

Policy Evaluation of Accelerated Vat Refund on Export (Case Study on Indonesian Large Tax Office 1)

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Abstract

This study aims to analyze the tax administration on the policy of accelerated VAT refund on exports and to analyze the evaluation of the policy for accelerated VAT refund on exports at Indonesian Large Tax Office 1 (LTO 1). The research method used is qualitative research with data collection techniques through in-depth interviews with Indonesian tax stakeholders and literature studies. The results of this study were found that the accelerated VAT refund, especially during the COVID-19 pandemic, can help the cash flow of the Taxable Entrepreneur (TE) to be used to support their business, the process of implementing the accelerated VAT refund policy is not yet effective, as is in line with the findings of the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan Republik Indonesia / BPK RI), which found that the completion of the VAT Refund process that exceeds the time period, and there are also administrative technical obstacles that must be corrected in order to improve services to TE. Some way that can be used is to simplify the bureaucracy, through a reorganization of the organizational section related to the preliminary VAT refund and optimizing the use of technology in the administration of the accelerated VAT refund.

Keywords

value added tax; accelerated vat refund; tax administration; policy evaluation



I. Introduction

Currently the world is being hit by the COVID-19 outbreak which has an impact on many aspects of life, including Indonesia, which has a significant impact in terms of state revenues, especially in the field of Taxation. The Covid-19 pandemic caused everyone to behave beyond normal limits as usual. One of the behaviors that can change is deciding the decision to choose a college. The problem that occurs in private universities during covid 19 is the decrease in the number of prospective students who come to campus to get information or register directly to choose the department they want. (Sihombing, E and Nasib, 2020)Based on data released by the Directorate General of Taxes of the Republic of Indonesia, Income Tax and Value Added Tax (VAT) are the two types of taxes that have experienced a drastic decline. In 2020, the income tax that can be collected fell drastically by Rp. 178.23 trillion or negative 23.08% compared to the 2019 performance and was also followed by VAT which decreased by negative 15.28% or Rp. 81.25 trillion, in the same year. This decline was greatly influenced by the impact of the COVID-19 pandemic which was detected in Indonesia in the first quarter of 2020. The cause of this decline was also driven by the weakening of domestic VAT caused, among others, due to restrictions on economic activities as an effort to reduce the transmission of COVID-19, an increase in VAT restitution, a decrease in the volume of motor vehicle sales, and a decrease in people's purchasing power. (Indonesian Ministry of Finance, 2020). VAT is a tax that has a

consumption basis, which has certain characteristics, in the form of a general, neutral principle, and is also an indirect tax. (Chandra & Long, 2013)

Based on data from the OECD (2020), 170 countries have implemented VAT with an average total of 30.8% contributing to each country's income. Indonesia itself has imposed VAT since 1983. VAT in Indonesia is a type of tax that contributes significantly to tax revenues and increases the role of taxes in the State Revenue and Expenditure Budget (Bawazier, 2011). VAT also has a strong revenue base so that it can collect revenue for the state in a relatively short time and without significant difficulties in implementation, it is also neutral which does not distort economic activity, and the efficiency offered in administration is the main reason VAT is the prima donna for many countries who want to increase income (Tait, 1991).

In Indonesia, VAT is regulated using Tax Regulations Number 42 year of 2009 (VAT Law), and related to exports, a VAT rate of 0% is imposed. The logical consequence of the credit method system of VAT, known in Indonesia as VAT Output minus VAT Input, is that the VAT reported by TE exporting Taxable Goods is overpaid. The excess Input Tax can be compensated to the next Tax Period, or a refund. Many previous researchers have argued that the restitution process caused by exports is one of the problematic administrations in developing countries (Putranti & Yamin, 2009). Likewise, the results of other studies reveal that VAT causes a large negative effect on intermediate goods exporting countries that occurs in low- and middle-income countries. Poor VAT administration causes the government to fail to provide refunds for excess VAT (Sharma, 2020). This problem stems from an inadequate legal and institutional framework and weak administrative capacity to identify fraud and implement preventive measures in the return process (Okello, 2021). For export-oriented countries, such practices become a serious problem that can damage their export competitiveness (Harrison & Krelove, 2005), (Sari,2019).

