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# REVIEW OF THE IMPLEMENTATION OF BORNE-BY-GOVERNMENT VALUE ADDED TAX IN THE HOUSING SECTOR ON THE LEVEL OF HOME OWNERSHIP BACKLOG IN INDONESIA

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**Abstract**
The objective of this study is to examine the impact and influence of the Borne by Government Value-Added Tax (PPN-DTP) facility in the housing sector on the backlog rate of homeownership in Indonesia. Additionally, the research seeks to assess the effectiveness of this facility and its potential correlation with housing bubbles, as well as to provide relevant recommendations for future PPN-DTP policies in the housing sector. The study employs a mixed-methods approach, combining descriptive qualitative and quantitative methodologies. Primary data were collected through interviews with academics, officials from the Directorate General of Taxes, and taxpayers. Furthermore, the study utilized secondary data from public documents published by the Central Statistics Agency, the Ministry of Public Works and Housing, Bank Indonesia, and the Ministry of Finance of the Republic of Indonesia. The findings indicate that the PPN-DTP facility in the housing sector has a strong, positive, and significant impact and has proven effective in reducing the homeownership backlog in Indonesia. However, the sustainability of this facility in the long term requires further review, particularly regarding the eligibility criteria for beneficiaries and the urgency of strengthening oversight of the PPN-DTP facility by the Directorate General of Taxes to optimize its outcomes for the Indonesian public.
**Keywords**: Homeownership Backlog, Property Bubble, Tax Incentives, Value-Added Tax (PPN)

## INTRODUCTION

The fulfillment of residential building needs for Indonesian households is suboptimal, with the rapid population growth not being accompanied by adequate residential building provisions for all households. Baidarus *et al.* (2023) delineate the term "backlog of home ownership" to denote the discrepancy between the number of houses available and the number of houses the community requires. The financial constraints experienced by certain household segments, particularly those with limited purchasing power, have been identified as a contributing factor to the low rate of home ownership in Indonesia. Baidarus *et al.* (2023) further substantiated this assertion by highlighting the constraints imposed on developers in providing housing units, coupled with the limited affordability of Low-Income Communities (MBR) for decent housing, thereby exacerbating the backlog condition in Indonesia.

In Indonesia, the financial aspects of residential real estate transactions extend beyond the mere selling price of the property. A notable influence is the fiscal component established by the government, which is equivalent to 11% of the selling price and is formally referred to as Value Added Tax (PPN). The phenomenon of home ownership being delayed can serve as a catalyst for economic crises, particularly in contexts where housing bubbles have formed. As articulated by Aliber et al. (2015, cited in Suryati & Rizqiana, 2024), the genesis of bubbles in economic scenarios entails persistent price escalation over an extended duration, ultimately culminating in a cataclysmic collapse. This phenomenon materializes when property prices undergo a precipitous and accelerated surge, subsequently giving rise to a precipitous decline upon the bursting of the bubble.

The efficacy of the provision of Borne-by-Government Value Added Tax (PPN DTP) incentives for residential property acquisitions is subject to scrutiny. The majority of home buyers who utilize this facility are not among those who do not yet own a house, thereby raising questions about the relevance of this provision in addressing the housing backlog. Government policies that support the growth of the property sector, such as tax incentives or housing subsidy programs, can actually strengthen the motivation of these investors (Suryati & Rizqiana, 2024).

The presence of the PPN DTP facility for house purchases makes it easier for speculative investors to increase the amount of their assets because the costs they incur become less, at least at the current PPN rate. However, it is crucial to note that housing prices are subject to fluctuations over time, and they may eventually reach a peak and lead to the bursting of housing bubbles. The subsequent decline in house prices could precipitate a worsening economic situation, which, in turn, could result in a resurgence of the challenges associated with home ownership. This, in turn, could potentially contribute to an accumulation of the housing backlog.

A previous study on the impact of the PPN DTP incentive policy on the profitability of real estate sector companies was conducted (Aji & Haptari, 2022). However, the present study focuses more on the level of profitability of real estate sector companies listed on the Indonesia Stock Exchange (IDX). The conclusion of the study is that the PPN DTP home incentive policy does not have a direct impact on company profitability when compared to normal conditions before the policy is implemented. Aizar & Wijaya (2022) also conducted similar research on the effectiveness of property sector value-added tax incentives, focusing on the property PPN DTP facility policy's effectiveness for the Indonesian economy in the post-Covid-19 pandemic era. The effectiveness indicators in the study include property demand and mortgage loan growth in the period before and after the property PPN DTP facility. The findings of this study indicate that the property PPN DTP facility policy has been effective, as evidenced by the observed increase in both indicators during the specified period.

The extant literature creates an interesting research gap that merits further exploration. This paper will discuss different variables, namely how the effect on the level of home ownership backlog and the potential for housing bubbles on the implementation of this PPN DTP incentive policy differs from the two aforementioned studies. The objective of this research is twofold: first, to ascertain the effectiveness of the implementation of the PPN DTP tax incentive policy in the housing sector; and second, to offer suggestions that can be considered by the government regarding the sustainability of this policy. The research is supported by data sourced from related literature and the results of relevant data processing. Although there are differences in research objectives, the existence of previous research facilitates the author in conducting literature studies for relevant topics.

This research aims to undertake a more profound examination of the implementation of PPN DTP facilities in the housing sector. The objectives of this study are as follows: (1) The impact and influence of the provision of PPN DTP facilities in the housing sector on the level of home ownership backlog in Indonesia will be reviewed; (2) The effectiveness of the provision of PPN DTP facilities in the housing sector on reducing the level of home ownership backlog and its relationship with potential housing bubbles in Indonesia will be analyzed; and (3) Relevant suggestions regarding the sustainability of the provision of PPN DTP facilities in the housing sector for the following years will be provided.

