



TAX AMNESTY POLICY ANALYSIS: CONCEPT AND APLICATIONS IN INDONESIA

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ABSTRACT

Global economic slowdown, world commodity prices decline, underground economy, capital outflow and low tax compliance levels have affected the country's ability to collect tax revenues. This study tried to provide relevant information about the implementation of the tax amnesty implemented in Indonesia in 2016 in order to address shortfall tax revenue and increase tax compliance by referring to the theory of optimal taxation and analysis techniques of problem oriented analysis policy. Data obtained from selected literature, published statistical data and other information regarding the implementation of tax amnesty in Indonesia. The results showed that the fund from the tax redemption and the repatriation of the assets did not reach the stipulated target, even though economically has contributed positively to tax revenue and improvement of economic conditions. However the voluntary onshore and offshore disclosure has been successfully exceeded and supports broadening tax base to increase tax compliance.

Keywords: Tax Policy, Tax Amnesty, Problem Oriented Analysis

A. Introduction

Along with the end of the oil boom era (post oil bonanza), the government then began to divert the source of state acceptance on taxes to finance the state expenditure and fund government programs in order to national development Prosperity of the people (Kuncoro, 2018). The Government realizes that in the state acceptance structure prioritizes the acceptance of the tax, the economy should be grown, because of that economic activity that the imposition of tax arises (Nazara, 2015). The facts show that global economic growth continues to experience retarding. It was recorded in 2011 the World economic growth of 4.22% while in 2015 to 3.09%. This global economic slowdown has fueled contagion to the economies of other countries including Indonesia. In 2011 Indonesia's economic growth reached 6.17% but continued to decline, and in 2015 to 4.79%.

Indonesia is one of the developing countries whose economic activities are partly done on the basis of cash payments, so it is not fully recorded in the ideal economic system (underground economy). In a global economic setting as it is today, where the development of technology and information has been so advanced, it has brought about new forms of business and continues to evolve beyond the boundaries of the country that can be economically imposed Tax, but is in fact difficult to

implement. For economic actors who transact globally will be faced with different taxation systems. This situation in addition to giving a double taxation also creates a grinding tax base. The existence of tax haven country, financial secrecy, as well as ease of establishment of a business entity with an anonymous account provides an opportunity to conduct avoidance or even tax evasion, including illicit financial flow.

Based on this, the government is faced with an urgent interest to implement a new policy that is the tax amnesty to address the shortfall tax revenue through the payment of tax redemption, improve the macroeconomic conditions through domestic investment of repatriation results, and increase tax compliance in the long term based on the broadening of the tax bases through onshore and offshore voluntary disclosure.

The tax policy has several objectives, such as: (1) Raise Revenue Efficiently; (2) Finance Public Expenditure; (3) Corrective Taxation; (4) Equity and Redistribution; (5) macroeconomic Stabilization; and (6) Growth and Competitiveness (Acheson & Lynch, 2017:2). In an effort to achieve this goal a tax policy should reflect justice (equitable), efficient and sustainable (sustainable) (Bird & Wilkie, 2012).

Optimal taxation theory emphasizes the basic principles of tax collection: (1) Justice (equity), (2) Efficient tax administration (Administrative Efficiency), (3) Neutral (Neutrality), (4) Simple (Simplicity), (5) Transparent (Transparency), (6) Economically efficient (minimizing distortions and disincentive from taxation) (Granger, 2013: 7).

Tax revenue and economic growth influence each other. By using Keynesian theory or often termed the wicksellian connection (Bahl & Bird, 2008: 287), economic growth is an accumulation of the amount of public consumption ("C"), community investment ("I"), government expenditure ("G"), and the difference between exports ("X") and Import ("Im"), otherwise known as the formulation $Y = C + I + G + (X - Im)$. In general, the greater G is, then Y will also be large. In some cases, G needs to be even greater, if the factors C, I and (X-Im) are smaller than they should be, so G needs to compensate for achieving the desired Y (Surachman, 2016: 42).

Tax Amnesty is a government policy in the field of taxation which is constructed to provide incentives in the form of tax abolition that should be owed by paying a certain amount of ransom aimed at providing additional state revenues and opportunities for non-compliant taxpayers to be obedient, so as to encourage increasing number of taxpayer compliance in the future (Wardiyanto, 2008). Tax amnesty is also used to encourage asset repatriation to increase domestic liquidity and improve economic conditions, as applied in France and Belgium (Stella, 1989). In order to raise tax revenue, expand tax bases, and increase investment, the Indonesian government to implement tax amnesty policy. This Program lasts nine months, from July 2016 until March 2017.