The length and complexity of the VAT overpayment process due to deviant practices can result in disrupted company cash flow (Rahayu, 2007). One of the ways the Government of Indonesia can improve restitution settlement services is by issuing Minister of Finance Regulation (Mof Regulation) Number 39/PMK.03/2018 concerning Procedures for Accelerated VAT Refunds of Excess Tax Payments. The aim is DGT's effort to provide better services for taxpayers in the context of providing preliminary restitution and optimizing the performance of tax auditors to focus more on taxpayers who have high tax potential (Toron, 2014). When the COVID-19 pandemic hit the world, the government intervened to reduce the worsening impact by relaxing the pre-refund policy for low-risk Taxable Entrepreneurs. The limit on the value of restitution is increased to Rp5 billion and is addressed to taxpayers with a predetermined Taxpayer Sector.

The existence of the phrase "can" be audited for taxpayers who utilize the preliminary refund facility makes taxpayers feel "insecure" compared to taxpayers who choose the audit mechanism, where within 12 months there is legal certainty with the issuance of a tax assessment letter (SKP). In terms of services, DGT reforms the organizational structure through Minister of Finance Regulation Number 184/PMK.01/2020 concerning Amendments to Minister of Finance Regulation Number 210/PMK.01/2017 concerning Organization and Work Procedures of Vertical Agencies of the Directorate General of Taxes. The change has an impact on the business process of completing a preliminary return request. Now the completion of the preliminary returns is in one section which was previously in two sections. The shorter bureaucracy is expected to be able to complete the preliminary return process more quickly.

Based on this background, this research was conducted with the following research questions. How is the tax administration analysis of the policy for the accelerated refund of VAT on exports at LTO 1? How is the analysis of the evaluation of the policy for the accelerated refund of VAT on exports at LTO 1?

II. Review of Literature

Jones (1984) states that "*evaluation is an activity designed to judge the merits of government programs which vary significantly in the specification object, the techniques of measurement, the method of analysis and the forms of recommendation*". This explains that policy evaluation is a series of activity processes that have been designed to assess the benefits of a government policy / program implemented through a more specific sub-policy. Anderson (2003) states that basically policy evaluation is "*the appraisal or assessment of policy, including its content implementation and impact*", meaning that policy evaluation is an activity that involves the assessment process, to examine a policy including the content, implementation, and impact of the policy. Therefore, according to Anderson, as a functional activity, policy evaluation is as important as policy implementation itself. As for what is meant by functional activities, policy evaluation activities should not only be carried out in the final condition but should also be carried out at all policy stages. So that policy evaluation will have been carried out on all processes carried out, starting from policy formulation, proposed programs to solve policy problems, implementation and the impact of the resulting policies. Furthermore, Jones (1984) explains that there are three types of objectives for implementing policy evaluations, such as:

1. **Political Evaluation.** Political evaluation activities on a policy implementation will be carried out to answer the question "*whether the program implemented can provide benefits to all elements of the country, whether the program to be implemented will increase political support during the campaign program, and whether the program to be carried out will increase media support.*"
2. **Organizational evaluation.** Evaluation for the benefit of the organization. Organizational evaluation starts from the question of whether "*the program implemented will receive support from the existing institution. Whether the benefits received by the implementing agency are greater than the costs incurred, and whether the program implemented will provide expansion to the implementing agency*".
3. **Substantive evaluation** (evaluation to be substantive form) substantive evaluation aims to evaluate "*whether a program can achieve the objectives in accordance with what has been set (either in the law or in the form of certain specifications), and whether the impact generated by the program for problems*".