## LITERATURE REVIEW

### Homeownership Backlog

In Indonesia, the necessity for adequate housing stands as a fundamental element within the broader framework of community needs, alongside the requirements for clothing and sustenance. The subject of housing availability constitutes a persistent and multifaceted issue, necessitating ongoing discourse due to the persistent disparity between the number of houses required by Indonesian households and the houses available for their acquisition. Housing demand is defined as the number of households that necessitate and actively seek housing (Vajiranivesa, 2008, cited in Rosa, 2013). The persistent disparity between housing demand and supply is attributable to multiple factors, including the rapid population growth that has

occurred without adequate housing construction. Wijaya & Anastasia (2021) have demonstrated that this increase in demand has not been met by a corresponding increase in housing supply, thereby contributing to rising house prices. Baidarus et al. (2023) have identified a backlog of home ownership, characterized by a discrepancy between the number of houses required by the community and the number of houses available. This phenomenon is influenced by three primary factors, these include: (1) rising land prices; (2) increasing population; and (3) limited government budget (Bramantyo, 2012, cited in Baidarus et al., 2023).

The calculation of the housing backlog in Indonesia is determined by two distinct methodologies, each of which is employed by at least two government agencies. These agencies utilize disparate calculation models to ascertain the value of the housing backlog that occurs in Indonesia on an annual basis. Rosa (2013) asserts that there are discrepancies in perception between the Ministry of PUPR (previously the Ministry of Public Housing) and the Central Statistics Agency (BPS). The Ministry of PUPR employs an approach that aligns with the concept of the head of the family, while the BPS presents backlog data based on the concept of households. Consequently, the backlog figures reported by these two agencies vary from year to year. However, when viewed in aggregate, the backlog data of both agencies exhibits similar trends. The calculation of backlog is found to be strongly influenced by the policies implemented in a given country (Wied, 2012, cited in Rosa, 2013).

The formulation of the backlog calculation with the concept of household units is based on the definition of housing needs, which is related to the number of livable houses needed (Rosa, 2013). A house can be called livable if it is made of materials for permanent buildings (Wied, 2012, cited in Rosa, 2013). In addition, household groupings are divided into two: ordinary households and special households. The household unit concept serves as the foundation for calculating one household, which may include multiple heads of household. The head of household unit concept in calculating the backlog, in principle, shares the same calculation basis as the household unit concept. However, in this concept, the calculation is based on one housing unit per head of household, rather than one household.

**The Concept of Value Added Tax (PPN) in Indonesia**

Value Added Tax (PPN) is a tax levied on every buying and selling transaction that occurs in the country on goods and services. It is important to note that taxation in PPN targets the added value of each transaction that occurs in each distribution chain of goods or services (Yusuf, 2021, cited in Umami, 2022). In practice, PPN has three characteristics: it is indirect, objective, and non-cumulative. The collection of PPN is typically executed indirectly by consumers, who transfer funds to the state treasury through the intermediary of Taxable Entrepreneurs (PKP). In accordance with prevailing legislation and regulations, an entrepreneur is required to be certified as a PKP if their gross turnover in a given financial year exceeds IDR 4.8 billion (Aji & Haptari, 2022). Furthermore, Anggarini & Permatasari (2020, cited in Umami, 2022) PKPs conducting transactions in Indonesia must make electronic tax notes or invoices to avoid abuse in collecting PPN by manipulating fake tax invoices.

The subjects involved in the collection of value-added tax (PPN) in general include entrepreneurs, PKP (personal business entity), and small entrepreneurs. These three elements are persons, entities, or other entities that have met both subjective and objective requirements as taxpayers in Indonesia (Yeremia, 2022). The legal framework governing the PPN is enshrined in the PPN Law, which was most recently revised through Law (UU) Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law and encompasses Taxable Goods and Taxable Services.

The collection and reporting of Value Added Tax (PPN) is carried out by the PKP or designated collectors as outlined by the government. The delivery of residential houses is

conducted by the PKP, a business entity specializing in the sale of residential properties, in accordance with the criteria stipulated in the prevailing laws and regulations. The legal framework governing the collection of PPN is delineated in Law Number 42 of 2009 concerning Value Added Tax and Sales Tax on Luxury Goods (PPN and PPnBM Law), which stipulates the obligations of the PKP in implementing the PPN collection model. Furthermore, Hanggana (2017) in his research conveyed five obligations that at least PKP must comply with in relation to PPN collection and reporting, including: (1) paying PPN to suppliers when purchasing goods which are then requested for tax invoices to be treated as PPN Inputs; (2) collecting PPN from buyers when selling Taxable Goods or Services; (3) issuing tax invoices as proof that PPN has been collected; (4) maintain comprehensive bookkeeping records and submit periodic PPN returns; and (5) submit periodic PPN returns that encompass a comprehensive overview of PPN inputs and outputs, and deposit any underpayments in the state treasury.

**PPN on Houses and People's Purchasing Power**

Buildings are one of the tax objects that are subject to PPN because they are not included in the negative list that is exempt from PPN collection. Aji & Haptari (2022) revealed that PPN on buildings in Indonesia is divided into two types, namely PPN on self-construction activities (KMS) and Non-KMS PPN. In the context of this research, the focus will be more on Non-KMS PPN, namely the PPN payable on the purchase or acquisition of building taxable goods from other parties that have been confirmed as PKP (Aji & Haptari, 2022). This means that in principle, the sale and purchase of new houses in Indonesia involves an element of PPN, which is naturally charged on the purchase price paid by consumers. This PPN charge results in a higher house price of at least eleven percent based on the current rate.

