

## The Ipeda land tax in Indonesia

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### Abstrak

Like many other Asian countries Indonesia inherited from colonial times a system of land taxation based on a detailed cadastre of all agricultural land. However in contrast with the experience of former colonial territories elsewhere in Asia the Indonesian government has in the post-1965 era been making a determined effort to revive land taxation as a source of revenue, and more important, to use the revenues as a means of promoting regional government initiative in the selection and carrying out of local development projects. The tax is administered by a Directorate within the Ministry of Finance, whose regional offices are in charge of assessment down to individual taxpayers. Collection is done by village and regional government officials while the use of funds is determined by kabupaten governments subject to certain regulations from the centre and provinces. In Java, Bali, Lombok, and South Sulawesi assessment is based on land records dating from the final decade of Dutch rule. In other parts of the archipelago where the colonial government did not assess a land tax on peasant agriculture, methods of current assessment are rather ad hoc with considerable differences between regions. Any evaluation of the functioning of an agricultural tax imposed in a poor agrarian economy such as Indonesia must take into account not only the standard criteria for assessing taxes such as equity, impact on resource allocation, administrative efficiency etc but also the rather more specialised arguments that have been developed in the literature for taxing agriculture and particularly agricultural land. Evidence available suggests that Ipeda in Indonesia contravenes the principle of equity in that, while widespread exemptions are given to urban income taxpayers, virtually all rural taxpayers have to pay both Ipeda and an assortment of other taxes some of which are assessed in a very regressive fashion. Rural producers are further penalised through government price policies for basic food staples such as rice and the renting of irrigated rice lands to the government sugar estates. There