INDONESIA TAXATION QUARTERLY REPORT

Q1 - 2020

Global Tax Policy Responses to COVID-19 Crisis

DDTC
Fiscal Research

INDONESIA TAXATION QUARTERLY REPORT

Q1-2020

Global Tax Policy Responses to COVID-19 Crisis

Fiscal Research

Equality, Certainty, Convenience, Economy

INDONESIA TAXATION QUARTERLY REPORT Q1-2020
Global Tax Policy Responses to COVID-19 Crisis
ISBN: 978-623-93493-0-1

Board of Advisors: Darussalam, Danny Septriadi and B. Bawono Kristiaji
Chief Editor: Denny Vissaro
Editorial Team Members: Danu Febrantara, Hamida Amri Safarina, Lenida Ayumi, Khisi Armaya Dhora, Bastanul Siregar, Dea Yustisia, Kurniawan Agung Wicaksono and Awwaliatul Mukarromah
Design & Layout: Gallantino Farman and Ekaputra Septyandhani
Printing: Jakarta, April 2020

Menara DDTC
Jl. Raya Boulevard Barat Blok XC 5-6 No B, Kelapa Gading Barat
Kelapa Gading, Jakarta Utara, DKI Jakarta, 14240 - Indonesia
Telp. : +62 21 2938 2700
Fax : +62 21 2938 2699
Email : service@ddtc.co.id
Website: https://ddtc.co.id

Disclaimer:
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date received or that it will continue to be accurate in the future. The views expressed in this publication are those of the authors and do not necessarily represent the views of DDTC.

Forewords

Huge gratitude belongs to God Almighty, that in the light of worsening impacts of COVID-19 pandemic, He still grants blessing so that 'Indonesia Taxation Quarterly Report I-2020' can be presented to every Indonesia taxation stakeholders.

In this difficult situation, we would like to send our thoughts and sincerest prayer to every affected person and family. We do hope that the impacts can soon be contained, so that we can safely depart to a better situation.

Since we all have to maintain physical distance and mostly have to perform that by working from home (WFH), this situation has indeed affected our way to be productive both in professional and personal lives.

Nevertheless, we should believe that there is also momentum where we can keep our creativity and unlock potential areas where we can contribute to the betterment of our society.

Having mentioned that, DDTC preserves the belief by freshening our publications in ways that we can be most beneficial for every tax stakeholder. In particular, this edition of quarterly report is delivered to keep our readers well informed accompanied with critical and objective perspective.

Notably, tax instruments have always been present in the times of difficulty and uncertainty. Today is not an exception. In harmony with most affected countries, the government utilizes tax system to ease the burden for the taxpayers.

Accordingly, this publication primarily presents report on global tax policy response amid the COVID-19 crisis. The initiatives may hold various forms, but substantively they represent similar value of endless commitment in humanity and for welfare improvement. Furthermore, we also present report on how tax office's approach changes and many other important taxation information that has been ongoing in the first quarter.

We do hope that "Indonesia Taxation Quarterly Report I-2020" will offer a powerful impact and sound contribution that will benefit the whole tax system and its surroundings.

Jakarta, April 2020

Darussalam
Managing Partner DDTC

Table of Contents

Abbreviation

APA	= Advance Pricing Agreement
APBN	= *Anggaran Pendapatan dan Belanja Negara*/State Budget
BI	= Bank Indonesia
BPS	= *Biro Pusat Statistik*/Central Bureau of Statistics
CRM	= Compliance Risk Management
CHT	= *Cukai Hasil Tembakau*/Tobacco Product Excise
CIT	= Corporate Income Tax
COVID-19	= Coronavirus Disease-2019
CRM	= Compliance Risk Management
DGCE	= Directorate General of Customs and Excise
DGT	= Directorate General of Taxes
GDP	= Gross Domestic Product
HJE	= *Harga Jual Eceran*/Retail Price
ICP	= Indonesian Crude Price
KPP	= *Kantor Pelayanan Pajak*/Tax Office
IMF	= International Monetary Fund
MSME	= Micro, Small and Medium Enterprise
NPWP	= *Nomor Pokok Wajib Pajak*/Taxpayer Identification Numbers
OECD	= Organisation for Economic Cooperation and Development
PDRD	= *Pajak dan Retribusi Daerah*/Local Taxes and Retribution
PERPPU	= *Peraturan Pemerintah Pengganti Undang Undang*/ Government Regulation in Lieu of Law
PIT	= Personal Income Tax
PKP	= *Pengusaha Kena Pajak*/Taxable Entrepreneurs
PMSE	= *Perdagangan Melalui Sistem Elektronik*/Trade Through Electronic System
PNBP	= Penerimaan Negara Bukan Pajak/Non-Tax State Revenues
SME	= Small and Medium Enterprise
STLG	= Sales Tax on Luxury Goods
VAT	= Value Added Tax

Executive Summary

Survey of Recent Developments

The COVID-19 outbreak in the first quarter of 2020 has affected the overall Indonesia's economy as it disrupts investors' trust, the financial market, the tourism/travel sector and the distribution chain. As it takes place almost all over the world, the IMF has officially announced on 27 March 2020 that the world is on the brink of a global recession that jeopardizes economic activities in countries affected by the COVID-19.

In terms of revenue performance, by the end of February, taxation (tax plus customs and excise) revenue has reached Rp177.96 trillion. This attainment only amounted to 9.54% of the 2020 state budget target, slightly below the realization in the same month last year of 9.92% from the 2019 state budget. Meanwhile, the tax revenue realization alone added up to Rp152.92 trillion or reached 9.31% of the target which was lower than last year's performance of 10.20% of the State Budget target in the same period.

Revenue contraction occurs on income taxes – both in oil and gas and non-oil and gas sectors –, VAT and Sales Tax on Luxury Goods (SLTGs). Income Taxes contributed 61% of the total revenue, while VAT and SLTGs contributed by 38%. Based on the income tax sector, the non-oil and gas sector remained the most significant sector, contributing 57.5%. Based on economic sectors, the manufacturing industry remains the largest industry (32.74% of total revenues) which in February received nearly 40 trillion rupiah, followed by trading industry reach 35.3 trillion rupiah.

Based on the tax types, Corporate Income Tax (CIT) was the largest contributor to the total revenues of Article 25/29 income tax in both January and February. However, similar with most other taxes, it grew negatively by 19.6%. Meanwhile, Article 25/29 individual income tax and domestic VAT saw solid yoy growth, above 10% during the first two months.

Meanwhile, the customs and excise sector has shown far improved revenue performance in terms of revenue and growth. The customs and excise revenues amounted to 25.04 trillion rupiah or 11.22% of the 2020 state budget target, higher than the average revenue realization of the last 5 years. One of the main contributors was the large Tobacco Products Excise (*Cukai Hasil Tembakau*/CHT) revenue in February, reaching Rp8.22 trillion and growing by 93.23% yoy.

Despite the low revenue performance, the government has provided 'relaxation' policies which includes specifically for the companies/industries affected by COVID-19. The tax policies and extraordinary measures undertaken by the government are outlined in Government Regulation in Lieu of Law of the Republic of Indonesia Number 1 of 2020 (Perppu No. 1/2020).

In further detail, four taxation policies are aimed at addressing the threat of economic impacts of COVID-19. *First,* the adjustments to CIT rates of resident corporate taxpayers and permanent establishments. *Second,* the tax treatment for Trade Through Electronic Systems (*Perdagangan Melalui Sistem Elektronik*/PMSE).

Third, the time extension for the implementation of rights and fulfillment of tax obligations. *Fourth,* the granting of authority to the minister of finance to provide customs facilities in the form of exemptions or relief of import duties to address the emergency conditions and the recovery and strengthening of the national economy.

The government has also provided tax incentives outlined in the Minister of Finance Regulation No. 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Coronavirus Outbreak (MoF Reg No. 23/2020). Four incentives are regulated in this rule. *First,* Article 21 income tax incentives. *Second,* Article 22 income tax incentives. *Third*, the deduction of Article 25 income tax installment incentives. *Fourth,* value added tax (VAT) incentives.

In terms of regional fiscal, there have been a discourse concerning the local tax arrangements at Omnibus Law. The central government believes that harmonization of regional tax rates and regional user fees (*Pajak Daerah dan Retribusi Daerah*/PDRD) will not interfere with revenue. The Ministry of Finance stated that the harmonization of PDRD policies was intended so that there would be a standardization of the implementation of tax levies.

At the global level, there have been discussions concerning tax measures that can be useful to tackle COVID-19 crisis. The OECD has offered suggestion on policy recommendations based from tax relief measures that various governments have recently considered or enacted.

New Approach from Tax Office to Taxpayers

Tax administration approach is one of the crucial factors in influencing taxpayers' compliance. One of the efforts to transform the tax administration is through the Compliance Risk Management (CRM). This risk-based approach allows the government to apply different treatments to every taxpayer according to their compliance risk profile.

Presently, tax collections are targeted to small 'pond' of taxpayers, while there are still huge undetected economic activities performed by shadow economy. The DGT has certainly realized that this state of condition should not hold longer. Instead of intensifying the effort to the existing taxpayer, the focus has been shifted to the compliance of unregistered individuals. With the existing CRM and improved technology, the administration framework can now be more accommodating the non-revenue interest, such as taxpayers' trust, economic goals and social justice.

The CRM approach has been gradually carried by DGT's Small Tax Offices' (*KPP Pratama*). In the beginning of March, DGT introduce new task and function of *KPP Pratama*. One the additional task, which is to collect and guarantee the quality of taxation data and information in its domain based on statutory regulations. The purpose of this changes is to improve the effectiveness of supervisory performance and to extract tax potentials, thus broadening national tax base.

In performing the function, DGT will conduct supervision and audit using different methods depending on the taxpayer segment. As such, the DGT has segmented taxpayers into two groups, namely strategic taxpayers and other taxpayers. This segmentation is intended to formulate appropriate and effective supervision and audit methods. Further, this segmentation is aimed at broadening the tax base and optimizing tax revenue through increasing compliance and extracting taxpayers' potentials.

Under the CRM approach that has been derived in the form of regulations, the Tax Office is expected to focus more on taxpayers whose tax potentials have not been optimally explored and that have not carried out their tax obligations and are not registered in the DGT's administration system.

The DGT also expects that tax officers will visit taxpayers more often and ensure in advance that taxpayers can comply according to the tax law. In this regard, integrity, code of ethics and professionalism play crucial role to ensure that there are no room for corrupted transaction. Tax morale and awareness to comply the law will be instrumental in succeeding this business process.

Another instrumental –and can be mentioned as fundamental– pre-condition for this approach is the quality of data collection. This aspect will be crucial when the DGT is going to use advanced analytics for risk detection and use of new information sources in monitoring and evaluation. Gaining taxpayers' trust from earlier would help creating compliant habit regarding their tax obligation. Thus, in result, supervision and quality performance can be improved.

It can be concluded that participation from taxpayers is key to create more sustainable and taxpayers' friendly tax system. Consequently, trust from taxpayers are seen as the main factor to preserve the legitimacy of the tax system. According to OECD, tax administration is the determining factor whether taxpayers can trust the tax authority or not. In turn, it would certainly affect the taxpayers' morale, which encompasses the decision for the taxpayers – whether they are going to voluntarily comply or not.

In response to this, a framework which they can offer transparency in exchange for assurance is needed. The OECD framework can be used as a reference for the development of this approach in Indonesia. The trust-based framework between tax authority and taxpayers - or simply called cooperative compliance - has now been started to be implemented in at least 17 countries in Asia and 37 OECD countries.

Global Tax Policy Responses to COVID-19 Crisis

In the first quarter of 2020**,** the world has started to experience the outbreak of an infectious disease called coronavirus, or COVID-19. The rapid escalation of COVID-19 to all corners of the world, required World Health Organization (WHO) to raise its status to a pandemic. The adverse consequences of this pandemic are significant, including the disruption of global supply chains, weaker demand for imported goods and services and the major declines in hospitality (tourism and travel) industries. Consequently, OECD predicted the world economy to experience a shortfall from 2,9% to 2,4%.

The COVID-19 crisis also has major implication for public budgets. In the context of Indonesia, heavy pressure already began in February, when Ministry of Finance stated that the deficit of the State Budget reached Rp62.8 trillion. The decline of oil and gas tax revenue is influenced by the fall of world crude oil prices due to declining of oil demand in the COVID-19 period. As for the non-oil and gas tax revenue downward movement was partly due to increased restitution due to the impact of COVID-19.

The Ministry of Finance has estimated that Indonesia's economic growth to reach 2.3% in the severe scenario and increase to -0.4% in the very severe scenario. The ministry also stated that state revenues would decrease by at least 10% due to tax incentive support, lower income tax rates and commodity prices fall.

In response to this, the Government of Indonesia has launched at least seven tax policy responses (excluding excise and customs) to date. The tax policy response are tax payment and tax return deferral, CIT rate reduction, VAT refund acceleration, exemption of import withholding tax (Income Tax Art. 22), PIT (Income Tax Article 21) borne by government, 30% deduction of Income Tax Article 25, and introduction of digital tax.

These efforts are actually on the same path as other countries have been performing. DDTC Fiscal Research recorded, as per 31 March 2020, there are at least 113 economies that have utilized (or going to utilize) their tax instrument as a response to this threatening situation. Majority of the countries that have given tax-measures response mostly use their income taxes (PIT and CIT) measurement. However, value added tax (VAT) and other consumption taxes (import tariff, good and service tax [GST], and excise) also widely used by many country and economies. Besides tax measures through certain taxes, administrative relieves are often used by many affected countries.