The demand aspect of housing commodities is unique because it has two motives, namely consumption and investment (Safitri & Nasrudin, 2024). The law of demand states that when the price of a commodity increases, the demand for the commodity will decrease. Conversely, when the price of a commodity decreases, the effect is that the demand for the commodity will increase (Mankiw, 2015, cited in Aji & Haptari, 2022). Demand theory states that the price of a commodity, which in the context of this research is housing prices, has enough influence to change the demand in the market. This means that a higher price of a good can reduce the desire of the market, which in this case is represented by the community, to buy a house because of the high price. In addition, the purchasing power of the people has drastically decreased due to the Covid-19 pandemic that occurred in 2020. The government responded to this by disbursing the property PPN DTP facility in order to revive the people's purchasing power that had begun to weaken (Aizar & Wijaya, 2022). Logically, this effort of the government is aimed at reducing the house prices so that people have a better level of affordability to buy them. Safitri & Nasrudin (2024) in their research concluded that the government should strengthen policies for people who do not have the ability to own a house so that economic growth and investment activities in the Indonesian property market do not decline.

**Aspects of PPN DTP Incentive for Housing Sector**

Tax incentives are one of the government's efforts to outsmart the way the market works. Especially in a worsening situation after being hit by the Covid-19 pandemic, which damaged the economic conditions of almost all countries in the world. The Organization for Economic Cooperation and Development (OECD) (2020, cited in Tambunan, 2020), reveals that in terms of its relation to economic problems, the government strives for each business entity to also have liquidity in order to survive in the midst of various crushes. Better liquidity capabilities allow companies to at least continue to exist and not experience bankruptcy. The fiscal policy of a country in recession in the form of fiscal stimulus should be aimed at increasing aggregate

demand by increasing each level of demand from the government, households, and the private sector (Viard, 2009, cited in Tambunan, 2020).

The implementation and accountability of the Borne-by-Goverment Tax (DTP) are further detailed in PMK Number 92 Year 2023, which governs the mechanisms and accountability for such taxes. In the context of government accounting, revenue from the DTP tax is classified as tax revenue, whereas the associated tax incentives are recorded as DTP subsidy expenditures. According to the definition provided in the 2022 Central Government Financial Report (2023), Borne-by-Government taxes are those taxes payable by the government, which have been established within the State Budget (APBN) ceiling. In terms of housing availability in Indonesia, the DTP tax, particularly with regard to PPN-type taxes, plays a significant role in increasing the number of available housing units. Research conducted by Nisa' & Umilia (2022) supports this assertion, concluding that community participation in utilizing the PPN DTP incentives accelerates the provision of homes for purchase within specific regions. Moreover, Nixon LP Napitupulu, President Director of BTN, as cited in Ramli & Ika (2024) emphasized that the 100% PPN discount over three consecutive years had a positive impact on the housing industry, evidenced by an increase in home sales. This assertion is corroborated by remarks made by Febrio Kacaribu, Head of the Fiscal Policy Agency (BKF), in Press Release Number SP-8/BKF/2022, which noted that the construction and real estate sectors had surpassed pre-pandemic levels of growth. Additionally, indicators related to house prices showed stability throughout the PPN DTP incentive period in 2021 (Larasati, 2022).

The regulatory framework governing the provision of PPN Borne-by-Goverment Tax (DTP) incentives in Indonesia over the past three years is encapsulated in a series of regulations, including PMK-21/PMK.010/2021, as amended by PMK-103/PMK.010/2021, PMK-6/PMK.010/2022, and PMK-120/PMK.010/2023. Each year, revisions to these policies have been implemented, with amendments made to several provisions to better align with ideal practices observed during their execution. The issuance of these PMK regulations for PPN DTP on housing is primarily driven by two key objectives: to stimulate economic growth and to provide governmental support for the housing sector, thereby enhancing the purchasing power of the general population. The PPN DTP incentive applies to the transfer of landed houses and flats, including shophouses and office houses (ruko and rukan). Under the 2021 PMK PPN DTP, the incentive period commenced in March 2021 and concluded in December 2021. In contrast, the 2022 incentive period was shorter, spanning from January 2022 to September 2022, a reduction of one month. For 2023, the PPN DTP relief period was further compressed, providing only three months of relief, from the November 2023 tax period through December 2023.

According to PMK Number 120 of 2023, the criteria for houses eligible to receive PPN Borne-by-Goverment Tax (DTP) incentives include the following conditions: (1) the property must possess a valid house identity code; (2) have a maximum selling price of IDR 5 billion; (3) be in new, ready-for-occupation condition; (4) may only involve the transfer of a maximum of one unit per buyer; and (5) the property cannot be resold within a one-year period. The regulation further stipulates that individuals who have previously benefited from the PPN DTP incentives in the earlier versions of the PMK are eligible to reclaim the incentive in 2023, without the imposition of any new conditions. For the seller, typically a Taxable Entrepreneur (PKP), there is an obligation to issue a tax invoice that accurately reflects the PPN, based on the selling price: the regular PPN for properties valued above IDR 2 billion, and the PPN DTP under invoice code 07, in line with the latest PPN regulations. Furthermore, in addition to the issuance of invoices, PKP is required to prepare a PPN DTP Realization Report, which must be attached to the PPN Monthly Return submitted by the respective PKP.

**Effectiveness of PPN DTP Home Incentives**

Mardiasmo (2009, cited in Aizar & Wijaya, 2022) defines effectiveness as a metric used to evaluate the success of an organization in achieving its objectives. Additionally, effectiveness is understood as the strategic use of available resources to attain optimal outcomes (Ilham et al., 2016). One common approach to measuring effectiveness is by assessing the statistical significance of the relationship between independent and dependent variables in a regression model. A model is considered effective if the influence observed between these variables is statistically significant (Simatupang, 2002, cited in Ilham et al., 2016).