According to Wollman in Frank (2007) there are three types of policy evaluation, namely *Ex-ante evaluation*, *Ongoing evaluation*, and *Ex-post evaluation*. *Ex-ante evaluation* is a policy evaluation activity that is carried out, before a policy is implemented. Hypothetically, this type of policy evaluation is intended to anticipate and provide an initial assessment of the effects and consequences of policies that have been planned or that have been determined. Its purpose is to provide relevant information related to the policy or to the ongoing policy-making process. *Ex-ante evaluation* is an important instrument of a process of determining the choice of various existing policy options. This type of policy evaluation can provide an impact analysis on the policy environment. *Ongoing Evaluation* is an evaluation process that aims to identify and measure the results of a program that is being implemented.

III. Research Method

The approach used in this study is a qualitative approach by analyzing the situation by generalizing the existing evidence and data to present a coherent and consistent condition. Data collection is done through data collection from various types of sources, such as the results of interviews and observations. In this research, in addition to using scientific magazines, books, journals, literature, archival sources and other documents, one can also use the regulations that apply in a country, especially related to this research, particularly in relation to the VAT Law. The use of data through scientific sources is expected to build an academic perspective and a comprehensive framework of thought, related to theories and concepts that are relevant to the issues.

IV. Result and Discussion

4.1 Tax Administration on Accelerated VAT Refund on Exports at LTO 1

Looking through the legal character of VAT, which is general in nature, as quoted from the United Nations, that: *"if a tax on consumption is to provide a uniform coverage and avoid economic distortion, it should apply to all sales of services as well as goods."*, which means that if a tax is imposed on the scope of consumption in general and to avoid economic distortions, the tax is also imposed on every type of service, as well as on goods, then Indonesia has regulated its VAT policy through the VAT Law through the concept of a negative list, namely In the VAT Law, it is regulated which BKP and JKP are not subject to VAT, while those that are not regulated in the VAT Law will be subject to tax. This is in line with the statement of the sources:

"In theory, VAT will be imposed on all goods and services, general in nature, consumption, etc., but the state has the right to exclude it, and for all the parties who deliver goods and services that are exempt from taxes do not need to collect VAT".

(Maria Tambunan, Universitas Indonesia Academics)

Then the second legal character, that VAT has the nature of an indirect tax, that *"the concept of the incidence of taxation is concerned with the question of who ultimately pays the tax"*, or the concept of a tax condition is related to the question of who should pay the tax, through a *forward shifting scheme*, with the condition that VAT payments will be charged to the consumer, or *backward shifting*, with the condition that VAT is charged to the seller

"In terms of VAT, the philosophy is a consumption tax, so what we have to be taxed, it should be consumers, and it is a chain from upstream to downstream, if everything is normal, there is VAT-In and there is VAT-Out, what is deposited to the state is just the difference, actually the difference is the same amount with what the state receives from the final consumer"

(Amih Muslich, Analyst of Fiscal Policy Agency)

The third legal character, VAT is a tax on consumption, which is marked by selling and buying activities, both Taxable Goods and Taxable Services. Conditions related to this legal character are related to the taxation jurisdiction of VAT, which is divided into *Origin Principal*, who considers VAT to be imposed in the country where the Taxable Goods or Taxable Services is made, and *Destination Principal*, who considers VAT to be imposed in the country where the Taxable Goods or Taxable Services is consumed. Indonesia adheres

to the *destination principal* principle, whereby the transactions on exports will be imposed in the export destination country, with the imposition of a 0% tariff (Article 7 paragraph 2 of the Indonesian VAT Law) within Indonesian jurisdiction. This is in line with the statement of the sources:

“Why are these exports subject to a 0% tariff, because there is such a thing as a destination principal, the one who has the right to tax is the destination country, there has been an international agreement, and also the exported goods have no VAT value.”