Certain pattern can also be analyzed based on the COVID-19's size of damage. Countries that have higher number of total cases such as Italy, China, Germany and United States, tend to use various tax instrument to stimulate the economy. On the other hand, limited stimulus is given by economies that are still slightly infected such as Bolivia and Rwanda. These group of countries tend to use administrative tax measure and expansive expenditure policy for COVID-19 prevention and medical support.

From the global response comparison, it can be concluded that the measures taken by Indonesia are in line with other countries. Indonesia is even considered to be quite progressive by reducing corporate income rates and applying digital taxes where very few countries do it. The lesson can be drawn from countries experience, is the importance of systematic approaches and build coherent system of actions.

Survey of Recent Developments

This chapter describes the taxation circumstances during the first quarter of 2020. They include the highlights and key trends on policy, administration and law on macro-fiscal situations, revenue performance, issues on the sector of domestic tax, customs and excise, non-tax, local taxes, international aspects of Indonesia taxation, global taxation trends and Indonesia's tax responses to COVID-19 crisis. This part is expected to provide current state of taxation landscape and its direction ahead.

Chapter 1 Survey of Recent Developments

The COVID-19 outbreak in the first quarter of 2020 has affected the overall Indonesia's economy as it disrupts investors' trust, the financial market, the tourism/travel sector and the distribution chain.

A. Macro-Fiscal Framework

The COVID-19 outbreak in the first quarter of 2020 has affected the overall Indonesia's economy as it disrupts investors' trust, the financial market, the tourism/travel sector and the distribution chain. As it takes place almost all over the world, the IMF has officially announced on 27 March 2020 that the world is on the brink of a global recession that jeopardizes economic activities in countries affected by the COVID-19.[1]

Previously, prior to the outbreak of the COVID-19 virus, the OECD predicted that Indonesia's 2020 economic growth would stay level at 5% in the "November 2019 OECD Economic Outlook".[2] The inflation target for 2020 is 2-4%, assuming that the rupiah exchange rate is in the range of Rp15,000/USD. As it now stands, Bank Indonesia has revised the projection of Indonesia's 2020 economic growth, i.e. 4.2% to 4.6% while in February, the 2020 economic growth was projected at 5.0% to 5.4% following the estimation in January of 5.1% to 5.5%.[3]

The Ministry of Finance outlines the outlook scenario for macroeconomic key indicators consisting of the growth of Gross Domestic Product (GDP), Indonesian Crude Price (ICP), the exchange rate of the rupiah against the US dollar, and inflation. For the base-case scenario, GDP growth is predicted to be 2.3% yoy, ICP prices of 38 US dollars/barrel, rupiah exchange rates of 17,500 rupiahs/US dollar, and inflation by 3.9%. As for the worst-case scenario, GDP

1 International Monetary Fund – IMF, "Opening Remarks at a Press Briefing by Kristalina Georgieva following a Conference Call of the International Monetary and Financial Committee (IMFC). Internet, can be accessed at: https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call.

2 OECD. Internet, can be accessed at: http://www.oecd.org/economic-outlook/november-2019/.

3 Central Bank of Indonesia – BI, "Tinjauan Kebijakan Moneter Maret 2020". Internet, can be accessedat: https://www.bi.go.id/id/publikasi/kebijakan-moneter/tinjauan/Pages/Tinjauan-Kebijakan-Moneter-Maret-2020.aspx.

growth is -0.4%, ICP price amounts to US$ 31/barrel, the rupiah exchange rate of 20,000 rupiah/US dollar, and inflation by 5.1%.[4]

Further, The Ministry of Finance notes a possible 10% decline in state revenues compared to the realization in 2019 due to the impact of the COVID-19 virus.

Further, The Ministry of Finance notes a possible 10% decline in state revenues compared to the realization in 2019 due to the impact of the COVID-19 virus. The decline in state revenues from both the oil and gas and non-oil and gas sectors is triggered by the provision of tax incentives through the fiscal stimulus package part II.

In terms of the GDP components of expenditure such as consumption of Non-profit Organizations serving Households (*Lembaga Nonprofit yang melayani Rumah Tangga*/LNPRT), Gross Fixed Capital Formation (*Pembentukan Modal Tetap Bruto*/PMTB), Exports and Imports, are predicted to experience negative growth in the worst-case scenario. Household and government consumptions, however, are predicted to see a downward trend in this scenario, although not to the negative point.

Compared to the same period last year, economic growth in terms of production is supported by Other Services Business Sector at 10.55%. In terms of expenditure, the highest growth is achieved by the LNPRT Consumption Expenditure Component of 10.62%.

Bank Indonesia estimates that Indonesia's growth in the first quarter of 2020 may already be lower than 5%, substantially below last year's first-quarter economic growth of 5.07%.

Bank Indonesia estimates that Indonesia's growth in the first quarter of 2020 may already be lower than 5%, substantially below last year's first-quarter economic growth of 5.07%. In line with that, the World Bank also has also forecasted that Indonesia's growth in the first quarter of 2020 will be below 5%.

In reality, the economy during January-February 2020 was relatively stable due to the boost from exports of coal, CPO, and some manufactured products. However, there has been a considerable decline in the export of services, in particular, the tourism sector, due to the disrupted inter-country mobility caused by the coronavirus. The widespread COVID-19 virus outbreak has hit Indonesia's mainstay sectors, such as tourism and manufacturing. In addition, Saudi Arabia and Russia are increasing oil production thus lowering gas prices.

On the other hand, the inflation rate in January, February was in the range of 2.68% and 2.76%, which was in the range of the BI target range of 2-4%. The monthly inflation rates in January, February, and March stood at 0.39%, 0.33%, and 0.10% respectively. For March, the calendar year inflation rate (January-March) 2020 was 0.76% and the yoy inflation rate for March was 2.96%.[5]

January 2020 inflation was under the influence of inflation in the group of food, beverage, and tobacco, such as the rise in prices of various chillies, fresh fish, cooking oil, rice, and cigarettes. Deflation in the transportation group, however, resulted from lower air freight rates (after the Christmas and New Year Holidays) and the price of Pertamax gasoline. Food inflation stood at 4.13% (yoy) and core components at 2.88% (yoy). The registered price component increased to 0.64% (yoy), driven by cigarette inflation in line with the increase in excise and 2020 retail sale price (*Harga Jual Eceran*/HJE).

February 2020 inflation was subjected to pressures from rising commodity prices of food, gold, jewelry, and cigarettes. Food inflation was under pressure from rising inflation of garlic, chili peppers, rice, fresh fish, and some vegetables. For March, inflation was contributed by rising prices of fresh fish and gold.

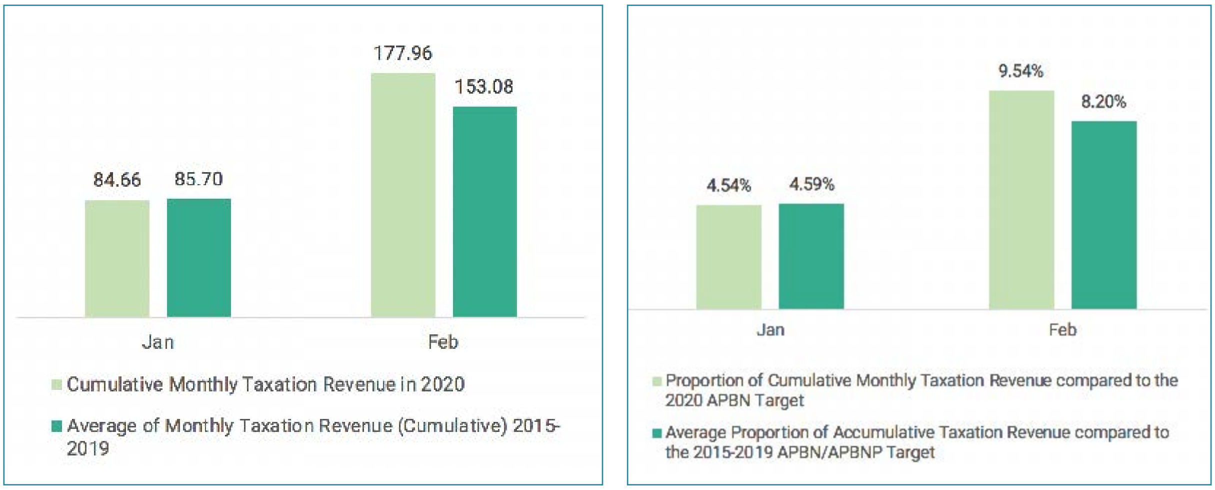
In January-February, Indonesia's foreign exchange reserves remained stable at USD131.7 billion and USD130.26. The position of foreign exchange reserves in the first 2 months was equivalent to the average financing of 7.7 months of imports or 7.4 months of imports and repayments of government foreign debt and was above the international adequacy standard of about 3 months of imports. At the time of this report, further economic indicators in March was still not available.

Related to monetary policy, in order to strengthen stability and respond to

4 Ministry of Finance of the Republic of Indonesia, "Press Release: Strategies for Strengthening Social and Economic Stimulary Protection", 1 April 2020.

5 Data obtained from Central Bureau of Statistics Republic of Indonesia.

Figure 1. Comparison of Taxation Revenue for the Period of January to February in 2020 and in the Average of Previous Five Years (2015-2019) in Trillion Rupiah and Percentage[6]



Source: Ministry of Finance (calculated by DDTC Fiscal Research). The monthly tax revenue data was obtained from the documents of realization of the state budget/*Realisasi APBN*[7] (for data from 2015 to 2017) and APBN KiTa[8] (for data from 2018 - 2020). The data for Revised State Budget (APBNP) is obtained from the Law of Revised State Budget for 2015 – 2017 while data from the Revised State Budget Law is not/ has yet to be issued so that we used data from the Law of State Budget will not/has yet to be issued.

Bank Indonesia (BI) trimmed the seven-day reverse repo rate to 4.50% from 4.75% and also cut the deposit facility and lending facility rates by 25 basis points to 3.75% and 5.25% respectively.

foreseeable economic prospects, BI has lowered the BI 7-Day Reverse Repo Rate by 25 bps to the level of 4.75% in February. Then, at its 18–19 March monetary policy meeting, Bank Indonesia (BI) trimmed the seven-day reverse repo rate to 4.50% from 4.75% and also cut the deposit facility and lending facility rates by 25 basis points to 3.75% and 5.25% respectively.

The Bank's move was aimed at protecting the economy in the face of a coronavirus-induced downturn and came following a same-sized cut in February. While low domestic inflation and recent monetary easing by many other central banks provided some room for the cut, the rupiah has weakened considerably over the last month amid a flight to safety.

Recently, Indonesia issued a government regulation in lieu of law (Perppu) that will boost state spending by up to Rp 405.1 trillion (US$24.6 billion) as the budget deficit is anticipated to widen to 5.07% of GDP in the nation's fight against COVID-19.

Up to mid-February, the rupiah exchange still saw an appreciation towards the US dollar. The rupiah appreciated by 1.57% (ytd) compared to January 2020. At the end of February, however, the rupiah depreciated by 3.08% (ytd) at the level of 14,234 rupiahs/US dollars and continued to depreciate until the end of March at 16,310. rupiah/US dollars.

Fiscally speaking, the government relies on countercyclical policies, i.e. state spending is greater than state revenues to provide stimulus when domestic economy encounters global challenges that may hinder growth performance throughout 2020.

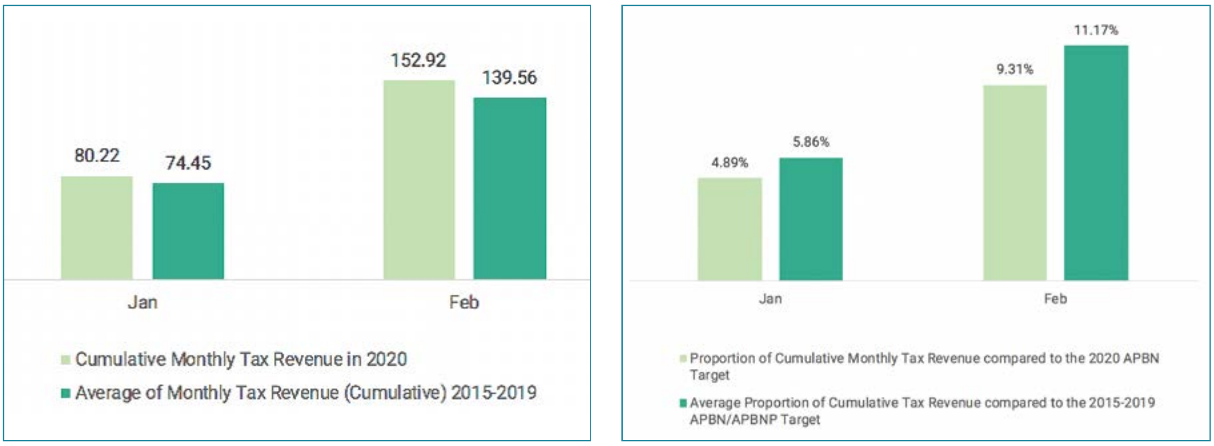
The instrument employed to close the fiscal gap caused by the greater amount of state expenditure compared to the revenues obtained is the debt financing instrument, which is chiefly obtained from the issuance of State Securities (*Surat Berharga Negara*/SBN), while the rest is obtained through loans.