The effectiveness of the government's PPN Borne-by-Goverment Tax (DTP) incentive for housing is closely tied to the potential risks associated with property bubbles. A property bubble, also referred to as a housing bubble, occurs when there is a rapid and unsustainable increase in housing prices within a specific period, followed by a sharp collapse once prices reach unrealistic levels (Aliber et al., 2015, cited in Suryati & Rizqiana, 2024). Such excessive price inflation can be driven by speculative behavior within the market. In this context, housing is often perceived as an attractive investment vehicle due to its inherent advantages, such as durability and tangible form (Miles, 2008, cited in Kurniawan & Purwono, 2017). Moreover, Shiratsuka (2003, cited in Suryati & Rizqiana, 2024) posits that property bubbles are typically characterized by euphoria that exceeds realistic expectations of future economic conditions, eventually leading to a market collapse. When such a bubble bursts, it can pose significant risks to the stability of the national economy (Kurniawan & Purwono, 2017). The occurrence of a property bubble is often indicated by specific conditions. According to Dong (2013, cited in Kurniawan & Purwono, 2017), a property bubble is likely when the actual price of real estate consistently exceeds its long-term trend for more than three consecutive periods.

A shortage of housing in the market may attract investors who do not require housing for personal use but seek to channel their capital into property as an investment vehicle. These potential investors may engage in speculative behavior, anticipating that, in the long term, housing prices will increase rapidly due to a continued imbalance between supply and demand, or when the housing market enters a phase of scarcity. Suryati & Rizqiana (2024) suggest that property bubbles are often triggered by excessive optimism and speculative sentiment among investors, who expect substantial future growth in asset prices. This speculative behavior can exacerbate the housing backlog in Indonesia, as it diverts properties away from individuals who genuinely need them, thereby hindering the fulfillment of housing needs. According to a study by Kurniawan & Purwono (2017), a property bubble occurred in Indonesia during the period from 2013 to 2014, driven by public expectations of rapid long-term increases in property values. As a result, individuals with excess funds allocated their resources toward property investment, further inflating prices.

## METHODS

The methodology employed in this study adopts a mixed-methods approach, combining both quantitative and descriptive qualitative methods. According to Nana (2006, cited in Rusandi & Rusli, 2023) , descriptive research is a type of research aimed at depicting existing phenomena, interpreting, and describing data that relate to the current situation. This perspective is further supported by Whitney (1960, cited in Rusandi & Rusli, 2023) who asserts that the descriptive method involves the systematic collection of factual data followed by precise interpretation. In this study, the facts will be represented through relevant data, which will then be interpreted within the context defined by the research topic.

**Primary Data**

According to Bougie & Sekaran (2019), primary data refers to data collected directly from original sources for research purposes. In this study, primary data were gathered through

direct interviews with several informants. These interviews were conducted using both offline and online methods, leveraging information technology to facilitate the question-and-answer process. The informants were selected using a combination of academic and technical criteria, with a total of four participants, including: (1) an Academic Widyaiswara Ahli Muda from the Tax Education and Training Center (Pusdiklat Pajak); (2) a Level II Account Representative from KPP Madya Dua South Jakarta I; (3) taxpayers in the real estate sector in South Jakarta; and (4) a Level II Policy Technical Reviewer from the Directorate of Potential, Compliance, and Revenue, Directorate General of Taxes. The interviews were conducted in October 2024 in the South Jakarta area.

**Secondary Data**

Secondary data refers to information collected by external entities for purposes other than those of the current research (Bougie & Sekaran, 2019). In this study, the secondary data were sourced from several agencies, including: (1) the Central Bureau of Statistics (Statistics Indonesia and Housing Indicators); (2) the Ministry of Public Works and Housing (Housing Backlog Data); (3) Bank Indonesia (Residential Property Price Survey); and (4) the Audited Central Government Financial Reports for the years 2020-2023.

**Quantitative Data Analysis: Difference in Difference (DID)**

The Difference in Difference (DID) model is employed to analyze changes between variables due to temporal effects, policy effects, and the interaction of these effects (Card & Krueger, 2015). This method assesses impact by comparing the measured variables between the group benefiting from incentives and the control group that does not receive benefits over a relevant period. For the DID method analysis, observation groups must be comparable within the same period. The comparison between the two variables yields a differential representing the impact of the PPN DTP housing incentive policy, calculated using the following equation:

$$DD = E\,(Y_1^T - Y_0^T \mid T_1 = 1) - E\,(Y_1^C - Y_0^C \mid T_1 = 0)$$

**Explanation:**

$Y_1^T - Y_0^T$ denotes the change in the dependent variable for the treatment group
$Y_1^C - Y_0^C$ denotes the change in the dependent variable for the control group
$T_1 = 1$ signifies the time period when the policy intervention is present
$T_1 = 0$ signifies the time period when the policy intervention is absent

The data utilized for quantitative analysis comprises the percentages of homeownership in Indonesia from 2017 to 2023. The homeownership figures are derived from the backlog data provided by the Central Bureau of Statistics (BPS), as these figures are not artificial and more accurately represent the actual homeownership rates among households in Indonesia.

The application of linear regression will be conducted to derive the DID analysis results. Thus, the empirical estimation model of this study is as follows:

$$Y = \beta_0 + u_i + \lambda_t + \beta_1 TA$$

Explanation:

$Y$ : Outcome (impact on housing backlog)
$\beta_0$ : Neutral condition without being influenced by variables
$u_i$ : Individual effect (No Incentive = 0, With Incentive = 1)
$\lambda_t$ : Time effect (2020 and Before = 0, After 2020 = 1)
$\beta_1$TA : Interaction between time and individual effects when the policy is implemented

The hypotheses used to examine the impact of providing PPN DTP incentives on the housing ownership backlog rate in Indonesia are as follows:

$H_0$ : The provision of PPN DTP incentives does not have a significant effect on reducing the housing ownership backlog rate in Indonesia
$H_1$ : The provision of PPN DTP incentives has a significant effect on reducing the housing ownership backlog rate in Indonesia.