(Amih Muslich, Analyst of Fiscal Policy Agency)

With the policy of imposing a 0% rate, through the creditable method system scheme applied to VAT, with the reduction of the VAT-Out on the VAT-In of the Taxable Entrepreneur (TE), it will have an impact on the condition of overpayment for TE, because it can be ensured that the VAT-Out owned by the TE is always lower than the VAT-In owned. For this overpayment, TE can choose to be able to make a tax refund, through a Accelerated VAT refund or Normal Refund, but for the Accelerated VAT refund begin with the following stages:

1. The overpaid VAT Return through the DGT's e-filing system, which the taxpayer selects an Acceleration of VAT refund.
2. After the overpaid VAT Refund is received, an official memo will be made to the supporting Account Representative, namely the Supervision Section, P3 section (Inspection, Assessment, Billing), and will be forwarded to the extension function for formal and material research within a period of 1 month completion VAT Return received.
3. After that, the process carried out by the Extension Functional is to conduct formal research, which aims to check the correctness of the signing of the VAT Return.
4. After formal research has been carried out, material research is carried out, namely checking the numbers in the VAT Return.
5. After the formal and material research has been carried out, a Advance Tax Overpayment Refund Decree (SKPTE) will be issued. The period for the issuance of this SKPTE is 1 month from the receipt of the complete VAT Overpayment Return.
6. The issued SKPTE is followed up with the issuance of a Tax Overpayment Refund Decree (SKTEP) within 30 days. At this stage the KPP will send a letter requesting the TE account number.
7. Furthermore, for the SKTEP which has been completed with the account number, an Order for Paying Excess Tax (SPMKP) is issued within 5 working days and sent to the State Treasury Service Office (KPPN).
8. Within 2 working days since the SPMKP is received by KPPN, a Fund Disbursement Order (SP2D) will be issued.

Implementatively, this accelerated VAT return policy has been carried out in accordance with the stages as stipulated in the Procedural Standard at LTO 1, but this condition is still having some problems. The Indonesian Audit Board report stated that the DGT was late in issuing the Decree on the Preliminary Return of Excess Tax (SKPTE). This indicates that there are still gaps for improvements to be made, to provide a more excellent service for taxpayers. Therefore, it is necessary to evaluate the accelerated VAT refund policy, especially in LTO 1.

4.2 Policy Evaluation of the Accelerated VAT Refund on Export at LTO 1

Based on Indonesian Audit Board findings, are the example of correction that must

be made by the DGT to fix the problems that occur, especially related to the Accelerated VAT Refund. The Problems faced by the DGT are the existence of problems in giving bank account numbers from TE to the DGT which is done manually through a physical correspondence process, which it can slower down the process of sending the refund money to the TE. This is as stated by the sources:

“So, the taxpayer must submit the bank account number, and it should be when the SKPTE is issued during one working day, then a letter will be submitted to the taxpayer requesting an account number, so that (supposedly) the disbursement process can be accelerated. However, if the taxpayer has not submitted the bank account number, while the SKTEP must be issued, the SKTEP will be issued without an account number. This means the Tax Office will not issue the SPMKP, so the overpayment of the tax cannot be disbursed.”
(Reza Kurniawan, Head of Service Section LTO 1)

The next problem is beside related to the bank account numbers, is because of the workload of employees owned by LTO 1. This was stated by a source:

“It also depends on the workload, if it is not too high, at least half the time can be done, meaning 30 days can be up to SPMKP, or 40 days to 60 days is a maximum”
(Reza Kurniawan, Head of Service Section LTO 1)

The problem of disbursing VAT refunds was also confirmed by the Taxpayer, who said that the delay in this preliminary refund, from the beginning, which was only targeted for only 30 days, could experience a delay of up to 2 months. This was stated by a source who stated:

“Yes, if it doesn't take too long, for the VAT ferund, it is almost two months or so long”
(Darwan, PT KPC)