Earlier months of 2020, the government has issued the accelerated restitution policy as an effort to attract inbound investments. This provides convenience for taxpayers to manage their companies' cash flow, which in turn increases the ease of doing business and reduces opportunity cost.

Recently, Indonesia issued a government regulation in lieu of law (*Perppu*) that will boost state spending by up to Rp 405.1 trillion (US$24.6 billion) as the budget deficit is anticipated to widen to 5.07% of GDP in the nation's fight against COVID-19.

6 Tax revenue in 2017 includes tax revenue data with Tax Amnesty and Asset Revaluation.
7 The Ministry of Finance of the Republic of Indonesia, "Realisasi APBN," Internet, can be accessed at: https://www.kemenkeu.go.id/informasi-publik/realisasi-apbn/.
8 The Ministry of Finance of the Republic of Indonesia, "APBN KiTa," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

Figure 2. Comparison of Tax Revenue for the Period of January to February in 2020 and in the Average of Previous Five Years (2015-2019) in Trillion Rupiah and Percentage[9]



Source: Ministry of Finance (calculated by DDTC Fiscal Research). The monthly taxation revenue data was obtained from the documents of realization of the state budget/*Realisasi APBN*[10] (for data from 2015 to 2017) and APBN KiTa[11](for data from 2018 - 2020). The data for Revised State Budget (APBNP) is obtained from the Law of Revised State Budget for 2015 – 2017 while data from the Revised State Budget Law is not/ has yet to be issued so that we used data from the Law of State Budget will not/has yet to be issued.

By the end of February, taxation (tax plus customs and excise) revenue had reached 177.96 trillion rupiah. This attainment only amounted to 9.54% of the 2020 state budget target, slightly below the realization in the same month last year of 9.92% from the 2019 state budget.

B. Revenue Performance

By the end of February, taxation (tax plus customs and excise) revenue had reached Rp177.96 trillion. This attainment only amounted to 9.54% of the 2020 state budget target, slightly below the realization in the same month last year of 9.92% from the 2019 state budget. In terms of amount and proportion, the realization of February's tax revenue was still above the average revenue realization for the past 5 years, amounting to Rp153.08 trillion and 8.20% of the state budget target. The comparison of the performance of the taxation sectors is illustrated in the Figure 1.

As major part of the taxation, the tax revenue realization in January added up to Rp80.22 trillion or reached 4.89% of the State Budget target, lower than last year of 5.45% of this year's State Budget target. In February, the tax revenue realization stood at Rp152.92 trillion or reached 9.31% of the 2020 target which was also lower than last year's performance of 10.20% of the State Budget target in the same period.

Dissimilar to February's tax performance, the tax performance in January showed differences in terms of amount and proportion. In terms of amount, the tax revenue fared better than the average amount in the last 5 years but lower than the average in terms of proportion. The comparison of the performance of tax revenue in the first two months is shown in the Figure 2.

On the other hand, the performance of customs and excise revenue shows that February's realization was higher than the average revenue realization of the last 5 years (see Figure 3). Customs and excise revenues amounted to 25.04 trillion rupiah or 11.22% of the 2020 state budget target. Similar to the performance of tax revenues, in terms of proportion, the realization of customs and excise revenues of the state budget target is still lower than the average customs and excise revenue realization within the last 5 years.

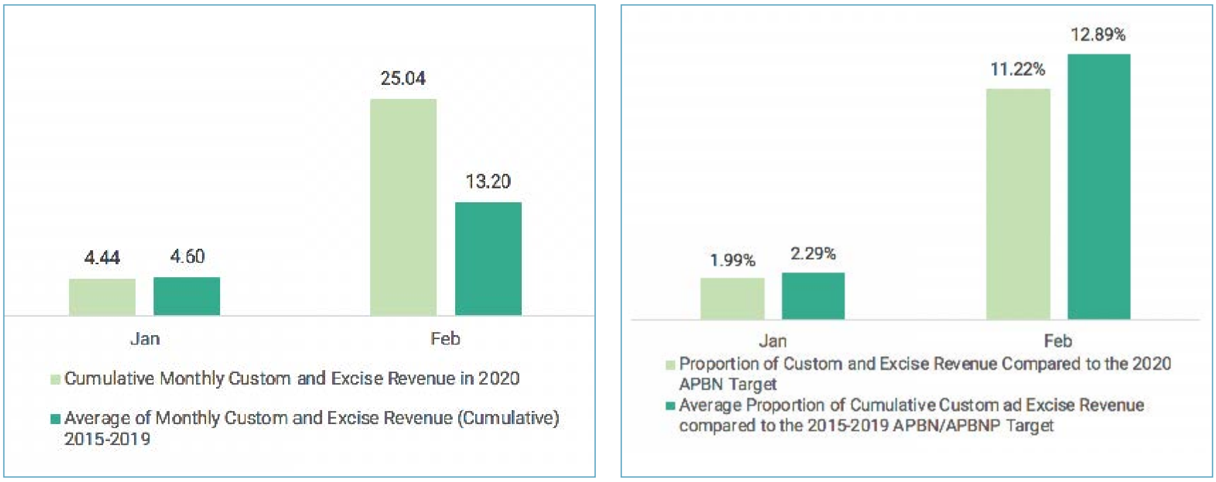
In January, there was a contraction in income taxes, both in oil and gas and non-oil and gas sectors, which amounted to 53.30% and 7.39% (yoy) (see Table 1). Whereas in February, VAT and Sales Tax on Luxury Goods (SLTGs) also contracted by 2.67%. Income Taxes contributed 61% of the total revenue, while VAT and SLTGs contributed by 38%. Based on the

9 Tax revenue in 2017 includes tax revenue data with Tax Amnesty and Asset Revaluation.

10 The Ministry of Finance of the Republic of Indonesia, "Realisasi APBN," Internet, can be accessed at: https://www.kemenkeu.go.id/informasi-publik/realisasi-apbn/.

11 The Ministry of Finance of the Republic of Indonesia, "APBN KiTa," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

Figure 3. Comparison of Customs and Excises Revenue for the Period of January to February in 2020 and in the Average of Previous Five Years (2015-2019) in Trillion Rupiah and Percentage



Source: Ministry of Finance (calculated by DDTC Fiscal Research). The monthly Customs and Excise revenue data was obtained from the documents of realization of the state budget/*Realisasi APBN*[12] (for data from 2015 to 2017) and APBN KiTa[13] (for data from 2018 - 2020). The data for Revised State Budget (APBNP) is obtained from the Law of Revised State Budget for 2015 – 2017 while data from the Revised State Budget Law is not/ has yet to be issued so that we used data from the Law of State Budget will not/has yet to be issued.

Table 1. Revenue Performance per Type of Tax for the Period of January to February 2020 (Accumulative)

Type of Tax	Realization (Trillion Rupiah)		Growth (yoy 2019 - 2020)	
	Jan	Feb	Jan	Feb
Income Tax	49.12	95.62	-12.51%	-6.52%
Oil and Gas	2.93	6.64	-53.30%	-36.83%
Non-Oil and Gas	46.19	88.98	-7.39%	-3.04%
VAT and STLG	30.46	55.95	3.78%	-2.67%
Other Taxes	0.64	1.35	2.05%	n/a
TOTAL	80.22	152.92	-6.86%	-4.97%

Source: Ministry of Finance (APBN KiTa February – March 2020)

income tax sector, the non-oil and gas sector remained the most significant sector, contributing 57.5%.

As for economic support sectors, the manufacturing industry remains the largest industry (32.74% of total revenues) which in February received nearly 40 trillion rupiah in revenue (Table 2). This industry is also the only industry that has grown compared to last year at 4.90%.

Next is the trading industry that managed to receive revenue of 35.3 trillion rupiah but experienced a slowdown in growth of 2.30%. The sector that saw the most substantial slowdown in growth was the mining sector, which in February, contracted by 20.8%.

Table 2. Performance of Sectoral Tax Revenue for the Period of January to February 2020 in Accumulation

Sector	Realization (Trillion Rupiah)		Growth (yoy 2019 - 2020)	
	Jan	Feb	Jan	Feb
Trade	n/a	35.30	n/a	-2.30%
Manufacture	n/a	38.81	n/a	4.90%
Financial Services	n/a	20.50	n/a	-5.30%
Construction and Real Estate	n/a	11.18	n/a	-4.50%
Transportation and Warehousing	n/a	8.18	n/a	-2.70%
Mining	n/a	4.56	n/a	-20.80%

Source: Ministry of Finance (APBN KiTa February – March 2020)

Corporate Income Tax was the largest contributor to the total Revenues of Article 25/29 income tax and approximately 12-15% overall in January and February in the first quarter of 2020 (Table 3). However, similar with most other taxes, it grew negatively by 19.6%.

12 The Ministry of Finance of the Republic of Indonesia, “Realisasi APBN,” Internet, can be accessed at: https://www.kemenkeu.go.id/informasi-publik/realisasi-apbn/.

13 The Ministry of Finance of the Republic of Indonesia, “APBN KiTa,” Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

Table 3. Growth in Revenue per Type of Tax (yoy 2019 - 2020) in Accumulation for January and February 2020

Type of Tax	Realization (Trillion Rupiah)		Growth (yoy 2019 - 2020)	
	Jan	Feb	Jan	Feb
Income Tax				
Article 25/29 Income tax	7.32	21.23	-27.74%	-18.29%
Corporate	6.92	20.20	-29.34%	-19.57%
Individual	0.40	1.02	18.33%	18.85%
Final Withholding Tax	1.18	2.41	-7.77%	-2.41%
Article 21 Income Tax	15.28	25.56	0.89%	4.39%
Value Added Tax				
Domestic VAT	17.39	19.32	15.62%	10.49%
Taxes on Imports				
Import VAT	12.26	8.00	-11.65%	-10.63%
Import STLGs	0.10	23.62	2.01%	-12.15%
Article 22 Income Tax on Imports	4.30	32.03	-7.43%	-11.70%

Source: Ministry of Finance (APBN KiTa February – March 2020)

Table 4. Performance of Customs and Excise Revenue from January to February 2020 in Accumulation

Type of Customs and Excise	Realization (Trillion Rupiah)		Growth (yoy 2019 - 2020)	
	Jan	Feb	Jan	Feb
Duties				
Import Duties	2.81	5.49	-9.04%	-5.73%
Export Duties	0.1	0.49	-68.9	-21.99%
Excise				
Excise on Tobacco Products (CHT)	1.21	18.22	445.32%	93.23%
Beverages Containing Ethyl Alcohol (MMEA)	0.29	0.81	16.73%	33.12%
Ethyl Alcohol	0.01	0.02	-4.49	5.09%

Source: Ministry of Finance (APBN KiTa February – March 2020)

Article 25/29 individual income tax and domestic VAT saw solid yoy growth, above 10% during the first two months.

Meanwhile, Article 25/29 individual income tax and domestic VAT saw solid yoy growth, above 10% during the first two months.

For customs and excise, the Tobacco Products Excise (*Cukai Hasil Tembakau*/CHT) revenue in February was considerably large, reaching 18.22 trillion rupiah and growing by 93.23% yoy (Table 4). Furthermore, CHT also accounts for 80% of total excise revenue in January and 95% in the following month. Import duties, however, contributed 5.49 trillion rupiah in February and experienced a slowdown in the yoy growth by 5.73%.

C. Domestic Tax

1. Income Tax

Labour- Intensive Industry is Given Tax Allowance

Labour-intensive sector has become the recipient expansion of tax facilities. The new policy is outlined in Minister of Finance Regulation Number 16/PMK.010/2020 concerning the Provision of Net Income Reduction Facility for New Investments or Business Expansion in Certain Business Fields that are Labour-Intensive Industries (MoF Reg. No. 16/2020) promulgated on 9 March 2020. This regulation is the implementing regulation of Government Regulation No. 45 of 2019.

The investment allowance regulation stipulates that investments in labour-intensive industry are entitled to incentives in the form of net income reduction of 60% of the total investments in the form of tangible fixed assets, including land used for main business activities. The incentives are provided within 6 years starting from the tax year upon the commencement of commercial at 10% per year.

A labour-intensive industry is entitled to this tax facility if three conditions are met. *First,* it is a resident corporate taxpayer. *Second,* conducting Main Business Activities (*Kegiatan Usaha Utama*/KUU) in accordance with 45 labour-intensive industrial sectors in the attachment of MoF Reg. No. 16/2020. *Third*, employing an average of 300 Indonesian workers within one tax year.

Procedures in Tax Facilities Treatment for Certain Business and/or Regions

The government has issued regulations for replacing tangible fixed assets including land that are entitled to income tax facilities in the form of tax allowance. The provisions are outlined in the Minister of Finance Regulation Number 11/PMK.010/2020 concerning the Income Tax Treatment for Investment in Certain Business Fields and/or Certain Regions (MoF Reg. No. 11/2020).

This PMK is the implementing regulation of Government Regulation Number 78 of 2019 concerning the Granting of

Labour-intensive sector has become the recipient expansion of tax facilities as outlined in Minister of Finance Regulation Number 16/2020. This entitles labour-intensive industry incentives in the form of net income reduction of 60% of the total investments.

Income Tax Facilities for Investments in Certain Business Fields and/or Certain Regions (Gov. Reg. No. 78/2019). The issuance of the government regulation simultaneously revokes the Minister of Finance Regulation Number 89/ PMK.01/2015 (MoF Reg. No. 89/2015).