Table 1 presents the dataset used for data processing with the DID method via SPSS software. The value of 0 in the "Time" column represents the period before the provision of PPN DTP housing incentives, namely the years prior to 2020, while the value of 1 indicates the years when the PPN DTP housing incentive policy (PMK) was implemented, specifically 2021 and beyond. In the "Treatment" column, the value of 1 represents the application of incentives, whereas the value of 0 indicates the absence of PPN incentives. The "DID (Product)" column is the interaction result between the "Time" and "Treatment" columns, used to examine trends distinguishing the control and treatment variables. Variables are differentiated using the value "0" for control variables and "1" for treatment variables.

**Table 1. Quantitative Analysis Dataset for the DID Method: 2017–2023**

| Year (Y) | Time (T) | Treatment | DID (Y Product T) | Dependent (%) |
|---|---|---|---|---|
| **2017** | 0 | 0 | 0 | 78.96% |
| **2018** | 0 | 0 | 0 | 79.80% |
| **2019** | 0 | 0 | 0 | 79.75% |
| **2020** | 0 | 0 | 0 | 79.70% |
| **2021** | 1 | 1 | 1 | 80.35% |
| **2022** | 1 | 1 | 1 | 83.57% |
| **2023** | 1 | 1 | 1 | 81.86% |

Source: BPS data for the years 2017–2023

A prerequisite for using DID to evaluate impact is the fulfillment of the parallel trend assumption (PTA). The concept of PTA requires that the treatment group and the control group follow the same and consistent trend over time, assuming no intervention, such as the provision of PPN DTP incentives, is implemented (Li & Majumdar, 2012, as cited in Suprayitno, 2021). The data used in this study is the housing backlog data provided by BPS.

**Qualitative Data Analysis**

Based on the interviews conducted with the four selected informants, themes (final coding) were formulated from the primary data provided by the informants to address each research question. The congruence of the coding themes from the interviews with the associated research questions enhances the depth of the analysis in the discussion of research findings, thus ensuring the qualitative analysis is more robust and credible.

**Literature Review**

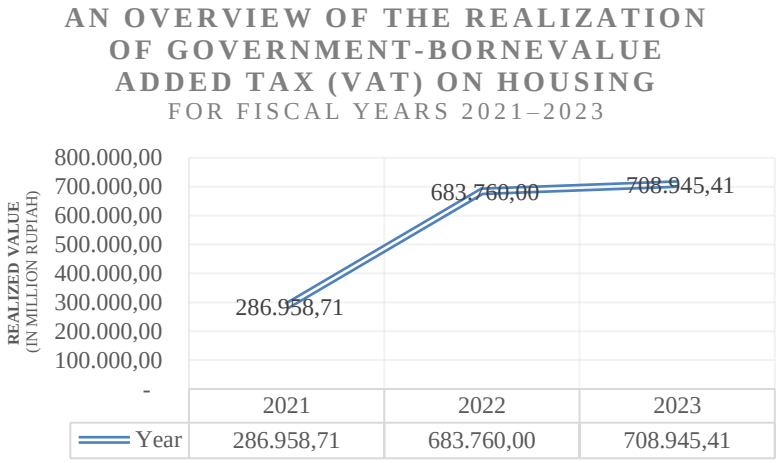
The literature review method is aimed at acquiring the necessary data for research from sources such as books, reports, journals, previous studies, and relevant laws or regulations. This method should provide a critical evaluation of various literatures to reinforce and elucidate the distinctive features of the research in question (Mahanum, 2021). The literature review in this study concentrates on topics pertinent to the housing sector and its taxation aspects. Additionally, the selected literature must consider the publication date to maintain relevance to the current research issues.

## RESULTS AND DISCUSSION

**Impact and Influence of PPN DTP Housing on the Backlog Rate in Indonesia**

Since its inception in the fiscal year 2021, the realization of the PPN DTP housing incentive has seen a substantial increase through 2023. Figure 1 illustrates the significant utilization of the PPN DTP incentive by the public. In 2022, the realized amount reached IDR 683.76 billion, representing a 138.3% increase compared to 2021. This is further evidenced by the number of taxpayers reporting transactions involving the PPN DTP incentive, which rose from 345 in 2021 to 1,185 in the subsequent year, a more than threefold increase.

