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Analysis of Tax Amnesty Developments in Indonesia

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Abstract

This study aims to analysis of tax amnesty developments in Indonesia during the period 1984 to 2018. The research analysis uses a qualitative descriptive approach. Overall data used in this study is secondary data obtained from the results of systematic recording in the form of time series data. The results of the study show that tax amnesty in Indonesia has been successful in terms of the amount of funds received, especially those from declarations, but less successful in terms of repatriation..

Keywords
tax amnesty; developments; repatriation

I. Introduction

Fiscal policy is an economic policy carried out by the government to increase economic growth and improve the country's economic conditions to be better or more productive than before. The main instrument of fiscal policy is income from taxes and also state expenditures/expenditures (Sukirno, 2016:234).

This policy is carried out by changing the pattern of revenue (in the form of taxes) and state expenditures made by the government. In practice, this policy is carried out by regulating the state spending budget and changing the figures in it to get the conditions that exist for the purpose of preparing the state spending budget.

Recently, the government's efforts to improve the economic condition of the Indonesian tax system have begun. Several government policies have been introduced and one of the government's revenues in fiscal policy is in the form of income from income tax against consumption tax. Fiscal policy is taken from the experience of countries that have implemented a tax system so that the achievement of economic development in the country has a significant impact on economic growth in Indonesia. Government spending is also related to economic growth, namely if the government plans to increase economic growth to reduce unemployment, the government can increase its spending. Government expenditure consists of routine expenditure or regional apparatus expenditure and development expenditure or public service expenditure.

The government's policy in the economic system in Indonesia to increase tax revenues is the tax amnesty policy or tax amnesty. The government has carried out this tax amnesty for a long time since independence, namely the first time it was carried out in 1964, Indonesia experienced very serious tax problems. Indonesia has launched tax amnesty programs in 1964, 1984 and 2008 but all of these tax amnesty programs failed due to weak legal issues. The third tax amnesty was able to collect Rp7.46 trillion from 5,635,128 people but the amount collected was lower than the amount targeted by the tax office. This study aims to analysis of tax amnesty developments in Indonesia during the period 1984 to 2018.

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II. Review of Literature

2.1 Economic Growth

Economic growth is an effort to increase production capacity to achieve additional output, which is measured using gross domestic product and gross regional domestic product in a region.

Economic growth is the process of increasing output per capita in the long run. The emphasis is on three aspects, namely: process, per capita output and the long term. Economic growth is a process, not an economic picture at a time. Here we look at the dynamic aspects of an economy, namely how an economy develops or changes over time. The emphasis is on change or development itself (Boediono, 1999:1).

According to Prof. Simon Kuznets (Todaro, 2000:44), economic growth is an increase in the long-term capacity of the country concerned to provide various economic goods to its population. This capacity increase is made possible by technological, institutional and ideological advances or adjustments to various existing conditions.

2.2 Tax

Tax is a levy which is the prerogative of the government where the levy is based on the law and the collection can be forced on tax subjects where there is no direct remuneration that can be demonstrated (Mangkoesoebroto, 2001). The definition of tax is one of the various assumptions put forward by experts, although the definitions expressed are different, but each has the same goal. As described by Pratiwi and Putu (2014) that tax is a contribution to the state (which can be imposed) owed by the taxpayer, the payment of which according to regulations cannot be re-applied which can be directly appointed, and the purpose is to finance expenditures. General expenditure is related to the state's duty to organize government. Meanwhile, the definition of tax according to Rochmat Soemitro in (Mardiasmo, 2006:1) is the people's contribution to the state treasury (transfer of wealth from the private sector to the government sector) based on the law (can be forced) with no direct reciprocal services that can be appointed. used to finance general expenses. Income Tax is a type of subjective tax whose tax obligations are attached to the relevant Tax Subject (Hendayana, 2021). Tax is a requirement that has been established by the state as a civic duty (Marpaung, 2020). Tax is a compulsory levy paid by the people to the state and will be used for the benefit of the government and the general public (Siregar, 2019).

From these definitions, it can be concluded that the characteristics inherent in the definition of tax according to Mardiasmo (2003) are as follows:

1. Taxes are people's contributions to the state treasury. Only the state has the right to collect taxes. The contribution is in the form of money (not goods) which is used for the greatest benefit of the people.
2. Based on the Law Taxes are collected based on or by force of law and its implementing rules. Tax is a mandatory contribution that must be paid by the people to the state, in this case the tax is part of public law that regulates the legal relationship between the state/government and its citizens/people where the state takes wealth from the community and returns it to the community. The tax law was made with the aim of being the basic rules of tax collection, so that tax collection is based on the strength of the law and its implementing rules. This is to avoid arbitrary actions in collecting taxes and so that people do not want to pay taxes at will.
3. Can be enforced What is meant by being enforceable is that if the tax debt is not paid, the debt can be collected using power, one of which is using the media of forced letters, if necessary, action or sanctions will be imposed if they resist.