2. VAT & STLGs

Imports of General Textbooks, Scriptures and Religious Textbooks are VAT-Exempted

VAT exemptions has been broadened to the supply of general textbooks, scriptures, and religious textbooks. Moreover, individuals or entities that import and/or supply general textbooks, scriptures, and religious textbooks are exempt from VAT.

The policy is outlined in the Minister of Finance Regulation Number 5/ PMK.010/2020 concerning the General Textbooks, Scriptures, and Religious Textbooks of which the Import and/or Supply are Exempt from Value Added Tax (PMK No. 5/2020).

The Director General of Taxes will annul the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/ NPWP) of the expenditure, revenue, and village treasurer.

The previous regulation, MoF Regulation No. 122/ PMK.011/2013, stipulated several types of books exempt from VAT after an individual or entity acquired VAT Exemption Certificate (*Surat Keterangan Bebas*/ SKB) issued by the Director General of Taxes. Upon the enactment of MoF Reg. No. 5/2020, MoF Reg. No. 122/2013 shall be revoked and declared not valid.

The regulation asserts that the books refer to papers and/or pictures published in the form of printed copies or electronic publications that are not published periodically. The VAT exemption policy aims to improve national education and intelligence by providing affordable books and scriptures for society.

Affirmation of VAT Exemptions for Marine Transport Companies that Conduct Overseas Marine Transport Activities

The government has released a provision confirming that recipients of certain port services are entitled to VAT exemption facilities in the context if those companies operate vessels for overseas marine transport activities. The regulation also emphasizes that VAT exemptions are only granted if the vessel used does not carry passengers and/or goods from one port to another within Indonesia's territory. Thus, VAT exemptions only apply to overseas transport activities. In addition, these marine transport companies must record the cost of ship services and cargo services as the form of their expenses.

The affirmation is outlined in the Director General of Tax Circular Number SE-4/ PJ/2020 concerning the Affirmation of Value Added Tax Treatment for the Supply of Certain Port Services to Marine Transport Companies that Conduct Overseas Marine Transport Activities (DGT Circular No. SE-4/PJ/2020). The government issued this regulation to provide uniformity in the interpretation and treatment of VAT on the supply of certain port services to marine transport companies.

D. Tax Administration

Annulment of the Treasurer's Taxpayer Identification Number

The Director General of Taxes will annul the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/ NPWP) of the expenditure, revenue, and village treasurer. Other than the NPWP annulment, the Director General of Taxes will also revoke the revenue treasurer's status as a taxable person for VAT purposes (*Pengusaha Kena Pajak*/ PKP).

The Director General of Taxes will, however, issue a new NPWP -on behalf of the agency- ex officio for all government agencies. Correspondingly, the appointment of the PKP is to be conducted ex officio for government agencies of which the revenue treasurer has been confirmed as a PKP.

Further, the annulment of NPWP and revocation of PKP shall be carried out upon the enactment of Minister of Finance Regulation No.231/ PMK.03/2019 concerning the Procedures for the Registration and Annulment of Taxpayer Identification Number, Appointment and Revocation of Taxable Persons for VAT Purposes Status, and the Withholding, Remittance, and Tax Reporting for Government Agencies (MoF Reg. No.231/2019).

The Director General of Taxes (DGT) has issued the Director General of Taxes Circular No. SE-02/PJ/2020 on the input tax credit in dissimilar taxable periods.

The Confirmation of Input Tax Credit in Dissimilar Taxable periods

The Director General of Taxes (DGT) has issued the Director General of Taxes Circular No. SE-02/PJ/2020 on the input tax credit in dissimilar taxable periods. The DGT issued this circular due to inconsistency in the input tax credit treatment in dissimilar taxable periods. This circular is, thus, intended to affirm the provisions thereof.

The circular outlines that the input tax in a taxable period is credited against the output tax in the same period. However, a tax credit that may be credited, but is not yet credited, may be credited in the following taxable period no later than three months after the end of the taxable period in question.

Tax Arrears Quality Classification

The Director General of Taxes has recently issued a regulation governing the classification of tax arrears quality. The classification is outlined in the Director General of Taxes Regulation No. PER-01/PJ/2020. Through the regulation signed on 13 January 2020, the Director General of Taxes requires the Head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) to assess the quality of tax arrears based on their conditions.

The regulation was issued because the provisions concerning the classification of tax arrears quality and the currently applicable values of the tax arrears on the balance sheet do not reflect the net realizable value. Therefore, the Director General of Taxes considers it necessary to amend the provisions pertaining to the classification of tax arrears quality.

The government has officially amended the tasks and functions of the Directorate General of Taxes' (DGT) Small Tax Office (*KPP Pratama*).

Changes in Small Tax Office's Tasks and Functions

The government has officially amended the tasks and functions of the Directorate General of Taxes' (DGT) Small Tax Office (*KPP Pratama*). The amendments are outlined in the Director General of Taxes Decree No. KEP-75/ PJ/2020 concerning the Amendments to the Tasks and Functions of the Small Tax Office (KEP No. 75/PJ/2020). Set forth on 20 February 2020, this regulation has been in effect since 1 March 2020.

The restipulation of the Tax Office's tasks and functions is intended to improve the effectiveness of supervisory performance and to extract tax potentials . The Small Tax Office's tasks and functions were formerly regulated under Articles 58 and 59 of the Minister of Finance Regulation No. 210/PMK.01/2017.

Under KEP-75/PJ/2017, Small Tax Office has an additional task to collect and guarantee the quality of taxation data and information in its domain based on statutory regulations whereas under the previous regulation, this was not one of Small Tax Office's tasks.

The tasks similar to the previous regulation include providing services, dissemination, supervision, and law enforcement on taxpayers in terms of income tax, VAT, Sales Tax on Luxury Goods (SLTGs), other indirect taxes, and Land and Building Tax within its domain based on statutory regulations.

Operational Procedures for the Amendment to Small Tax Office's Tasks and Functions

In line with the changes in Small Tax Office's tasks and functions, the Director General of Taxes has also adjusted the standard operating procedures (SOP) for the affected five sections. These adjustments are outlined in Circular No. SE-06/PJ/2020 concerning the Adjustments of Operational Procedures Concerning Changes in Tasks and Functions of the Small Tax Office (SE-06/PJ/2020). Set forth on 27 February 2020, this circular came into force on 1 March 2020.

This regulation serves as the guidelines for the implementation of operational procedures adjustments relating to changes in the tasks and functions of the Small Tax Office. This Circular shall provide clarity and uniformity in adjusting the operational procedures pertaining to the changes in the Small Tax Office's tasks and functions.

New Policy for Supervision and Audit of Taxpayers

The Directorate General of Taxes (DGT) presently conducts supervision and audit using different methods depending

The Directorate General of Taxes (DGT) presently conducts supervision and audit using different methods depending on the taxpayer segment.

on the taxpayer segment. As such, the DGT has segmented taxpayers into two groups, namely strategic taxpayers and other taxpayers.

This segmentation is intended to formulate appropriate and effective supervision and audit methods. Further, this segmentation is aimed at broadening the tax base and optimizing tax revenue through increasing compliance and extracting taxpayers' potentials.

The segmentation and the details of the supervision and audit method are stipulated in Circular Number SE-07/ PJ/2020 concerning Taxpayer Supervision and Audits to Expand the Tax Base (SE-07/PJ/2020).

The Directorate General of Taxes has recently issued a regulation outlining the criteria for the revocation of government treasurer taxpayer identification number.

DGT's Valuation of Taxpayers' Transactions and Data

The Director General of Taxes has released a circular stipulating transactions or data requiring valuation from the Directorate General of Taxes' (DGT) valuation team. Valuation is a series of activities carried out by the DGT on taxpayers to determine a certain value of a valuation object at a certain time.

Valuation under this regulation is performed to implement the legislative provisions in the field of taxation, including arm's length analyses, which are carried out objectively and professionally. Taxpayers, thereby, should be cognizant of what specific values may be assessed by the DGT with regard to taxation objectives.

The description of data or transactions requiring valuation is outlined in the Director General of Taxes Circular Number SE-05/PJ/2020 concerning Procedures for Valuation for Taxation Purposes (SE-05/PJ/2020). This regulation was issued to optimize the valuation for taxation purposes.

Adjustments to the Implementation of Government Agency Taxpayer Identification Numbers Administrative Reforms

The Directorate General of Taxes has recently issued a regulation outlining the criteria for the revocation of government treasurer taxpayer identification number (*Nomor Pokok Wajib Pajak*/NPWP) and the revocation of the government treasurer as a taxable person for VAT purposes.

The provisions are stipulated in the Director General of Tax Circular No. SE-12/PJ/2020 concerning Instructions for the Implementation of Administrative Reforms of Government Agency/ Treasurer Taxpayer Identification Number (SE-12/PJ/2020).

The regulation was issued as the guidelines for the implementation and follow-up to the Minister of Finance Regulation No.231/PMK.03/2019 concerning the Procedures for Registration and Revocation of Taxpayer Identification Numbers, Inauguration and Revocation of Taxable Persons for VAT Purposes, and Tax Withholding, Depositing, and Reporting for Government Agencies (MoF Reg. No.231/2019).

E. Customs and Excise

Import Duty Exemptions for the Imports of Luxury Goods

The government has revised the provisions on import duty exemptions on the imports of taxable luxury goods which have been imposed with VAT and Sales Tax on Luxury Goods (SLTGs). The policy is outlined in the Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendments to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Imposition of Value Added Tax and Sales Tax on Luxury Goods on Imports of Taxable Goods that are Exempt from Import Duties (MoF Reg. 198/2019). The regulation has come into force as of 31 December 2019.

Tax, Customs, and Excise Provisions on Imports of Consigned Goods

The Ministry of Finance has lowered the maximum (*de minimis*) threshold on the customs value of imports of consigned goods for use entitled to import duty exemptions. The reduction is aimed at protecting the national interests concerning the increase in the

The Ministry of Finance has lowered the maximum (*de minimis*) threshold on the customs value of imports of consigned goods for use entitled to import duty exemptions.

volume of imports of goods through the mechanism of imports of consigned goods and promoting the growth of domestic industries. This policy is contained in the Minister of Finance of the Republic of Indonesia Regulation Number 199/PMK.010/2019 concerning Customs, Excise, and Tax Provisions on the Imports of Consigned goods (MoF Reg. 199/2019).

Through this regulation, the Ministry of Finance reduces the maximum threshold of the customs value entitled to VAT exemptions to FOB USD3 (three United States dollars). Under the previous regulation, the Minister of Finance Regulation of the Republic of Indonesia Number 112/PMK.04/2018 concerning Amendments to the Minister of Finance Regulation Number 182/ PMK.04/2016 concerning Provisions for Imports of Consigned Goods (MoF Reg. 112/2018), the maximum threshold was set at FOB USD75 (75 US dollars).

The government exempts import duties and excise duties on the imports of goods for scientific research and development.

Customs Duty Facilities for Imports of Goods for the Purpose of Scientific Research and Development

The government exempts import duties and excise duties on the imports of goods for scientific research and development. This policy is aimed at improving the supervision and services through the simplification of customs procedures. These exemptions are granted through Minister of Finance of the Republic of Indonesia Regulation Number 200/PMK.04/2019 concerning the Exemptions of Import Duty and Excise Duty on the Imports of Goods for the Purpose of Scientific Research and Development (MoF Reg. 200/2019). These exemptions are also provided for the imports of goods through bonded storage, special economic zones, free trade zones, and the alienation of imported goods.

Custom Clearance for CBU Motor Vehicle Imports

The Ministry of Finance has released a regulation concerning the outward manifest of imported goods in the form of completely built up/CBU motor vehicles. Under this regulation, imports customs clearance for CBU motor vehicles can only be issued after customs liabilities and taxes on imports (*Pajak Dalam Rangka Impor*/PDRI) are settled. This is outlined in the Minister of Finance Regulation No. 202/PMK.06/2019 concerning the Outward Manifest of Imported Completely Built Up Motor Vehicles for Use (MoF Reg. 202/2019). The regulation is intended to provide legal certainty and effectiveness.

Taxation Aspect for Transit and Transhipment

The government has issued new tax provisions for import and export in terms of taxation aspects of transit (*angkut terus*) and transhipment (*angkut lanjut*). This is outlined in the Minister of Finance Regulation No. 216/ PMK.04/2019 concerning Transit or Transhipment of Imported or Exported Goods (MoF Reg. 216/2019). Goods for transit are goods transported using means of transport through the Customs Office without prior unloading. In contrast, transhipment or goods for transhipment are goods that are transported using means of transport through the Customs Office with prior unloading.

This new regulation subsequently revokes Minister of Finance Regulation Number 102/PMK.04/2010 concerning Amendments to the Minister of Finance Regulation Number 90/PMK.04/2007 concerning the Outward manifest of Imported Goods or Exported Goods from the Customs Area to be Transited or Transhipped and the Outward manifest of Imported Goods from the Customs Area to be Transported to Temporary Storage Areas in Other Customs Areas and Article 17 of the Minister of Finance Regulation Number 23/PMK.04/2015 concerning the Customs Areas and Temporary Storage Areas (MoF Reg. 23/2015).