In addition to the request for account numbers, there is also a manual process for calculating interest rewards, NTPN research, and research on input tax invoices credited by TE, whether the invoice has been reported by the counterparty. If it has not been reported, the crediting will be corrected, reducing the value of the return submitted by the TE. This is as conveyed by the resource person:

“Yes, we check if there are thousands of NTPNs, we check one by one on the NTPN confirmation. Besides that, what is still manual is for those with interest rewards, so the disbursement of interest payment is still manual because the system doesn't exist”
(Reza Kurniawan, Head of Service Section LTO 1)

“So that issue is true, the issue of the counter-transaction that reports, and the issue of correcting tax invoices, actually the issue of correcting tax invoices is also the issue to the taxpayer not yet reporting so the counterparty hasn't reported the correction of the tax invoice in the VAT Return Correction”
(Reza Kurniawan, Head of Service Section LTO 1)

These factors become obstacles that can slow down the process of disbursing the accelerated VAT refund. The use of information technology in the VAT system, known as the e-faktur application, needs to be optimized so that these constraints can be

accommodated in the application.

After knowing how the accelerated VAT refund process and knowing the obstacles faced, the next step is to evaluate the policy. This evaluation is carried out to find out to what extent the impact and objectives of the policy have been achieved, as well as what improvements can be made. Using Wolmann's theory related to the process of *political evaluation, organizational evaluation and substantive evaluation*, this paper also looks at three types of policy evaluations, namely *Ex-ante evaluation, Ongoing evaluation, and Ex-post evaluation*.

In terms of *political evaluation*, the policy for the accelerated VAT Refund has been improved several times, so that from a political perspective, this policy is a policy implemented as a form of political will from the government to simplify administration and assist TE liquidity. This potential will also be shown during the Covid-19 pandemic. The government has increased the limit on the value of the initial return, which is enlarged up to Rp. 5 billion and is aimed at taxpayers with certain Taxpayer Classification. The COVID-19 condition requires the government to make policies quickly, and if a patchwork process is found in the implementation process, this policy should be appreciated, at least there is good political will attention from the government, as stated by sources:

"I understand that the policies are made up in a very limited period of time, so if it is said that this policy is carried out with agenda setting, this is again a Covid condition, if for example there is a patchwork policy here and there, it can't be faulted, but in fact there is political will quite be serious with the extension of the improvement of the bureaucratic system"

(Maria Tambunan, Universitas Indonesia Academist)

Based on the informant's statement, it was stated that the accelerated VAT refund policy was a form of good faith from the government to assist TE during the pandemic and extend the implementation of the accelerated VAT refund policy so that the TE cash flow could be well maintained. One of the taxpayers who are registered at LTO 1, has also experienced the ease of getting their tax refunds back. The informant said, in a substantive evaluation, that the main reason for the preliminary VAT refund was due to cash flow. Cashflow is obtained more quickly through a pre-refund of VAT. This is as stated by the source:

"We chose an accelerated VAT refund because we need the cashflow fast, where the accelerated VAT refund process is only one month since we submitted the application. That's why we chose accelerated VAT refund policy because we need fast cashflow"

(Sri Surhayani, Tax Manager PT JRBM)

Then, related to the *organizational evaluation*, currently at LTO 1, there are 8 functional extension officers have been delegated, with adjusted workload adjustments. The aim, beside to optimalize the effort to speed up the accelerated VAT refund service, it is also to provide an appropriate workload, to make the officers less burdensome. This is as stated by the source:

"For this accelerated VAT refund, it was done by the active extension worker, there were 8 people, all adjusted, but in the end, I saw the workload, it also means that if the taxpayer often proposes the accelerated VAT Refund, but the officer A is only to do it, it's going to be hard in the end, they also share their workload."