4. No accomplishments or reciprocity received directly appointed the aim is to distinguish between taxes and levies. Taxpayers cannot directly enjoy the taxes paid.
5. To finance general government expenditures In the state there is a state revenue and expenditure budget, and taxes are one of the main contributors to revenue which is then used to finance government expenditures, so the income from taxes is not only enjoyed by taxpayers but also by the people in general.

2.3 Tax Amnesty

Tax amnesty based on Law Number 11 of 2016 Article 1, defined tax amnesty is the abolition of taxes owed, not subject to tax administration penalties and taxation of criminal penalties, by exposing assets and paying a ransom as regulated in this constitution.

In article 1 Number 1 of Law Number 11 of 2016 it is clearly stated what is the meaning of the word tax amnesty, namely the abolition of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying money ransom as regulated in Law Number 11 of 2016 concerning tax amnesty. From this definition, the definition of tax amnesty can be further explored, namely:

1. Elimination of taxes that should be owed.
2. Not subject to tax administration sanctions.
3. Not subject to criminal sanctions in the field of taxation.
4. By revealing the treasure.
5. Pay the ransom.
6. As regulated in the provisions stipulated in Law Number 11 of 2016 concerning tax amnesty.

III. Research Methods

The research analysis uses a qualitative descriptive approach. Qualitative descriptive approach is to describe the conditions that will be observed in the field more specifically, transparently, and in depth (Asyraini et al., 2022; Octiva, 2018; Pandiangan et al., 2021). Qualitative descriptive approach aims to describe, explain, explain, and answer in more detail the problems to be studied by studying as much as possible an individual, a group or an event (Octiva et al., 2018; Pandiangan, 2015; Pandiangan et al., 2022).

Overall data used in this study is secondary data obtained from the results of systematic recording in the form of time series data. Secondary data is the process of analyzing which is carried out on existing data without the need to conduct interviews, surveys, observations and certain other data collection techniques (Octiva et al., 2021; Pandia et al., 2018). The benefits of secondary data are to minimize costs and time, classify problems, create benchmarks for evaluating primary data, and fill information gaps (Pandiangan et al., 2018; Pandiangan, 2022).Time series data is a collection of observations obtained through repeated measurements over time (Pandiangan, 2018; Tobing et al., 2018).

IV. Discussion

4.1 History of Tax Amnesty

The history of tax amnesty was introduced in Egypt by Ptolemy V Epifanes around 200 BC (Mikesell and Ross, 2012). The history written on a rock named Rosetta describes the priesthood's appreciation for the tax amnesty program (Mikesell and Ross, 2012). Despite the belief that the tax amnesty is able to increase state revenues and tax compliance of taxpayers, there are only a few countries in the world that have implemented tax amnesty programs in their countries because it is considered as one of the controversial income tools. There are 25 countries that have implemented the tax amnesty program, namely Argentina, Australia, Belgium, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, France, Honduras, India, Indonesia, Ireland, Italy, Malaysia, Mexico, New Zealand, Pakistan, Panama, Peru, Sri Lanka, Switzerland, Philippines, and Uruguay. The tax amnesty has been implemented by more than 25 people from the above mentioned countries. But there is only a dearth of studies that systematically examine the implementation of tax amnesty in Asia. Therefore, it is necessary for us to examine the implementation of the tax amnesty program in Asia to understand what are the key success factors for the program and what are the benefits and costs of the tax amnesty program (Muhammad, 2017:220).

Indonesia is experiencing a very serious tax problem. Indonesia has launched tax amnesty programs in 1964, 1984 and 2008 but all of these tax amnesty programs failed due to weak legal issues. The third tax amnesty was able to collect Rp7.46 trillion from 5,635,128 people but the amount collected was lower than the amount targeted by the tax office.

In the history of taxation in Indonesia, efforts to provide abolition of sanctions Generally the condition is that as long as the tax principal which is the obligation is paid off by the taxpayer, administrative sanctions will be abolished. Reductions in administrative sanctions are generally given individually with a written request and strict conditions. It's just that the application of tax amnesty is carried out in a limited period and adjusted to the conditions of the community at a certain period (Marihot, 2016:2).