Import Duty Exemption on Imports for Upstream Oil and Gas Business Activities

The Indonesian government has issued a policy related to import duties on imports for upstream oil and gas business activities. This is set forth in the Minister of Finance Regulation Number 217/PMK.04/2019 concerning Exemption of Import Duties and Non-Taxation on Imports of Goods for Upstream Oil and Gas Business Activities (MoF Reg. 217/2019).

The provision is re-stipulated to increase national oil and gas production and to provide fiscal incentives in the form of import duty exemptions and non-taxation on imports for upstream oil and gas business activities.

The government has again applied technology in taxation, namely through the simplification of the registration system by service users to the Directorate General of Customs and Excise (DGCE) to obtain access to customs (Customs Registration).

Import Duty Exemptions on Imports for Geothermal Business Activities

The Ministry of Finance has recently issued Minister of Finance Regulation Number 218/PMK.04/2019 concerning the Exemption and/or Non-Imposition of Import Duty on Imports of Goods for Geothermal Business Activities (MoF Reg. 218/2019). Enacted on 31 December 2019, this regulation will come into force 60 days as of its promulgation date. The issuance of this regulation concurrently revokes Minister of Finance Regulation Number 78/PMK.010/2005 and Minister of Finance Regulation Number 177/ PMK.011/2007.

This import duty exemption on imports for geothermal business activities itself is aimed to increase the production of national geothermal. The exemptions are provided for geothermal business activities in the form of indirect use including preliminary survey and exploration assignment (*Penugasan Survei Pendahuluan dan Eksplorasi*/ PSPE), exploration, exploitation, and utilization. The import duty exemptions include anti- dumping import duties, countervailing import duties, safeguard import duties, and discriminatory import duties.

The government has released a regulation that provides government-borne import duty (*bea masuk ditanggung pemerintah*/BM DTP) for raw materials and goods imported by 20 certain industries.

Customs Registration Simplification

The government has again applied technology in taxation, namely through the simplification of the registration system by service users to the Directorate General of Customs and Excise (DGCE) to obtain access to customs (Customs Registration). This is set forth in the Minister of Finance of the Republic of Indonesia Regulation Number 219/PMK.04/2019 concerning the Simplification of Customs Registration (MoF Reg. 219/2019).

MoF Reg. 219/2019 subsequently revokes a number of statutory provisions pertaining to customs. These provisions are Minister of Finance Regulation Number 179/PMK.04/2016 concerning Customs Registration (MoF Reg. 179/2016), Article 2 to Article 9 of the Minister of Finance Regulation Number 29/PMK.04/2018 concerning the Acceleration of Customs and Excise Licenses in the Framework of Ease of Doing Business (MoF Reg. 29/2018) and Article 2, Article 3, Article 7, and Article 8 of the Minister of Finance Regulation Number 71/PMK.04/2018 concerning Electronically-Integrated Service of Business License in The Sectors of Customs, Excise, and Taxation (MoF Reg. 71/2018).

Import Duty Borne by the Government for Certain Industrial Sectors

The government has released a regulation that provides government-borne import duty (*bea masuk ditanggung pemerintah*/BM DTP) for raw materials and goods imported by 20 certain industries. The provision of DTP BM facilities is outlined in the Minister of Finance Regulation No. 12/ PMK.010/2020 concerning Import Duty Borne by the Government for Certain Industrial Sectors Budget Year 2020 (MoF Reg. No.12/2020).

Under this regulation, the government stipulates the amount of the budget ceiling for each industry, including the Government-Borne Import Duty Subsidy Budget User Proxy (*Kuasa Pengguna Anggaran Belanja Subsidi Bea Masuk Ditanggung Pemerintah*/KPA BM DTP) that is to manage the budget ceiling.

The regulation stipulates that the KPA BM DTP are officials at the state ministries/ institutions set forth by the Minister of Finance to manage the government-borne import duty subsidy budget.

Exemption from Ethyl Alcohol Excise for Antiseptic Materials

The Directorate General of Customs and Excise (DGCE) provides an excise exemption facility for ethyl alcohol used to produce hand sanitizers, surface sanitizers, antiseptics, and the like as a follow-up measure to prevent the spread of Corona virus, both in the form of raw materials and supporting materials.

This exemption is outlined in the DGCE Circular Number SE-04/BC/2020 concerning the Exemption of Ethyl Alcohol Excise as a Follow-up Measure

The central government believes that harmonization of regional tax rates and regional user fees (PDRD) will not interfere with revenue. The Expert Staff of the Minister of Finance in the field of Tax Compliance Yon Arsal emphasized that the harmonization of PDRD policies was intended so that there would be a standardization of the implementation of tax levies.

to Prevent the Spread of Corona Virus Disease (COVID-19) (SE-04/ BC/2020). The scope of the regulation includes the implementation of ethyl alcohol excise exemption for social purposes. This social objective is intended for the process of providing raw materials or supporting materials in the production of final products that are not goods subject to excise in the context of COVID-19 prevention and control.

Changes in Goods Classification and Stipulation of Import Duties for the Means of Transport Industry

The Minister of Finance has released a regulation concerning amendments in import regulations, the classification system of goods, and the imposition of import duties on the means of transport industry. The amendments are aimed at attracting investments and supporting the development of motor vehicle production.

The amendments to the provisions on imports, classification, and imposition of import duties are outlined in the Minister of Finance Regulation Number 17/PMK.010/2020 concerning the Third Amendment to the Minister of Finance Regulation Number 6/ PMK.010/2017 concerning the Stipulation of Goods Classification System and Imposition of Import Duty Tariff upon Imported Goods (MoF Reg. No.17/2020).

Establishment of Tobacco Product Industrial Estate

The Minister of Finance has released a regulation that serves as the basis for establishing a tobacco product industrial estate. The establishment of the industrial estate is aimed at improving services, industrial development, and supervising the production and distribution of tobacco products.

Stipulations and provisions on the establishment of the tobacco product industrial estate are outlined in the Minister of Finance Regulation No.21/ PMK.4/2020 concerning Tobacco Product Industrial Estate (MoF Reg./21/2020).

Under the regulation, the tobacco product industrial estate is intended for manufacturers of small and medium-scale industries. The definition of small and medium industries in this regulation refers to the provisions stipulated by the minister of industry.

F. Local Tax

Local Tax Arrangements at Omnibus Law to Avoid Tariff Competition

The central government believes that harmonization of regional tax rates and regional user fees (PDRD) will not interfere with revenue. The plan that will be included in the tax omnibus law is actually believed to be increasing regional fiscal capacity.

Coordinating Minister for the Economy Airlangga Hartarto said harmonizing PDRD tariffs would not reduce regional original income (PAD) deposits. This policy is said to act as an instrument to strengthen regional fiscal policy.

On the same occasion, the Expert Staff of the Minister of Finance in the field of Tax Compliance Yon Arsal emphasized that the harmonization of PDRD policies was intended so that there would be a standardization of the implementation of tax levies which became the regional authority.[14]

He made sure the regions had full authority to collect taxes as part of the PAD component. Harmonization, he added, is also important so that there is no competition related to regional tax rates. This will create a standardized tax burden for businesses throughout Indonesia.

G. Non- Tax State Revenue

For sources of Non-Tax State Revenues (PNBP), namely oil-gas revenues, are dominated by oil, accounted as much as 7,6 trilion rupiah (see Table 5). On the other side, non-oil and gas revenues are dominated by the mining sector, accounted for 1,9 trilion rupiah for which

14 This information can be retained in DDTCNews: https://news.ddtc.co.id/pengaturan-pajak-daerah-di-omnibus-law-untuk-hindari-kompetisi-tarif-19340.

For sources of Non-Tax State Revenues (PNBP), namely oil-gas revenues, are dominated by oil, accounted as much as 7,6 trilion rupiah

contributes around 89% - 86% of total Non-oil and gas revenues in January and February 2020.

However, compared to the previous year, the yoy growth in the mining sector was recorded to have contracted quite large at 26.87%, very different with the case of oil-gas revenues which recorded a growth of 5.31%. Restricted State Assets Revenue for January and February stayed at 100 million rupiah and other Non-Tax State Revenue recorded a 15.82% proportion of 2020 target. Overall, revenue performance of non-Tax State Revenue for this period has slower growth compared to same period last year.

Table 5. Performance of non-Tax State Revenue from January to February 2020 in Accumulation

Source of income	Realization (Billion Rupiah)		Growth (yoy 2019 - 2020)	
	Jan	Feb	Jan	Feb
Natural resources	9,740.50	20,917.50	-0.97%	-2.35%
Oil and Gas	7,594.40	16,778.50	4.30%	5.31%
Oil	7,594.50	16,778.50	4.30%	5.31%
Gas				
Non-Oil and Gas	2,146.10	4,138.90	-15.98%	-24.59%
Mining	1,911.90	3,571.80	-15.84%	-26.87%
Forestry	147.4	426.50	-23.85%	-7.71%
Fishery	61.50	111.60	-1.05%	-2.70%
Geothermal	25.20	28.90	-6.56%	6.01%
Restricted State Assets Revenue	0.10	0.10	n/a	n/a
other Non-Tax State Revenue	8,876.40	15,978.10	5.38%	-3.39%
Public Service Agency	407.40	1,725.70	19.06%	-24.57%

Source: Ministry of Finance (APBN KiTa February – March 2020)

H. International Aspect

The Implementation of Tax Examination Abroad for Information Exchange

The government has issued provisions concerning tax examination abroad (TEA) in the exchange of information on request (EoIR) scheme. These provisions are outlined in the Director General of Tax Regulation Number Per-02/PJ/2020 concerning the Procedures of Tax Examination Abroad for the Exchange of Information Based on International Agreements (DGT Reg. No. Per- 02/ PJ/2020).

TEA is the presence of a representative of the Directorate General of Taxes (DGT) for the purpose of searching and/or gathering information carried out by the tax authority of the partner jurisdiction or vice versa based on both parties' agreement This process is a follow up to the exchange of information referring to Article 13 of the Minister of Finance Regulation No. 39/PMK.03/2017 concerning the Procedures of Exchange of Information Based on International Agreements (MoF Reg. No. 39/2017).

Entry into Force and Effective Dates of the Indonesia-Tajikistan Tax Treaty

The Director General of Taxes has issued a circular concerning the implementation of the tax treaty (*persetujuan penghindaran pajak berganda*/P3B) between Indonesia and Tajikistan. The circular refers to the Director General of Taxes Circular Number SE- 03/PJ/2020 concerning the Notification of the Entry into Force of the Agreement between the Republic of Indonesia and the Republic of Tajikistan for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with Respect to Taxes on Income (DGT Circular No. 03/ PJ/2020).

The regulation was issued as the government had completed the ratification procedure required by both countries. In general, Figure 1 shows the stepsofa bilateral tax treaty implementation. Through this regulation, the government provides notification concerning the entry into force and effective dates of the Indonesia-Tajikistan tax treaty and the provisions contained therein. The notification is outlined in four scopes of the regulation that was promulgated on 24 January 2020.

Implementing Regulation of Advance Pricing Agreement Released

The Ministry of Finance has issued a new regulation concerning the procedures for advance pricing agreement implementation. The regulation refers to the Minister of Finance Regulation No. 22/PMK.03/2020 concerning the Procedures for Advance Pricing Agreement (APA) (MoF Reg. No. 22/2020). Enacted and valid on 18 March, this regulation revokes the previous APA provisions outlined in the Minister of Finance Regulation No. 7/ PMK.03/2015.

The Ministry of Finance has issued a new regulation concerning the procedures for advance pricing agreement implementation. The underlying reason for the changes in the policies is that the previous provisions do not fully comply with the minimum standards in Action Plan 14 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project.

The underlying reason for the changes in the policies is that the previous provisions do not fully comply with the minimum standards in Action Plan 14 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project. MoF Reg. No. 22/2020 is aimed at improving the provisions on APA to be more effective and provide legal certainty, in particular, related to transfer pricing, procedures, periods, and follow-up requests for the implementation of advance pricing agreement.

I. Global Taxation Trends

Global Digital Tax Consensus Is Accompanied with Unilateral Measures

Finance ministers and central bankers from the world's 20 biggest economies, the G20, met in Riyadh for discussing economic and taxation issues with digital taxation is among them. Bruno Le Maire, one of French politicians said the gathering had been very useful in establishing consensus on such global tax rules.

Failure to reach a consensus on where and how much to tax digital giants such as Google, Amazon or Facebook would result in many digital tax regimes emerging all over the world.

As reported by Reuters, failure to reach a consensus on where and how much to tax digital giants such as Google, Amazon or Facebook would result in many digital tax regimes emerging all over the world, France's finance minister said on February.

"Let's be clear — either we have at the end of 2020 an international solution ... clearly in the interest of all countries and digital companies, or there is no solution and ... then it will be up the national taxes to enter into force," Le Maire said.[15]

Digital Consensus Progress Continues Amid COVID-19 Situation

OECD commits to continue every tax-related works including multilateral measures to address digital giant taxation issues. The Secretariat team assures they will be working full steam on the project with meetings are being held remotely.

"Accordingly, the Steering Group, the Task Force on the Digital Economy and other Working Parties will continue holding virtual meetings on schedule. The working methods will be adapted to allow all countries to fully participate", as stated in OECD's official website.[16]

Progress towards reaching prominent decision continue concerning key components of a multilateral consensus-based solution at the G20/OECD Inclusive Framework. The meeting is scheduled for 1-2 July 2020 in Berlin, Germany.