**Figure 1. Realization of PPN DTP for the Years 2021-2023**

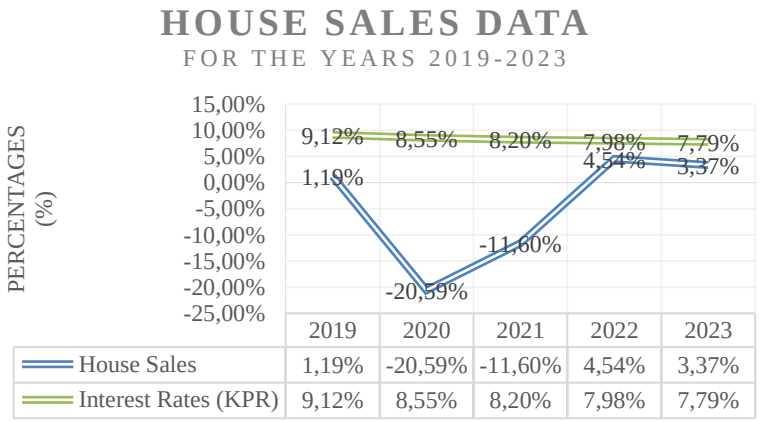



Source: Processed from the Government Financial Reports for 2021-2023

Interviews with taxpayers revealed that the PPN DTP facility provided by the government is perceived as well-implemented, particularly throughout its development process up to the present. Taxpayers also regard the administrative practices and reporting for utilizing this incentive as adequate. Moreover, it was noted that no significant obstacles were encountered during the utilization and reporting of PPN DTP housing due to the comprehensive administrative information provided in the related PMK. Information from the Account Representative corroborated the taxpayers' statements, indicating that during the oversight process, taxpayers generally did not face material obstacles in utilizing PPN DTP because all regulations were meticulously detailed in the relevant PMK. This phenomenon suggests an increased public awareness of the PPN DTP tax facility, leading to improved economic conditions in Indonesia. In 2023, there was still an increase in the realization of this incentive, although modest, at 3.68%.

The rate of house sales must be monitored, as rising prices influence the frequency at which houses are purchased by the public. Figure 2 illustrates the variability in house sales trends from 2019 to 2023. Following the pandemic, the years 2020 and 2021 were particularly challenging for Indonesia's property sector. During these two years, house sales growth in Indonesia experienced significant contractions of 20.59% (2020) and 11.6% (2021). These conditions markedly impacted Indonesia's economic balance. The provision of PPN facilities for the housing sector should be a priority for the government in its efforts to support the real estate industry, as this would have a substantial multiplier effect on the national economy (Aji & Haptari, 2022). Badan Kebijakan Fiskal (2023) indicates that household consumption continues to be the largest contributor to Gross Domestic Product (GDP), with household equipment and furniture consumption ranking third at 12.8%. A key factor driving household consumption growth is Indonesia's population growth.

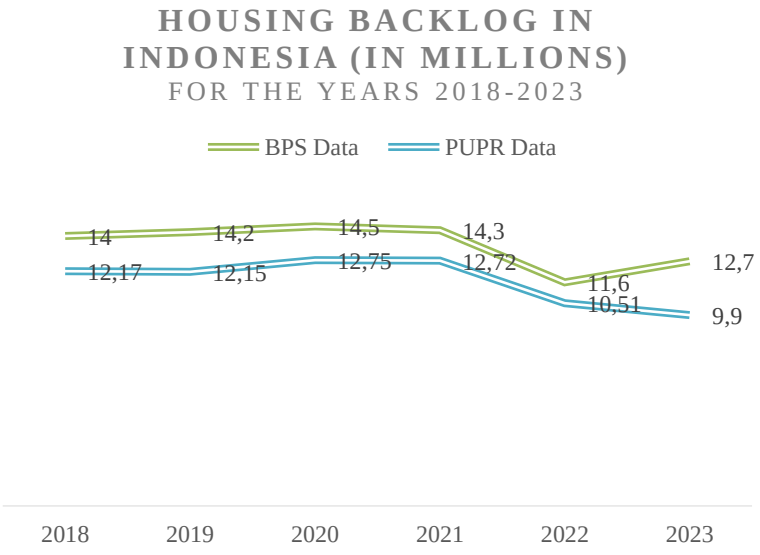
**Figure 2. House Sales Data in Indonesia (2019-2023)**




Source: Processed from Bank Indonesia Data for 2019-2023

The PPN DTP housing incentive policy, which commenced in 2021, appears to have significantly improved the trend of house sales growth, demonstrated by a growth increase of 8.99% in 2021 and 16.14% in 2022. In 2023, the performance of house sales remained positive, despite a slight contraction of 1.17% compared to 2022. BTN's President Director, Nixon LP Napitupulu, as cited in Ramli & Ika (2024) confirmed this by stating that the 100% PPN discount over three consecutive years had a positive correlation with the housing industry, as indicated by increased house sales. Interviews with academics further supported this, indicating that the rising trend in house sales suggests a decreasing backlog rate annually.

**Figure 3. House Backlog Rate in Indonesia (2018-2023)**




Source: Processed from BPS and Ministry of Public Works and Housing Data for 2018-2023

The housing backlog data presented in Figure 3 indicates a noteworthy trend post-2021. In 2022, the backlog decreased sharply by approximately 3%, a substantial drop compared to previous years, which generally saw an increase. The government has been vigorously pursuing various policies to enhance homeownership in Indonesia, including the One Million Houses Program (PSR) led by the Ministry of Public Works and Housing (PUPR). Through the PSR, the government has expedited its initiatives and collaborations with housing developers across Indonesia to provide adequate housing for the population.

The Ministry of Public Works and Housing (PUPR) reported that by the end of July 2024, the One Million Houses Program (PSR) had successfully constructed 617,000 housing units, achieving more than half of the national target (Cakti, 2024). In addition to the PSR policy, the government has allocated its annual budget since 2021, continuing to provide it in the form of PPN DTP housing incentives. Director General of Housing, Iwan Suprijanto, as quoted by Antara News Agency, mentioned that the PPN DTP provision facilitates and offers opportunities for the public to acquire houses at lower prices (Cakti, 2024). Based on BPS data in Figure 3, the number of households in Indonesia is 70 million, indicating that the backlog percentage is 14.14% and 18.14% for BPS and PUPR data, respectively. Although these figures remain high, suggesting a significant proportion of Indonesian households still lack housing, the trend over the past six years indicates a slight improvement in the housing backlog in Indonesia.

