities. Meanwhile the fact is many cultural heritage buildings are not in legal entities or owned personally so that they will not get the preservation and maintenance fund. This special fund does not become the concerns discussion in this study. Hopefully this will be discussed in the next research.

## Conclusion and Suggestion

### Conclusion

Based on the data gained the writers it can be concluded that the giving of Land and Building incentive towards Cultural Heritage Buildings in Yogyakarta does not achieve the maximum number which is 1% from the admission target of Land and Building Tax in the related year. One of the results is some value given to the owners/managers Cultural Heritage Buildings is not significant so that there is some incentive which is not taken by the owners/managers of Cultural Heritage Building. If the 1% incentive target can be realized, the incentive value of Land and Building Tax given to the Cultural Heritage Building might be more significant. Therefore, new formula or new policy is need, for example some provisions that incentive is more than 1% towards Land and Building Tax target.

Beside the incentive of Land and Building Tax payment in cash, the other given facilities by government is the distribution of reduction towards the amount of tax which must be purchased and maintenance fund from special fund of Special Region of Yogyakarta.

### Suggestions

- Considering that Yogyakarta has many both properties and cultural heritage area where things and the location are tourist support of Yogyakarta therefore it is necessarily given the incentive to the payment of Land and Building Tax. In order to make sufficient incentive disbursement optimization of the incentive reaching the target 1% is needed. In long term period it is required to change the policy of incentive percentage or incentive calculation formula so that the value is significant.
- Beside Land and Building Tax incentive, it is needed to give subsidy from the government for the building maintenance. There is now special fund in Special Region of Yogyakarta used to subsidize the Land and Building Tax maintenance. However, the fund distribution is constrained to some administrative requirements, such as beneficiaries must be incorporated, therefore the distribution to the people is complicated. Hence, it is needed to reobserve comprehensively in the related rules.
- This study discusses the incentive of local government in purchasing Land and Building Tax. It has not criticized about incentive distribution from fund of Special Region of Yogyakarta. This can be discussed further in the future study

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