OECD Suggests Tax Responses to COVID-19 Crisis

In March, The OECD has suggested several ways for countries to ease the financial strain on corporate and individual taxpayers during the coronavirus outbreak, including measures that would extend filing deadlines and increase benefits for workers.

The OECD's concisely written policy suggestions are not intended as recommendations but rather are designed to assist policymakers as they respond in their own national context. The immediate priority, the organisation notes, is to rapidly "support households and improve liquidity for businesses to keep the productive capacity of economies intact as much as possible". A variety of tax policy and tax administration approaches can further these objectives.

The OECD's policy suggestions are drawn from tax relief measures that various governments have recently considered or enacted. Some tax administration responses that governments can adopt as emergency measures, the OECD says,

15 Reuters, "No global digital tax by end-2020 would mean chaos: France", (2020). Internet, can be accessed at: https://www.reuters.com/article/us-g20-saudi-france-tax/no-global-digital-tax-by-end-2020-would-mean-digital-tax-chaos-france-idUSKCN20H0ID.

16 OECD, "Coronavirus (COVID-19): Update on OECD Tax Work", (2020). Internet, can be accessed at: https://www.oecd.org/tax/coronavirus-covid-19-update-on-oecd-tax-work.htm.

The government has officially released a regulation on tax incentives for taxpayers affected by the corona virus pandemic.

include: (i) Extending tax deadlines; (ii) Deferring instalment tax payments; (iii) Suspending the garnishing of wages or bank accounts and asset seizures; (iv) Providing quicker refunds; (v) Reducing audits (other than where fraud is involved); and (vi) Improving communication strategies to reach vulnerable taxpayers.[17]

Tax Certainty on Global Minimum Tax Is Vital

The OECD is in the middle of the most prominent reform concerning international tax policy that principally gives governments more power to tax big multinationals doing business in their countries.

US Treasury Secretary Steven Mnuchin argued in G20's Finance Ministers meeting in Riyadh on February that it was very important to have tax certainty on a global basis and that the OECD was very close to consensus on a framework for minimum corporate tax.

"You cannot have different national tax systems that conflict with each other in a global economy. The good news is we are very close to a consensus on pillar 2", said Mnuchin as quoted by Reuters.[18]

Box 1 - Indonesia's COVID-19 Tax Responses

Taxation Policies in the Face of Economic Recession Threat

The government has released a regulation on taxation policies to address the economic impact of the Corona Virus Disease 2019 (COVID-19) pandemic. These taxation policies is part of a series of extraordinary measures undertaken by the government to save the national economy and financial system stability.

The tax policies and extraordinary measures undertaken by the government are outlined in Government Regulation in Lieu of Law of the Republic of Indonesia Number 1 of 2020 concerning State Financial Policies and Financial System Stability to Address Corona Virus Disease 2019 (COVID-19) Pandemic and/or in the Context of Countering Threats to the National Economy and/or Financial System Stability (Perppu No.1/2020).

In further detail, four taxation policies are aimed at addressing the threat of economic impacts of COVID-19. *First,* the adjustments to income tax rates of resident corporate taxpayers and permanent establishments. *Second*, the tax treatment for Trade Through Electronic Systems (*Perdagangan Melalui Sistem Elektronik*/PMSE). *Third,* the time extension for the implementation of rights and fulfillment of tax obligations. *Fourth*, the granting of authority to the minister of finance to provide customs facilities in the form of exemptions or relief of import duties to address the emergency conditions and the recovery and strengthening of the national economy.

Tax Incentives for Taxpayers Affected by the Coronavirus Outbreak

The government has officially released a regulation on tax incentives for taxpayers affected by the corona virus pandemic. These tax incentives are outlined in the Minister of Finance Regulation No. 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Coronavirus Outbreak (MoF Reg. No. 23/2020).

Under the regulation, the government states that the coronavirus outbreak is a national disaster that affects economic stability and productivity. The regulation was issued to maintain the stability of economic growth, public purchasing power, and productivity of

17 OECD. Internet, can be accessed at: http://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/tax-administration-responses-to-COVID-19-measures-taken-to-support-taxpayers.pdf (accessed on March 29th).

18 Reuters, "*U.S. Treasury's Mnuchin: Tax Certainty Needed on Global Basis*", (2020). Internet, can be accessed at: https://www.reuters.com/article/us-g20-saudi-usa-mnuchin/u-s-treasurys-mnuchin-tax-certainty-needed-on-global-basis-idUSKCN20G0AU.

certain sectors in connection with the coronavirus outbreak. This regulation was promulgated on 23 March 2020 and entered into force on 1 April 2020.

Four incentives are regulated in this rule. *First,* Article 21 income tax incentives. *Second,* Article 22 income tax incentives. *Third*, the deduction of Article 25 income tax installment incentives. *Fourth*, value added tax (VAT) incentives.

The DGT's Terms of Service in the Response to COVID-19

Following up on the Minister of Finance Circular concerning follow-up guidelines to prevent the spread of the Corona virus in the Ministry of Finance, the Director General of Taxes has issued a similar circular for regulation at the DGT level concerning DGT services for Taxpayers over the next weeks. This is outlined in the Director General of Taxes Circular Number SE-13/ PJ/2020 concerning Guidelines for Task Implementation During the Prevention Period of the Spread of Corona Virus Disease 2019 (COVID-19) within the Directorate General of Taxes (SE-13/PJ/2020)

During the period, the DGT will make adjustments to the implementation of tasks, functions, and services to ensure effective and efficient implementation of the institution's tasks, functions, and services.

Sanctions on the Late Filing of Annual Income Tax Returns are Exempted

The Directorate General of Taxes (DGT) has issued a tax policy regulation concerning the spread of the coronavirus (COVID-19). The policy is outlined in the Director General of Taxes Decree No. KEP-156/PJ/2020 concerning Taxation Policies Concerning the Spread of Coronavirus 2019 Outbreak (KEP DJP No. 156/2020). This policy was enacted and entered into force on 20 March 2020.

The taxation policy takes the form of exemptions from tax administration sanctions. The administrative sanctions apply for the delay of the following. *First*, the filing of annual individual income tax returns for tax year 2019. *Second*, the payment of tax underpayment in annual individual income tax returns for tax year 2019.

The policy is intended to ease the burden and socio-economic impact on taxpayers affected by COVID-19. The regulation stipulates force majeure due to the spread of Coronavirus from 14 March 2020 to 30 April 2020.

Exemption from Tax Penalties for the Late Filing of Periodic 1111 VAT Return

The Directorate General of Taxes exempts administrative sanctions in the form of fines for the late filing of the Periodic 1111 VAT Returns. This exemption is stipulated in the Director General of Taxes Decree No. KEP-157/PJ/2020 concerning the Exemption from Administrative Sanctions in the Form of Fines for the Late Filing of Periodic 1111 Value Added Tax Returns Due on 31 January 2020 (KEP DJP No. 157/2020). This regulation was enacted and entered into force on 20 March 2020.

From 29 January 2020 to 3 February 2020, there were disruptions to the application which resulted in the taxable persons for VAT purposes' e-mail application not being approved. This issue affected the fulfilment of the obligation to file Periodic 1111 VAT Returns.

Temporary Suspension of Face-to-Face VAT Refund Services for Tourists

The Airport Value Added Tax Refund Implementing Unit will not temporarily provide face-to-face services to foreign tourists that apply for VAT refunds for the purchase of luggage.

The temporary suspension of VAT refund services is outlined in Announcement No. PENG-43/PJ/2020 concerning the Announcement of Adjustment of Submission and Settlement of Requests for VAT Refunds on Luggage of Individuals who are Holders of Foreign Passports (VAT Refund for Tourists) (PENG-43/PJ/2020).

This policy has been undertaken to address the latest developments in connection with the spread of COVID-19 outbreaks in Indonesia's territory and to mitigate risks of the intensity reduction in the implementation of the Directorate General of Taxes' (DGT) duties and functions and services.

Exemption from Administrative Sanctions for the Late Filing of Periodic Article 21/26 Income Tax Return and Periodic Article 4 Paragraph (2) Final Withholding Tax Return

The Director General of Taxes exempts the late filing of Periodic Article 21 and/or Article 26 and Article 4 paragraph (2) Income Tax Return from administrative sanctions in the form of penalties.

This exemption is outlined in the Director General of Taxes Decree Number KEP-158/PJ/2020 concerning the Exemption of Administrative Sanctions in the Form of Penalties for Late Filing of Periodic Article 21 and/or Article 26 Income Tax Return and Article 4 paragraph (2) Final Withholding Tax Return Due on 20 February 2020 (KEP-158/PJ/2020).

Temporary Suspension of Trial Proceedings and Other Services by the Tax Court

The tax court has temporarily suspended trial proceedings and other services from 17 March to 31 March 2020. The temporary suspension of the tax court's operations is aimed at preventing the spread of Corona Virus Disease 2019 (COVID-19) within the tax court environment.

This policy is implemented with due regard to the World Health Organization's (WHO) official statement declaring COVID-19 as a global pandemic. Moreover, President of the Republic of Indonesia, Joko Widodo, has declared COVID-19 as a non-natural national disaster thereby requiring measures to mitigate and anticipate the spread of COVID-19 in the tax court.

The policies on the temporary suspension of tax court operations are outlined in the Chairperson of the Republic of Indonesia Tax Court Circular Number SE-01/ PP/2020 concerning Court Service Policies to Prevent the Spread of Corona Virus Disease (COVID-19) in the Tax Court Environment (SE-01/PP/2020).

Embracing New Approach from Tax Office to Taxpayers

Following chapter presents critical perspective related to the new approach used by tax offices in Indonesia. We offer short analysis regarding the urgency for such method and what it means to taxpayers. Then, we conclude on how this offer hope of new paradigm of relationship between the DGT and taxpayers.

2

Chapter

2 Embracing New Approach from Tax Office to Taxpayers

The launching of Compliance Risk Management (CRM) in September last year gives us the impression that the business process of tax office will be going to get transformed.

A. From CRM Onwards

The launching of Compliance Risk Management (CRM) in September last year gives us the impression that the business process of tax office will be going to get transformed.[19] At the time of the regulation enactment through The DGT Circular Letter SE-24/PJ/2019, the DGT has insisted that this mechanism shows the willingness to only focus on the non-compliant taxpayers.[20]

The risk-based approach indeed allows the government to apply different treatments to every taxpayer according to their compliance risk profile. As practiced in many countries with mature tax system, this method does not only improve the efficiency, but also create more sustainable relationship between tax authority and taxpayers. Hopefully, this would result in a more participative tax base from every layer of economic activities and individuals.

As we already know, our reliance to narrow tax base is reflected to our tax revenue structure. Its biggest proportion in 2019 – with no much difference during the last decade – was contributed from corporate income tax (CIT) and value added tax (VAT), reaching almost 60%.[21] Meanwhile, income tax from employee only contributed only 11,2%

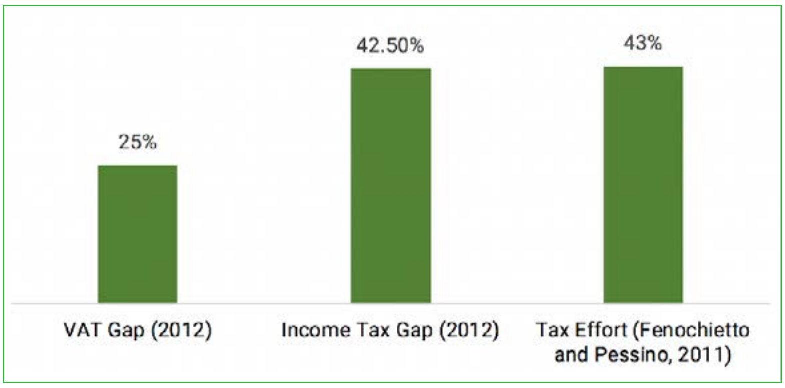
---

19 CRM can be defined as "***a systematic process** in which a tax administration makes deliberate choices on which treatment instruments could be used to effectively stimulate compliance and **prevent non-compliance**, based on the knowledge of all (taxpayers' behavior) and related to the available capacity*." See OECD, *Compliance Risk Management: Managing and Improving Tax Compliance,* (Paris: OECD Publishing, 2004); see also European Commission, *Compliance Risk Management Guide for Tax Administrations*, (EU: EC publishing, 2010), 5.

20 DDTCNews, "Dengan CRM, DJP Fokus Awasi Wajib Pajak Tidak Patuh", (2019). Internet, can be accessed at: https://news.ddtc.co.id/dengan-crm-djp-fokus-awasi-wajib-pajak-tidak-patuh-17309.

21 Calculated by DDTC Fiscal Research from Kementerian Keuangan, *APBN Kita Januari 2020* (2020).

Figure 4 Tax Gap and Tax Effort Estimation in Indonesia



Source: Ministry of Finance (2012) and Fenochietto and Pessino[22]

> Tax collections are targeted to small 'pond' of taxpayers, while there are still huge undetected economic activities performed by shadow economy.

while individual income tax that comes from installments and payable tax was only 0,8%.This weak significance cannot be separated from the fact that there are only 31,4% of Indonesia's labor force are registered in the tax system. Consequently, tax collections are targeted to small 'pond' of taxpayers, while there are still huge undetected economic activities performed by shadow economy.[23]

Figure 5 – Tax Return Ratio in Indonesia, 2019

Source: Ministry of Finance and BPS.