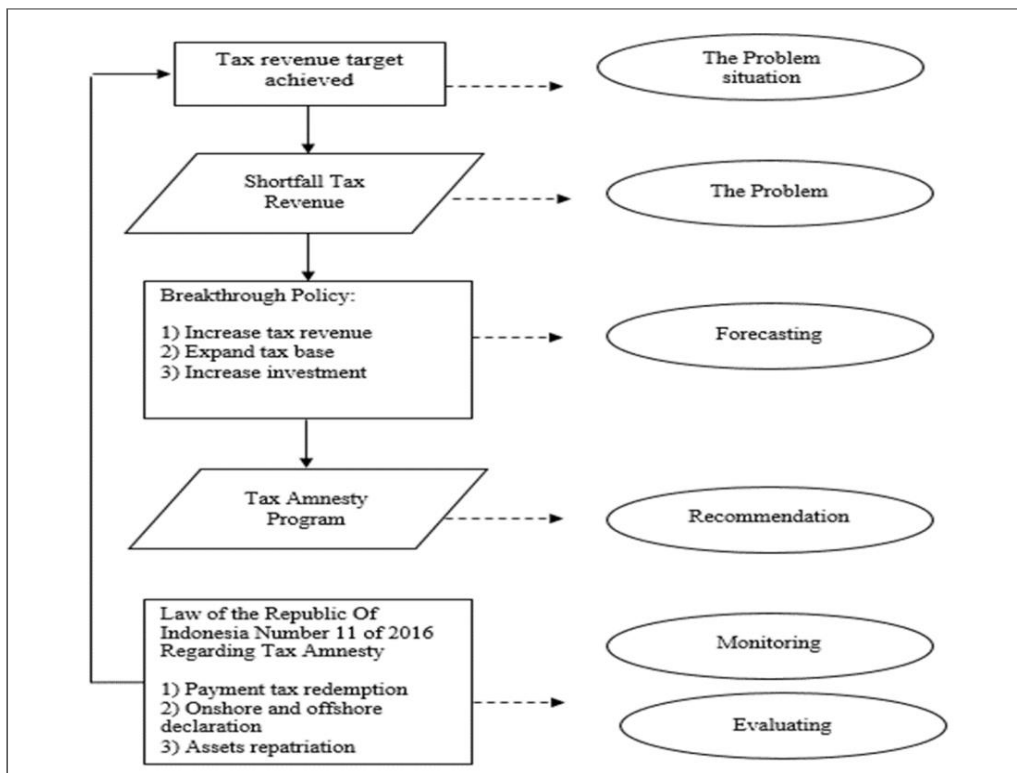


Figure 1. Research Framework

B. Method

This research focuses on the implementation of the tax amnesty program in Indonesia which took place in 2016 through a descriptive qualitative approach. This method of research also generally offers a way to explore issues, which can not be expressed by numbers (Greener, 2008). Data obtained from selected literature, published statistical data and other information regarding the implementation of tax amnesty in Indonesia, include observation and in depth interviews, then analyzed using problem oriented analysis technique.

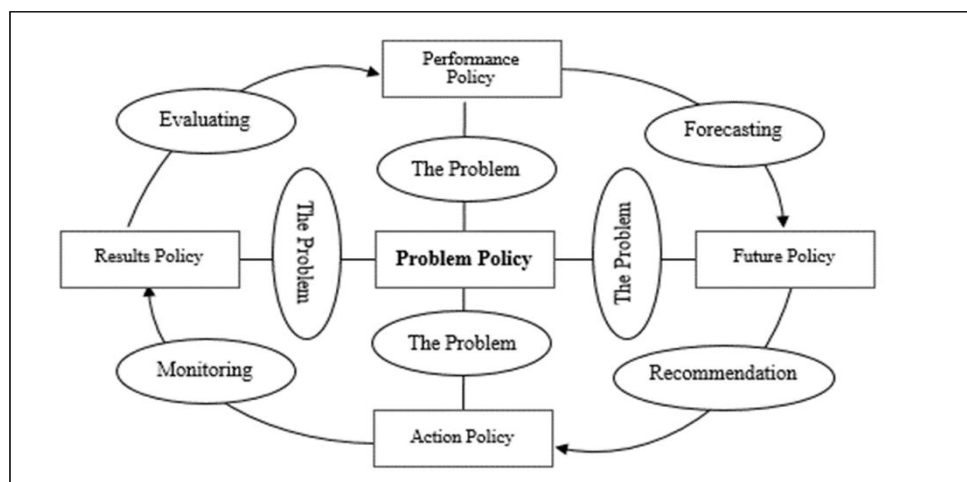


Figure 2. Problem Oriented Analysis (Dunn, 1999)



Problem oriented analysis is one of the analytical techniques included in the scope of retrospective policy analysis, namely the creation and transformation of information after policy actions are carried out (Dunn, 1999).

C. Research Finding

The tax amnesty policy is seen as a strategy that is considered capable of overcoming the problem of the low compliance of taxpayers. This policy has characteristics that generally take place in a limited period of time with the aim of collecting state revenues and increasing tax compliance, it can also be designed for broader macroeconomic interests such as repatriation of assets, which can be used to increase domestic investment or improve the system finance (Baer & Le Borgne, 2008).