**Table 2. Results of Linear Regression Analysis SPSS Table Coefficients**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | | | |
| **1** | (Constant) | 79.552 | 0.532 | | 149.468 | 0 |
| | DID_Product | **2.376** | 0.813 | 0.794 | 2.923 | **0.033** |

**a. Dependent Variable**: Output: Full Time Employment

Source: Processed from IBM SPSS Statistics 27.0.1.0 Application

Based on Table 2, an interpretation can be made to discern the impact and influence of the PPN DTP housing incentive on homeownership rates in Indonesia. The constant value of 79.552 implies that in the absence of the PPN DTP housing incentive, the homeownership rate (Y) would remain at 79.5%. According to the DID (product) variable, a positive regression coefficient of B = 2.376 was obtained, signifying that a one percent increase in the PPN DTP housing incentive would result in a 2.376% increase in the homeownership rate.

**Table 3. Results of Linear Regression Analysis SPSS Table Model Summary**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| **1** | **.794[a]** | **0.631** | 0.557 | 1.06447 | 3.001 |

**a. Predictors:** (Constant), DID_Product

**b. Dependent Variable:** Output: Full Time Employment

Source: Processed from IBM SPSS Statistics 27.0.1.0 Application

The independent variables that determine the homeownership value in this study are the incentive period and the implementation of the PPN DTP incentive itself. According to Table 3, it can be observed that the homeownership rate variable is explained by the independent variables with a variation percentage of 0.631 (63.1%). This indicates that in addition to the independent variables, there is a remaining 0.369 (36.9%) outside the regression model that explains the dependent variable, such as the One Million Houses Program (PSR) policy, Housing Finance Liquidity Facility (FLPP), Interest Rate Subsidy, Down Payment Assistance Subsidy, or other government policies that stimulate homeownership. Table 3 also shows a strong and direct positive correlation of 79.4% between the dependent and independent variables.

**Table 4. Results of Linear Regression Analysis SPSS Table ANOVA**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| **1** | Regression | 9.681 | 1 | 9.681 | **8.544** | **.033[b]** |

| | | | |
|---|---|---|---|
| Residual | 5.666 | 5 | 1.133 |
| **Total** | **15.347** | **6** | |

**a. Dependent Variable:** Output: Full Time Employment

**b. Predictors:** (Constant), DID_Product

Source: Processed from IBM SPSS Statistics 27.0.1.0 Application

The impact of the PPN DTP incentive on the homeownership rate is illustrated in Table 4, which presents an F calculated value (8.544) exceeding the F table value (6.61) and a Sig. value (0.033) less than 0.05, indicating that the null hypothesis ($h_0$) is rejected, which means that the provision of Government-Borne VAT incentives for housing has a significant impact or, in other words, potentially provides an estimated effect (impact) on reducing the housing ownership backlog in indonesia. This signifies a positive and significant simultaneous effect between the dependent variable and the independent variable. Overall, the data analysis using the DID method to assess the impact of the PPN DTP incentive demonstrates a statistically meaningful increase in the homeownership rate in Indonesia, indicating a successful annual reduction in the homeownership backlog rate.

Based on the analysis and interpretation of the data presented in the previous subsection, the government's PPN DTP housing incentive policy has had a substantial impact on the homeownership backlog rate in Indonesia. The government's intervention to enhance consumer purchasing power, particularly in the housing sector, appears to have successfully motivated the public to invest in home purchases. This is consistent with the statement from BTN President Director Nixon LP Napitupulu, as cited in Ramli & Ika (2024) who noted that the 100% PPN discount over three consecutive years has a positive correlation with the housing industry, as evidenced by increased home sales. Interviews with taxpayers indicate that the presence of the PPN DTP housing facility has boosted taxpayer income, which is naturally dependent on house selling prices. Additionally, the number of homebuyers has increased, reflecting the growing interest driven by the government's provision of the PPN DTP housing facility.

The success in the property market sales has gradually increased the homeownership rate in Indonesia. Interviews with Account Representatives indicate that the implementation of the PPN DTP housing facility for taxpayers has significantly enhanced buyers' interest in owning property, primarily due to the substantial PPN discount. Taxpayers reinforced this observation by noting a demographic increase in first-time homebuyers. This trend could positively affect the homeownership backlog rate in Indonesia, which has shown a year-on-year decline, signifying a positive development for Indonesia's national economy.

**Effectiveness of PPN DTP Housing, Backlog Rate, and Potential Housing Bubbles**

Effectiveness can be measured by the significance of the impact that a policy has on changing indicators. A model is deemed effective if the impact is significant (Simatupang, 2002, cited in Ilham et al., 2016). The findings of this study indicate that the PPN DTP housing policy has had a statistically positive and significant effect and demonstrates a strong and direct correlation with the reduction in the homeownership backlog rate in Indonesia. According to interviews with Policy Technical Reviewers, the increase in homeownership signifies the effectiveness of the PPN DTP housing facility. Furthermore, the effectiveness of the policy can be observed from the increase in national house sales growth. As shown in Figure 2, the trend of the homeownership backlog has decreased immediately after the implementation of the PPN DTP housing incentive, indicating an increase in homeownership. Thus, the provision of the PPN DTP housing incentive by the government during the 2021 to 2023 fiscal years can be considered effective.

The effectiveness of the PPN DTP incentive for home purchases is then scrutinized. If the majority of homebuyers utilizing this facility are not from those who do not yet own a home,

it implies that the provision of this facility is not effectively targeted in combating the housing backlog. Government policies that support the growth of the property sector, such as tax incentives or housing subsidy programs, may instead enhance the motivation of these investors (Suryati & Rizqiana, 2024). The PPN DTP facility for home purchases makes it easier for speculative investors to increase their assets, as their costs are reduced by at least the PPN rate of 11%. Over time, as prices continue to rise, they will eventually peak and potentially trigger a housing bubble. When the bubble bursts, home prices will plummet drastically, exacerbating the economic situation.