The DGT has certainly realized that this state of condition should not hold longer. Instead of intensifying the effort to the existing taxpayer, the focus has been shifted to the compliance of unregistered individuals. With the existing CRM and improved technology, the administration framework can now be more accommodating the non-revenue interest, such as taxpayers' trust, economic goals and social justice.[24]

This is partly preserved in the changes of the DGT's Small Tax Offices' (*KPP Pratama*) tasks and functions. They are now assigned to monitor non-registered taxpayers and collect data and information. Next sections provide our report on how they would perform their new duties and what can be expected.

B. Region-Based Approach

Since 1 March, new tasks and functions have been assigned to the *KPP Pratama*. The amendments are outlined in the Director General of Taxes Decree No. KEP-75/PJ/2020 concerning the Amendments to the Tasks and Functions of the Small Tax Office (KEP No. 75/ PJ/2020).

This initiative can be understood as part of The DGT's Strategic Plan 2020-2024. The plan will certainly set the direction of the DGT's work plan in the next five years. It emphasizes two main points: expanding the tax base and supporting the economy.[25] The two will balance each other so that tax system is not only utilized for revenue collection matter, but also to enhance economic productivity.

The former will certainly need new ways of business process and data and information support. In addition, cooperation from taxpayers is essential since they are the primary source of data. Accordingly, effective working framework needs to be developed to create interaction with taxpayers and good relationship with them.

---

22 Ministry of Finance, "Kajian Potensi Penerimaan Perpajakan Berdasarkan Pendekatan Makro", (2014).

23 According to Medina and Schneider, it was estimated that shadow economy in Indonesia was as big as 26.6% compared to the GDP. See Leandro Medina and Friedrich Schneider, "Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?", *IMF Working Paper* No. WP 18/17 (2018): 46.

24 Richard M. Bird, "Administrative Dimensions of Tax Reform", *Asia-Pacific Tax Bulletin* (2004): 135.

25 DDTCNews, "Rencana Strategis DJP Sudah Dibuat, Ini Poin Pentingnya", (2020). Internet, can be accessed at: https://news.ddtc.co.id/rencana-strategis-djp-sudah-dibuat-ini-poin-pentingnya-18555?page_y=1086.

Box 2 - Small Tax Office's New Functions

Under the new regulation, Small Tax Office carries out the following functions:

a. analyzing, elaborating, and achieving tax revenue targets;
b. searching, collecting, processing, and presenting taxation data and information;
c. quality assurance and validating data and/or information tools;
d. education, registration/confirmation, providing services, reporting management, and elimination/revocation of taxpayers, taxable persons for VAT purposes, or tax objects;
e. completing the follow-up on the submission/revocation of taxpayer or public applications;
f. data collection, mapping, supervision, and audits as well as assessments for tax purposes;
g. stipulation, issuance, and/or amendment of tax law products;
h. updating tax databases;
i. imposing and deducting land and building tax in the sectors of plantation, forestry, oil and gas mining for onshore natural settlements, mining for geothermal exploitation, mineral and coal mining, and other sectors;
j. administration of tax receivables and tax collection;
k. performance management and risk management;
l. implementation and supervision of internal compliance;
m. conducting follow-up on taxation cooperation; and
n. implementation of office administration.

Source: Section 1 of Director General of Taxes Decree No. KEP-75/PJ/2020

Hence, it explains why the new approach is accompanied with reorganized tasks and function performed on regional basis. The purpose of this changes is to improve the effectiveness of supervisory performance and to extract tax potentials, thus broadening national tax base.[26] One of them is assigning Small Tax Office an additional task, which is to collect and guarantee the quality of taxation data and information in its domain based on statutory regulations. This way, tax system can be both relaxing the economy and incentivize taxpayers' participation in the tax system.

The tasks similar to the previous regulation include providing services, dissemination, supervision, and law enforcement on taxpayers in terms of income tax, VAT, Sales Tax on Luxury Goods (SLTGs), other indirect taxes, and Land and Building Tax within its domain based on statutory regulations.

In performing the functions, the Directorate General of Taxes (DGT) will conduct supervision and audit using different methods depending on the taxpayer segment. As such, the DGT has segmented taxpayers into two groups, namely strategic taxpayers and other taxpayers.

This segmentation is intended to formulate appropriate and effective supervision and audit methods. Further, this segmentation is aimed at broadening the tax base and optimizing tax revenue through increasing compliance and extracting taxpayers' potentials.

The segmentation and the details of the supervision and audit method are stipulated in Circular Number SE-07/PJ/2020 concerning Taxpayer Supervision and Audits to Expand the Tax Base (SE-07/PJ/2020).

In addition, under the regulation, supervision on strategic taxpayers shall be carried out through comprehensive research activities. Other taxpayers, however, are monitored on a regional basis.

26 The Small Tax Office's tasks and functions were formerly regulated under Articles 58 and 59 of the Minister of Finance Regulation No. 210/PMK.01/2017.

Tax Office is expected to focus more on taxpayers whose tax potentials have not been optimally explored and that have not carried out their tax obligations and are not registered in the DGT's administration system.

Further, the regulation defines strategic taxpayers as all taxpayers registered at the tax office (*kantor pelayanan pajak*/KPP) in the DGT's Large Tax Regional Tax Office, Jakarta Special Regional Tax Office, and the Medium Tax Office.

Strategic taxpayers include taxpayers with certain criteria that are registered with the Small Tax Office. The regulation outlines that taxpayers with certain criteria shall be taxpayers with the largest tax revenue contribution or other criteria regulated through the Official Memo of the Director of Tax Potential, Compliance, and Revenue as set forth by the DGT's Head of the Regional Tax Office.

21st century marked the beginning of an era where a number of countries start to work on their tax system with assertive efforts by taking taxpayers' perspective into account.

Other taxpayers refer to taxpayers at Small Tax Office who do not have a taxpayer identification number (*Nomor Pokok Wajib Pajak*/NPWP) and those who already have NPWP with large tax revenue contributions, such as government agency taxpayers, joint operations, companies arranging customs services identification number (*perusahaan pengurusan jasa kepabeanan*/PPJK), and branches without a headquarters, as well as other taxpayers.

This policy is adopted due to the DGT's relatively limited resources against increasing tax revenue targets. Through this policy, therefore, the Tax Office is expected to focus on the allocation of available resources to supervise and audit taxpayers more accurately and effectively.

Under this policy, the Tax Office is also expected to focus more on taxpayers whose tax potentials have not been optimally explored and that have not carried out their tax obligations and are not registered in the DGT's administration system.

The complete provision regarding the Director General of Taxes Decree No. KEP-75/PJ/2020 and Circular Number SE-07/PJ/2020 can be learned from DDTC Newsletter Vol. 03 No. 5.

C. What to Be Expected

Bettering tax collection performance has been an everlasting objective to be achieved and maintained by developing countries. Traditionally, as performed in almost every country in the developing stage in their tax system, it is pursued under forceful interaction. The frameworks put taxpayers' position below the tax authority.[27] Moreover, taxpayers are not only obliged to pay the imposed tax, but also fulfil all the formalities and technicalities, including calculating, withholding other taxpayers' tax obligation and reporting the tax return under certain time.[28]

21st century marked the beginning of an era where a number of countries start to work on their tax system with assertive efforts by taking taxpayers' perspective into account. Accordingly, taxpayers' rights and better services for taxpayers are seen as important element to sustain the tax system. Overall trend suggests that there are movement toward a more collaborative and transparent relationship, where horizontal position between tax authority and taxpayers become a virtue.

Under the new approach, the General Director of the DGT expects that tax officers will visit taxpayers more often and ensure in advance that taxpayers can comply according to the tax law.[29] This conduct is performed in order to expand the tax base and collect more data and information from taxpayers.

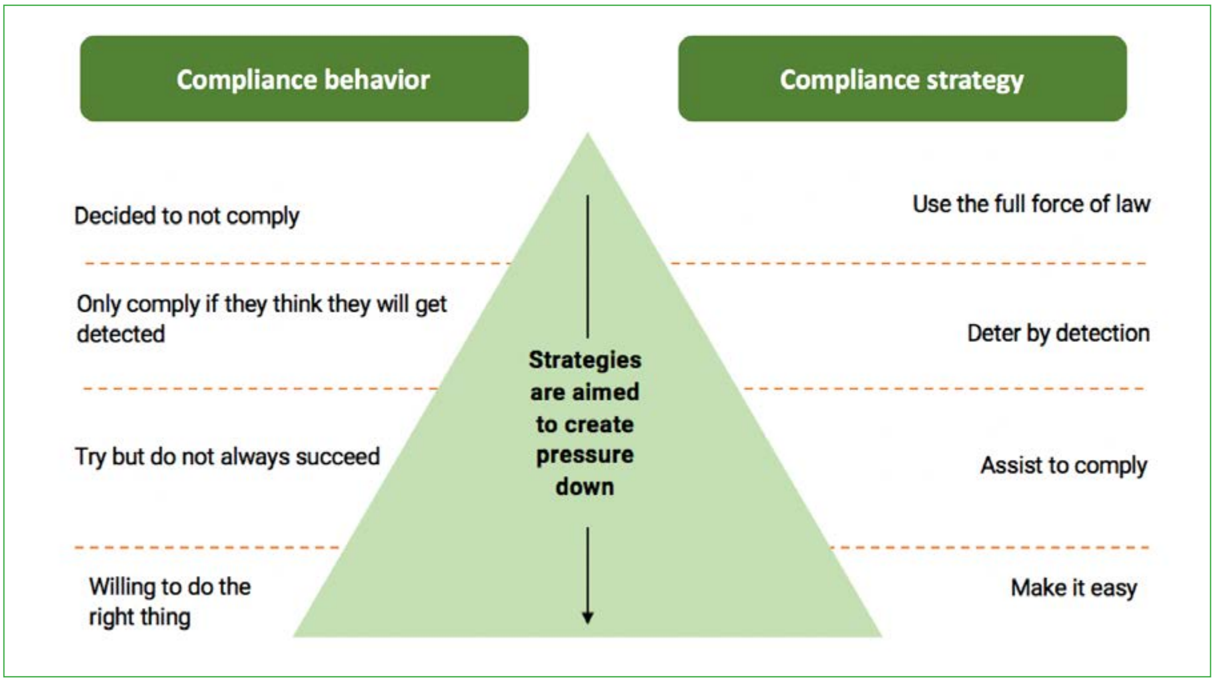
The audit, as he added, will be targeted to noncompliant taxpayers based on

27 M. T. Soler Roch,"Forum: Tax Administration versus Taxpayers – A New Deal?" (2012) *World Tax Journal* 282.

28 A. Nunes dos Santos, "The Changing Relationship between Tax Administrations and Taxpayers: Countries' Experience with Horizontal Monitoring", in Rafaelle Petruzi and Karoline Spies (eds), *Tax Policy Challenges in 21st Century* (Wien Linde, 2014) 633.

29 DDTCNews, "Bersiap, Petugas KPP Pratama DJP Bakal Intens Kunjungi Wajib Pajak", (2020). Internet, can be accessed on: https://news.ddtc.co.id/bersiap-petugas-kpp-pratama-djp-bakal-intens-kunjungi-wajib-pajak-19274?page_y=0.

Figure 6 Spectrum of Taxpayers' Attitude to Compliance



Source OECD, Compliance Risk Management: Managing and Improving Tax Compliance, (Paris: OECD, 2004), 41.

It might be too early to predict, but we can be hopeful that different paradigm of compliance enhancement is underway.

data that are already in their hand. With that said, segmented interaction will be developed as there will be different approaches used by tax officers in handling taxpayers. Such method reflects the compliance strategy recommended by OECD as shown in Figure 6.

In this regard, integrity, code of ethics and professionalism play crucial role to ensure that there are no room for corrupted transaction. This of course needs support from the taxpayers as well. Tax morale and awareness to comply the law will be instrumental in succeeding this business process.

One of taxpayers' clear contribution is related to data collection. We should note that with these will be crucial when the DGT is going to use advanced analytics for risk detection and use of new information sources in monitoring and evaluation.[30] Thus, in the beginning stage, quality data collection from taxpayers are fundamental. Proper data provision would contribute to improve the coordination and cooperation between revenue agencies and other organizations, thus making its implementation still develops and adapts the changing technology and challenges.[31]

As emphasized as Shome, as one of the emerging markets, data gathering should be targeted to small taxpayers who are represented in very large number.[32] Most of them will kept growing and capturing their data now would mean a lot in the future in terms of developing pro-active approaches and trust-enhanced technology.[33] Gaining taxpayers' trust from earlier would help creating compliant habit regarding their tax obligation. Thus, in result, supervision and quality performance can be improved.[34]

30 Advanced analytics can be defined as: "... the process of applying statistical and machine learning techniques to uncover insights from data, and ultimately to make better decisions about how to deploy resources to the best possible effect". See OECD, *Advanced Analytics for Better Tax Administration: Putting Data to Work* (Paris: OECD, Publishing, 2019).

31 ICTD, "Obstacles to increasing Tax Revenues in Low Income Countries", *ICTD Working Paper 15,* (September 2015).

32 Parthasarathi Shome, "Tax Administration and the Small Taxpayer", *IMF Policy Discussion Paper* PDP/04/2 (2004): 1.

33 OECD, *The Changing Tax Compliance Environment and the Role of Audit* (Paris: OECD Publishing, 2017), 13.

34 OECD, *Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies,* (Paris: OECD Publishing, 2019).

Accordingly, data can be gathered from devices, banks, merchants, suppliers, customer, government agencies, and international partners. Furthermore, these abundances of data can be utilized for appropriately targeting the taxpayers for both intensification and extensification purposes. Hence, we can expect that the abundance of data and information would help the tax administration to improve the efficiency of education, service and taxpayers' requests.[35]

In a modern and more advanced tax administration, trust from taxpayers are seen as the main factor to preserve the legitimacy of the tax system.