(Reza Kurniawan, Head of Service Section LTO 1)

In addition, related to the jobdesc owned by the Extension Functional, related to the current organizational evaluation in KPP WP Besar 1, the authority of the Extension Functional related to the policy of Accelerated VAT refunds, is carried out in two places, namely the jobdesc related to the Extension Program are under the Functional Coordination, while the jobdesc related to the completion of tax administration is under the control of the Service Section. This is as stated by the source:

“The function of the tax instructor can be said that he is in two (places). So, regarding the extension program, he is under the functional coordination of the extension worker, but for work related to the completion of tax administration, it includes the introduction and then the application is under the control of the head of the service section”.

(Reza Kurniawan, Head of Service Section LTO 1)

The purpose of the reorganization through the merging of functions in the extension function is for efficiency in the implementation process of the bureaucracy. This is as stated by the source:

“Indeed, in general it is more efficient because it is under one control. Before now, the control comes from two sections from the Supervision & Consultation section 1, after it is documented has already finished, it being sent into the Service Section, then it is printed to be given to the taxpayer, but now under one control, it is more efficient in terms of time, the bureaucracy is shorter”

(Reza Kurniawan, Head of Service Section LTO 1)

Based on the narrative that has been explained by the informant, the Ex-ante and On-going Evaluation process carried out by LTO 1 can provide the condition that currently the LTO 1 has delegated 8 functional extension officers, with adjusted workload adjustments. Then the authority of the functional extension officer related to the accelerated VAR refund policy is carried out in two places, namely the jobdesc related to the extension program are under the functional coordination of the extension worker, while the jobdesc related to the completion of tax administration is under the control of the service section. The purpose of doing these two things is solely for efficiency in the process of implementing the bureaucracy

Then related to the substantive evaluation process, including when the TE requests an accelerated VAT refund, at the time of reporting the overpaid VAT Return, has checked the restitution point, the TE's account number can also be attached, to speed up the VAT refund payment process. This is as stated by the source:

“In my opinion, when the taxpayer submits the Overpaid Letter form LTO 1 (SKPLB) or shows the overpayment application letter, the request for an account number is immediately attached, so it will speed things up. I don't think it's against the rules because it doesn't affect the material and formality. So, in my opinion, if you want to speed up the taxpayer submitting the overpaid tax return, you will immediately provide the account number without being asked beforehand”

(Reza Kurniawan, Head of Service Section LTO 1)

In addition, related to the *substantive evaluation* carried out, currently, the LTO 1 has been assisted by using a system, to make it easier to check VAT-In Invoices, the number of which can reach thousands, even hundreds of thousands. This is as stated by the source:

“If it is related to problems, at LTO 1, there are taxpayers with tens of thousands of tax invoices, if not assisted by the system, it means that with a separate system to check the VAT Out – VAT In, it will take a long time, for example one mass there are taxpayers whose input taxes are hundreds of thousands”

(Reza Kurniawan, Head of Service Section LTO 1)

Another problem related to substantive evaluation of the amount of VAT refund which become part of the policy of achieving DGT's revenue target, the amount of restitution which being refund to the taxpayers will reduce state revenues. If the amount of VAT refund is large enough and affects the achievement of a tax office's acceptance, these VAT refunds are often postponed to the following year. Especially this refund conditions occur at the end of the year.

“For example, when we submit the refund at the end of the year, such as in October or November, Well, the refund at the end of the year usually to be held, maybe because it is related to the state revenue”

(Sri Surhayani, Tax Manager PT JRBM)

Conceptually, the VAT overpayment experienced by the TE, its should not the right of the DGT, to become as a part of the revenue. Instead, DGT must return it to the taxpayer immediately, so that no potential loss will be experienced. However, the potential loss that occurred was due to extraordinary conditions due to COVID-19, which could lead to a decrease in people's purchasing power, so there is a potential for a decrease in VAT receipts. This is as stated by the source:

“So this is the extra money that has to be returned, because at the end of the year, DGT has the nett amount, if it is drops, it shouldn't be, because at the end it has to be reversed too. But with the current condition, extraordinarily, this can happen (potential lost), but it's not just restitution, but there are other factors that should contribute to VAT revenue, but don't contribute anymore, so it decreases”.