The tax amnesty program can be classified as return amnesty, investigation amnesty, and prosecution amnesty (Franzoni, 1996). In return amnesty, taxpayers can revise their tax return with a reduce penalty, but can still be investigated and audit. The second type of tax amnesty, taxpayers are offered to obtain exemption from audits in certain tax years with the payment of tax redemption. In prosecution amnesty, the partial waiving of the penalty for caught evaders who, pleading guilty, ease the judicial course. In this case, only the prosecution power of the administration is suspended.

Indonesia has carried out the tax amnesty program at least three times during the period 1964 - 2016. The last tax amnesty program itself was held for nine months, starting from June 1, 2016 to March 31, 2017. Shortfall of tax revenue has given the government a challenge of how government and budget programs can be financed. In addition, this condition also risks to increase the budget deficit that if not managed carefully can result in violations of the law.

In problem oriented analysis, forecasting the implementation of tax amnesty policy based on an extrapolation tendency that begins with a certain amount of data between time, projecting the trend of the past into the future, and then making assumptions about regularity and persistence that justifying projections.

The implementation of the tax amnesty program that took place in 2016 was ultimately based on separate statutory provisions, in other words not attached to the general provisions of existing taxation. Based on Law number 11 of 2016 concerning Tax Amnesty, tax amnesty shall be elimination of tax that should have been payable, not being subject to tax administrative sanction and criminal sanction in tax area by declaring Assets and paying tax redemption as regulated in this Law.

In general, this policy has three main achievement targets, the amount of tax redemption collected, declarations of assets disclosed by Taxpayers, and Repatriation in the country that can be obtained. Taxpayers who repatriate Assets, can place funds on investment instruments both in financial markets and outside financial markets, with the provisions of the investment itself carried out in the shortest 3 (three) years since the investment Special Account in connection with the implementation of the tax amnesty.

Table 2. Targets and Achievements (Trillion Rupiah)

Description	Targets	Achievements	%
Tax Redemption	165	114,5	69,4
Assets Declaration	4.000	4.884,2	122,1
Assets Repatriation	1.000	146,7	14,7

Source: Directorate General of Taxes (2017)

D. Discussion

The implementation of the tax amnesty program in Indonesia is implemented as a separate policy from existing tax provisions. If the tax amnesty program refers to legislation currently in force (UU KUP) it will make this program lose its interesting features such as reduction and elimination of sanctions (legal rationality).

As a policy that is constructed separately from existing tax regulations, the tax amnesty will have the flexibility in regulating the four points of issue in the tax collection: subject, object, tax base, and tariff (technical rationality). The design of the tax amnesty policy can confirm at least three things which are expected to affect the participation of taxpayers, costs, benefits, and risks (substantive rationality).

The size of the assets declaration which is a combination of the declaration of domestic and foreign assets, while the value of the repatriation of the property is relatively small and less in accordance with expectations, has given a clue that the assets owned by the taxpayer abroad, some of which are fixed assets.

The voluntary disclosure of assets during the tax amnesty program has encouraged the expansion of the tax database and is useful for improving future tax compliance, as well as the tax redemption that has contributed to tax revenues. Total declaration of assets from the tax amnesty which reaches Rp 4,884 trillion is equal to 34.4 percent of the gross domestic product (GDP) of Indonesia. While the realization of ransom money Rp 114 trillion equals 0.88 percent against GDP of Indonesia. The achievement overcame the other countries that have carried out the tax amnesty program.

E. Conclusion

The tax amnesty policy is a policy that is applied once in a period (one shot opportunity), which provides an opportunity for all taxpayers without exception by disclosing assets that have not been reported or not until the 2015 tax year, and paying tax redemption, which follows valid for the period followed. Henceforth the taxpayer has the right to obtain the facilities referred to in the Tax Amnesty Law. The achievement of this tax amnesty from an economic perspective has succeeded in contributing significant revenue, adding to the database of the results of previously unreported asset disclosures, increasing the number of taxpayers, positively impacts on national economic conditions through the strengthening of exchange rate, decrease in interest rate, as well as increased capitalization in financial markets.

Nevertheless the tax amnesty program is not enough to successfully attract repatriates from abroad. The factors that cause it are some assets in the form of fixed assets, while other factors are applicable regulations in the country where the asset is placed. Countries that have a high level of banking secrecy usually receive placement of funds from customers on the basis of a statement that funds come from sources that



are legal and not related to activities of crime such as drugs, terrorism and other crimes. Repatriation requests can be assumed that the source of funds does not originate from legal activities, so that customers experience difficulties in the repatriation process. This has also been criticized by several parties, that from a legal perspective, the Tax Amnesty Law has the potential to support money laundering efforts that can be used by certain parties (Said, 2017). In order for this policy to have a positive impact in increasing tax revenues and tax compliance in the future, it is recommended: The data collected during the tax amnesty program is used as one of the tax bases and a comparison of the data reported by taxpayers in the next Annual Tax Return, Automatic exchange of information for tax purposes (EOI), which began to be implemented in 2018 maximized to add data and tax base, and Strong tax penalties against non-compliant taxpayers to be implemented after the tax amnesty program ends, so that it is expected to increase trust in the government, especially the Directorate General of Taxes.

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