Housing bubbles are phenomena characterized by drastic increases in house prices over certain periods, followed by bursts when these prices reach unrealistic levels (Aliber et al., 2015, cited in Suryati & Rizqiana, 2024). Given the trend of PPN DTP incentives over the past three years, it is plausible that this policy will continue to be implemented annually in the future. Without changes to the regulations clarifying who can benefit from these incentives, the coming years might see a proliferation of uninhabited houses at unreasonable prices in various parts of Indonesia. This situation could exacerbate the housing backlog in Indonesia, as rising house prices, coupled with population growth, reduce households' ability to purchase homes.

When the property price bubble eventually bursts, the stability of the national economy could be at risk (Kurniawan & Purwono, 2017). However, Widyaiswara Ahli Muda, in an interview, did not agree with the potential occurrence of housing bubbles due to the PPN DTP housing incentive, as the PPN component in house selling prices is not very significant. Therefore, although current data indicates that the PPN DTP incentive is effective in reducing the housing backlog in Indonesia, it is crucial to reassess the implementation of this policy in the future to ensure its effectiveness continues to improve, rather than backfiring by diminishing the affordability and availability of affordable housing in the future.

**Recommendations for Future PPN DTP Housing Policy**

The realization of the utilization of the PPN DTP incentive, as depicted in Figure 1, shows an increasing trend year by year. This is a positive signal, indicating that more houses are being purchased by the public from developers. If linked to the backlog, this trend offers hope for reducing the housing backlog in Indonesia, which has statistically decreased, particularly following the implementation of the PPN DTP housing policy by the government. However, the increase in house sales does not automatically lower the backlog rate due to the lack of supervision regarding who benefits from the PPN DTP housing incentive. Blumenthal et.al. (2012, cited in Tambunan, 2020) indicated that the selection of incentive types should also consider the targeting of incentives to ensure they are well-targeted and meet the needs of the intended beneficiaries. There remains the possibility that the PPN DTP incentive could be misused by irresponsible speculative investors who merely use houses as long-term investment commodities.

Those who genuinely need affordable homes can only be dismayed if the housing market is dominated by speculative investors. Theoretically, the number of houses available for purchase with the PPN DTP facility will decrease, while the number of houses becoming investment commodities will become increasingly unaffordable for the public. In the long term, this could trigger housing bubbles, which would have very detrimental effects on Indonesia's economy. The recommendation for the PPN DTP housing incentive policy in this study is to support the continuation of the PPN DTP housing policy in the coming years, as it has successfully reduced the homeownership backlog percentage in Indonesia. This is further reinforced by Ikang Fawzi, Deputy Chairman of DPP REI, who suggested that this incentive policy should continue in 2025 to assist the housing market, especially for the lower middle class (Ganet & Zaenal, 2024). The public has shown a positive response to the PPN DTP housing incentive. Taxpayers supported this in interviews, indicating that prospective buyers

have been highly enthusiastic about the PPN DTP housing policy, with some eagerly anticipating its release. The positive enthusiasm from the public as end consumers of home purchases can certainly be considered by the government in making decisions regarding this policy.

The quality of supervision is an indicator that needs to be emphasized to address issues such as speculation in the property market through the utilization of tax incentives. According to interviews with academics, the DJP should enhance supervision, specifically related to the provision of the PPN DTP housing facility, which is a fundamental duty and function of Account Representatives (AR). It would be even more effective if this could be followed up with inspection actions. One example of the negative impact of speculation was highlighted by National Property Expert Panangian Simanungkalit, as cited in Buana (2023), indicating the failure of some low-cost apartments (rusunami) in Jakarta due to the actions of many speculators, stemming from minimal regulation and oversight by the government. As a result, many apartment owners did not match the intended economic profile for which these low-cost apartments were built.

Supervision and control are of particular concern in the implementation of the PPN DTP housing incentive. Based on interviews with taxpayers, it has been observed that supervision and control over the utilization of the PPN DTP incentive need to be strengthened to achieve more optimal policy effectiveness. Academics further noted that the PPN DTP housing incentive poses a potential loss in PPN revenue. It is crucial to ensure that inadequate supervision does not also lead to negative impacts on Income Tax (PPh) revenue.

## CLOSING

### Conclusion

Based on the findings and analysis, this study yields several conclusions. Firstly, statistically the PPN DTP incentive exerts a strong, positive, and significant influence on reducing the housing backlog, as indicated by the rising homeownership rate in Indonesia. The analysis in this study reveals that the utilization of the PPN DTP housing facility has shown an increasing trend among the public.

Secondly, the PPN DTP incentive has proven effective in reducing the homeownership backlog in Indonesia. This effectiveness is demonstrated by its positive and significant impact on the current backlog rate. However, it is necessary to re-evaluate the PPN DTP incentive facility concerning the beneficiaries, as there is a potential risk that, in the long term, this incentive could exacerbate the housing backlog in Indonesia.

Lastly, the recommendation is to adjust the criteria for PPN DTP beneficiaries and enhance supervision by the DJP. This is crucial to mitigate the housing backlog in Indonesia and to prevent potential future conditions that could threaten the economic stability of the country.

### Recommendations

The current regulations concerning the PPN DTP housing incentive are expected to continue in the coming years, given the positive trends observed throughout its implementation thus far. It is essential to pay attention to various changes to understand the potential impacts during the realization of these regulations. The involvement of speculative investors and the effectiveness of this incentive among the public should also be further investigated. Relevant data, particularly from households directly affected by the PPN DTP housing incentive, need to be further analyzed to strengthen the hypothesis that the PPN DTP housing policy is indeed effective for the overall economy.

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