(Maria Tambunan, Universitas Indonesia Academics)

In the evaluation process of the *substantive evaluation* carried out, basically the accelerated VAT refund on exports did by TE, in a documentary manner, cannot be faked and manipulated, because from the side of supervision, it has involved many parties, starting from the DGT, Customs and Excise, and banking. so, it is difficult to say that there will be fictitious invoices for exports. This is as stated by the source:

“This export can't actually be done arbitrarily with documents, and the potential for forgery is small, because it involves many parties, one of which is customs, and the LC is from the bank. So it is difficult if there is a fictitious export transaction”.

(Amih Muslih, Analyst of Fiscal Policy Agency)

In addition, related to taxpayer compliance costs, the policy for the Accelerated of VAT refunds does not directly affect to the direct money costs, but it is related to psychological costs, that can affect taxpayers. This psychological burden is caused by the audit process that will be arise by the taxpayer when the research on the accelerated VAT returns has been processed. The timing of the audit that cannot be determined, and it can cause a psychological burden for the taxpayer. For the DGT itself, there is a potential sunk

cost due to the conditions for the preliminary VAT return, especially during the Covid-19 pandemic. This is as stated by the source:

“According to our research on the taxpayer, there is nothing significant in the direct of money issued, but there is a psychological cost. For DGT, there is an adjustment, but whether this adjustment is costly or not, it will be used next. So, can this adjustment be said to be a sunk cost, and if there is no covid, it doesn't exist anymore?”

(Maria Tambunan, Universitas Indonesian Academics)

In addition, for taxpayers in Indonesia, there is also a cost of funds owned, in the form of bank interest. In running their business, and related to the accelerated VAT refund, the taxpayer has two choices, namely borrowing money from the bank and then paying interest or making an accelerated VAT refund with the aim of getting faster cashflow, so that there is money that can be replayed to develop business. This is as stated by the source:

“In Indonesia, in fact, their cost of funds is also high, such as bank interest. So related to this accelerated VAT refund, taxpayers also need cashflow, economically there are also benefits, if there is money that can be returned to taxpayers more quickly, there is money that can be replayed to develop the business.”

(Amih Muslih, Analyst of Fiscal Policy Agency)

V. Conclusion

1. In general, tax administration related to the preliminary refund of VAT on exports, especially in LTO 1, both theoretically and practically, has complied with the rules of good VAT implementation. In the political evaluation of policies, the government has given good attention to TE cashflows that have excess VAT payments, especially during the pandemic. This policy is very helpful for TE, not only Small Entrepreneur who are the targets of this policy, but also TE who have businesses on a larger scale. However, regarding the audit after the return, there is a trust issue that occurs between TE and DGT, and this is one of the factors causing TE not to take advantage of this policy. From an organizational perspective, DGT has implemented efficiency by reorganizing, reducing bureaucracy by combining functions related to the completion of pre-return administration, improving human resources performance by dividing the workload properly. Another impact is that the burden of examining VAT refunds has decreased. Related issues are compliance costs, in the form of psychological costs for TE, and sunk costs for DGT. On the other hand, the potential cost of funds, in the form of bank interest, if the TE does not take advantage of this policy. Substantively, TE who take advantage, get faster cashflow. However, it is necessary to improve business processes related to the TE account number so that it is directly included in the overpaid VAT Payable Report. In addition, this policy is not effective for TE in KPP LTO 1 with large turnover. TE prefers legal certainty through examination.
2. The use of technology is highly recommended to shorten administrative settlements and increase trust between DGT and TE, and it is necessary to consider the use of an escrow account in VAT administration. This research is limited to the research site, TE in the Large One Taxpayer KPP, the majority of which have large turnover and the issue of cashflow needs is not important. So that further research can be addressed to Micro, Small, Medium Enterprises (MSMEs) TE.

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