After Indonesia's independence, the government imposed a tax amnesty on the public in 1965. The tax amnesty was enforced on the legal basis of the stipulation of the President of the Republic of Indonesia Number 5 of 1964 concerning the regulation of tax amnesty, which was stipulated and promulgated on September 9, 1964. The stipulation of the President of the Republic of Indonesia Number 5 of 1964 was issued with the consideration that in the interest of the Indonesian National Revolution and universal national development in general as well as to facilitate the implementation of the Economic Declaration dated March 28, 1963 and the mobilization of all funds, resources and energy in particular, it is necessary to give tax amnesty to capital located in the community which has never been taxed. This consideration is based on the fact that there are people who own and enjoy, control, and use capital that has never been subject to taxes, corporations, income taxes, and wealth taxes. For this reason, they should be required to pay a ransom from the amount of tax which according to fiscal regulations is actually owed to the state. Tax regulations on profits, income and wealth that were in effect until 1964, which existed in a state of inflation that grew from year to year, easily aroused people's desire to avoid taxation of most profits, income and wealth. there was a fiscal profit, which also included inflationary profit, which was adopted at that time and will continue to be adopted because the system that requires complete and correct bookkeeping is not easy to implement. The income tax rate imposed progressively is seen as very heavy and is considered a punishment by society, which works successfully (correctly) (Marihot, 2016:3,4).

Indonesia has implemented a tax amnesty in 1984. However, its implementation is still not effective because taxpayers are less responsive and not followed by reform of the tax administration system as a whole. In addition, the role of the tax sector in the state revenue and expenditure budget system still functions as a complement only because state revenues are dominated by the oil and gas export sector, so the government is not looking for something more serious. The tax amnesty policy in Indonesia was previously implemented in 1984, however, the implementation of this policy was considered a failure due to the lack of access to information, openness and dissemination of policies which resulted in the implementation of the tax amnesty being less than optimal (Wati, 2016).

4.2 Effect of Tax Amnesty on Indonesia's Economic Growth

The results of the study show that tax amnesty in Indonesia has been successful in terms of the amount of funds received, especially those from declarations, but less successful in terms of repatriation.

The purpose of the tax amnesty in Indonesia is to increase tax revenue from 2016-2017, improve future tax compliance, repatriation of capital, transition to a new tax system and national reconciliation.

The 2016 tax amnesty program in Indonesia was quite successful because it was able to break world records. In the first round of the tax amnesty (July-September 2016), the Indonesian government was able to collect Rp2,963 trillion ($229 billion) or nearly 74% or Rp4,000 trillion of the government's target. The tax amnesty collected by the Indonesian government beat Italy's 2009 tax amnesty program which was only able to collect Rp1,179 trillion.

The tax amnesty policy was actually implemented by Indonesia in 1984. Likewise, another similar policy in the form of sunset policy was implemented in 2008. Since the sunset policy program was implemented throughout 2008, data from the Directorate General of Taxes for the first quarter of 2010 has succeeded in increasing the number of registration numbers. There were 5,653,128 new taxpayers with taxpayer identification numbers, an increase in the annual income tax return of 804,814 and an increase in income tax revenues of Rp7.46 trillion. The total number of individual taxpayers is 15.07 million, treasurer's tax identification number is 447,000, and the number of corporate taxpayers is 1.63 million. So the total is 17.16 million.

If the application of the tax amnesty is higher, the taxpayer compliance will also be higher. Another factor that can affect tax revenue is economic growth. Economic growth is the development of activities in the economy that causes goods and services produced in society to increase and the prosperity of society to increase in the long term. If the prosperity of the population increases, it will change their consumption patterns which will then affect tax revenues. If the economic growth of a region increases, the people's ability to pay taxes will also increase.

V. Conclusion

The results of the study show that tax amnesty in Indonesia has been successful in terms of the amount of funds received, especially those from declarations, but less successful in terms of repatriation.

As a follow-up activity, based on the conclusions above, the suggestions that can be submitted in this research are as follows:

1. It is hoped that the government will make people aware, especially big businessmen and entrepreneurs who save their money abroad, which is tax-free, to be willing to participate in paying the tax amnesty fines by taxpayers and impose sanctions.
2. The government conducts evaluations and investigations on tax riders or business people who put the proceeds of their income abroad in order to return to their homeland and be given severe legal sanctions.
3. Research provides advice to researchers to use other methods of analysis, in conducting similar research.

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