Thus, under the new approach, participation from taxpayers is key to create more sustainable and taxpayers' friendly tax system.[36] We should not only expect more efficiency in terms of tax administration, but also willingness from the DGT to create more collaborative and trust-based relationship with the taxpayers.[37]

Accordingly, the subsequent need is to have a 'platform' under which both tax authority can exchange with transparency with trust to each other.

Data alone are obviously not enough to create such framework. Technology and advanced analytical tools are certainly necessary to process them into insightful information and lead to appropriate decision. That is why this approach is in parallel act with the technological amelioration.[38]

It might be too early to predict, but we can be hopeful that different paradigm of compliance enhancement is underway. As performed in other more advanced countries, CRM and tax office reorganization begins new regime of tax compliance by treating taxpayers according to their risk profile.[39] That means compliant taxpayers – and also willing-to-comply taxpayers – would get more help instead of suspicion from the tax officers.

Is it exaggerating then if we expect a trust-based relationship between the DGT and taxpayers? Fortunately, various reports and study suggest not. Next section provides why – and how to make it possible.

D. Improving National Tax Morale

In a modern and more advanced tax administration, trust from taxpayers are seen as the main factor to preserve the legitimacy of the tax system.[40] Accordingly, the subsequent need is to have a 'platform' under which both tax authority can exchange with transparency with trust to each other.[41] While taxpayers can get their tax position information, tax authority also gets voluntary disclosure that would reduce the administration cost and improve the speed of their work.[42]

This has been proven to be true, at least according to OECD. Tax administration aspects which refer to interaction with taxpayers are the determining factor whether taxpayers can trust the tax authority or not.[43] Subsequently, it would certainly affect the taxpayers' morale, which encompasses the decision for the taxpayers – whether they are going to voluntarily comply or not.

It is obviously more difficult to develop such compliance, but it will benefit the

---

35 DDTCNews, "DJP: Wajib Pajak di KPP Pratama Berpotensi Ditangani AR Baru", (2020). Internet, can be accessed on: https://news.ddtc.co.id/djp-wajib-pajak-di-kpp-pratama-berpotensi-ditangani-ar-baru-19272?page_y=894.

36 Darussalam, "Strategi Baru Pajak", *Kompas Newspaper Opinion Article* (30 November 2019).

37 Jeffrey Owens, "Embracing Tax Transparency", *Tax Notes International* (2013).

38 The DGT has invested to prepare core tax system to upgrade every tax business process that will benefit the tax officers and taxpayers. This is as regulated in Presidential Regulations No. 40 of 2018.

39 OECD, *The Changing Tax Compliance Environment and the Role of Audit* (Paris: OECD Publishing, 2017), 35.

40 Client Stretch, "Special Reports: An Entirely New Level of Tax Administration?", *Tax Notes International* (2007), 925-931.

41 George Kopits and Jon Craig, "Transparency in Government Operations," *International Monetary Fund* (1998): 1.

42 Transparaency is correlated with fiscal capacity and it supports the works of tax authorities institutionally, especially in developing countries. Roberto Ricciuti, Antonio Savoia, and Kunal Sen, 'How Do Political Institutions Affect Fiscal Capacity? Explaining Taxation in Developing' (2018) *Journal of Institutional Economics* 1.

43 OECD, *Tax Morale: What Drives People and Businesses to Pay Tax* (Paris: OECD Publishing, 2019).

Trust-based framework between tax authority and taxpayers – or simply called cooperative compliance – has now been started to be implemented in at least 17 countries in Asia and 37 OECD countries.

tax collection in the long run as it is more sustainable and motivated from taxpayers' willingness themselves.[44] Moreover, with current state, compliant taxpayers would prefer interaction with the tax authority if it gives them higher chance of tax certainty and better engagement.[45]

They need a framework in which they can offer transparency in exchange for assurance. With that said, interactions between the DGT and taxpayers should become a place where both of them can meet and cooperate to give what each other needs – tax authority provides services and certainty while taxpayers provide data and information.

It would help restoring of fiscal contract between government and society. With the increasing concern of taxpayers' rights fulfilment and bureaucracy betterment, cooperative compliance could be an important part of the answer.[46]

Ultimately, transparency and cooperation between the two will be the capital that determines the sustainability of tax compliance in the future. Trust-based framework between tax authority and taxpayers – or simply called cooperative compliance – has now been started to be implemented in at least 17 countries in Asia and 37 OECD countries.[47]

As suggested by Kirchler, taxpayers' trust is the determining factor for the taxpayers in deciding whether to comply or not.[48] Unsurprisingly, with business model changes are more dynamic than tax rules, preserving their trust and cooperation is more preferable for any tax systems. They are now more in line with what other arising studies has suggested: cooperation and equal positioning should be prioritized before choosing punishment and other deterrent measures.[49] Hence, let us get fully committed in contributing to the creation of tax system that improves the welfare of every participating stakeholders.

44 Darussalam, "Membangun Kerangka Baru Kepatuhan Pajak", (2016) 36 *Inside Tax* 8.

45 Jo'Anne Langham and Neil Paulsen, "Effective Engagement: Building A Relationship of Cooperation and Trust with the Community" (2015) 13(1) *eJournal of Tax Research* 378.

46 Darussalam, Danny Septriadi, B. Bawono Kristiaji and Denny Vissaro, *Era Baru Hubungan Otoritas Pajak dengan Wajib Pajak* (DDTC Publishing, 2019).

47 See ADB, *A Comparative Analysis of Tax Administration in Asia and the Pacific* (Manila: ADB, 2020), 83.

48 Eric Kirchler, Christoph Kogler, and Stephan Muehlbacher, "Cooperative Tax Compliance" (2014) 23 *Current Direction in Psychological Science* 87.

49 James Alm, Eric Kirchler, Stepham Muehlbacher, Katharina Gangl, Eva Hofmann, Christopher Kogler, and Maria Pollai, "Rethinking the Research Paradigms for Analysing Tax Compliance Behaviour" (2012) 13(2) *CESifo Forum* No. 33, as quoted in Eric Kirchler, Christoph Kogler, and Stephan Muehlbacher, 'Cooperative Tax Compliance' (2014) 23 *Current Direction in Psychological Science* 87.

Global Tax Policy Responses to COVID-19 Crisis

This chapter delivers how countries all over the world respond to the threat of COVID-19 through their tax system. Besides presenting the comparative study, it shows that taxation has an important role in containing the impact and administration ease is necessary amid the difficulties. In the final sections, it offers several important key takeaways that can be learnt.

3

Chapter

3 Global Tax Policy Responses to COVID-19 Crisis

On 11 March, the World Health Organization has characterized coronavirus (COVID-19) as a pandemic. Per 31 March 2020, the number of COVID-19 confirmed cases surpassed 700,000 cases globally.

A. Global Economy under COVID-19 Threats

Entering this year, many international institutions has already reported their version of the global economic outlook of 2020 in front of public eyes. The OECD, World Bank and IMF estimated the world economy to grow by between 2.4-3.3% this year.[50] From these forecasts, we could already aware from the beginning that the global economy is poised for a modest rebound this year, following its weakest performance since the global financial crisis.

Not long after the reports were published, the world experiences the outbreak of an infectious disease called coronavirus, or COVID-19. The virus that was originally present in Wuhan (Hubei Region), China is now spreading all over the world causing the catastrophic human suffering and economic disruption. Eventually, on 11 March, the World Health Organization has characterized coronavirus (COVID-19) as a pandemic. Per 31 March 2020, the number of COVID-19 confirmed cases surpassed 700,000 cases globally.[51]

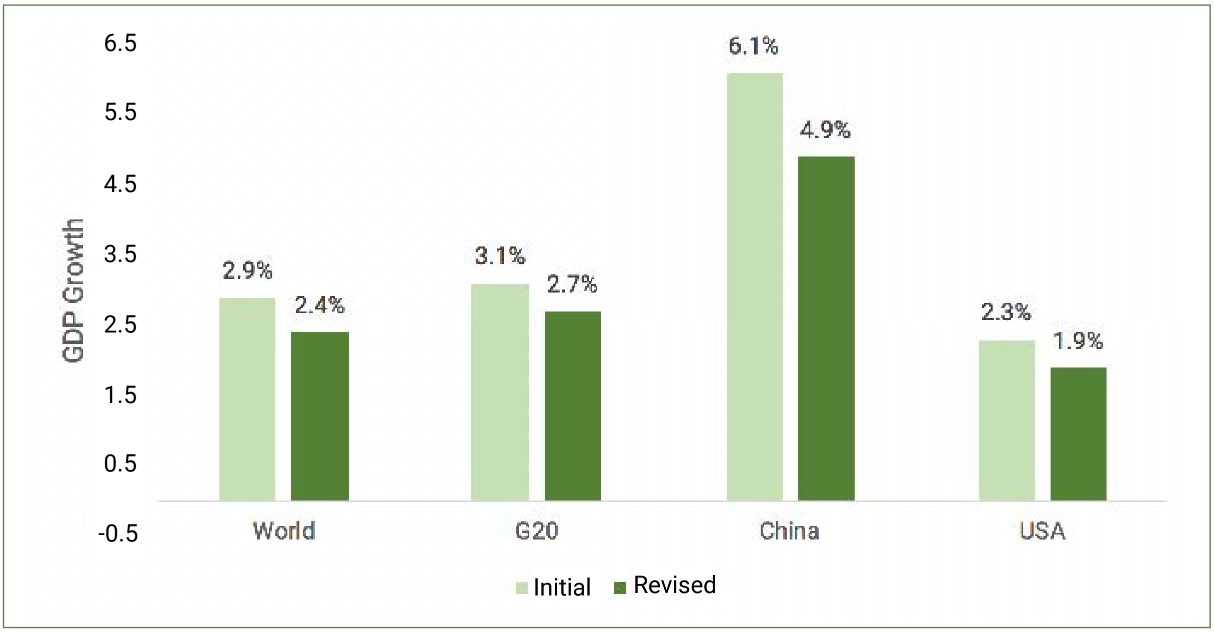
From economic perspective, the adverse consequences of this pandemic are significant, including the disruption of global supply chains, weaker demand for imported goods and services and the major declines in hospitality (tourism and travel) industries. According to the IMF, the coronavirus shock is more severe compared to the Great Financial Crisis in 2007–2008, as it hit households, businesses, financial institutions, and markets all at the same time.[52]

50 OECD, "OECD Economic Outlook, Interim Report March 2020", internet, can be accessed at: https://www.oecd.org/berlin/publikationen/Interim-Economic-Assessment-2-March-2020.pdf; World Bank, Global Economic Prospects, January 2020: Slow Growth, Policy Challenges, (Washington DC: World Bank, 2020); IMF, *World Economic Outlook: Tentative Stabilization, Sluggish Recovery?,* (Washington DC: IMF, 2020).

51 WHO, "Coronavirus Disease 2019 (COVID-19) Situation Report -70", Internet, can be accessed at: https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200401-sitrep-70-covid-19.pdf?sfvrsn=3dd8971b_2.

52 IMF, "Blunting the Impact and Hard Choices: Early Lesson from China", internet, can be accessed

Figure 7 OECD Interim Economic Outlook Forecasts, 2 March 2020



Source: OECD (2020)

The world economy is predicted to experience a shortfall from 2.9% to 2.4% Simultaneously, The Economist Intelligence also revised the growth forecasts for all countries which will contract 2.2%.

In this regard, several international institutions had been revised their economic projections report for this year. In early March, OECD slashes the outlook for global economic growth in 2020 with quite surprising numbers. The world economy is predicted to experience a shortfall from 2.9% to 2.4%. Simultaneously, The Economist Intelligence also revised the growth forecasts for all countries which will contract 2.2%.[53] Another surprising reports was delivered by JP Morgan, who predicted there would be an economic fallout by -1.1%.[54]

In the context of Indonesia, heavy pressure already began in February, when Ministry of Finance (MoF) stated that the deficit of the State Budget reached Rp62.8 trillion.

Recent condition also has major impact for public budgets. Several low and middle-income countries experience a decline of government revenue such as India, Iran dan Indonesia and other developing countries. While it is the case, these revenues are also needed for expenditure policies in overcoming the crisis. In response to the prospect of a weakening global economy, several countries have issued monetary easing policies and fiscal policy packages to improve the demand side.

In addition to that, as expressed by Vanistendael, this extreme situation may affect international taxation sphere as well.[55] As current situation has potentially changed what is perceived as 'business as usual', international supply chain of business will possibly change and reorganize the direction of the flow. This is due to reconsideration from countries to limit their scope of international trade, thus affecting the distribution of value chain, which is one of the central analysis of Base Erosion and Profit Shifting (BEPS) analysis.

Assuming this happens, according to him, functions and risks will tend to be rearranged to certain group of countries that is fewer and simpler than before.[56] This will most likely occur for physical products such as foods, face masks and/or health instruments according to regulation set by the government.

In domestic side, we might see as well the more of wealth inequality that has been sort of 'unseen' in normal situation. Unequal ability between group of society

---

at: https://blogs.imf.org/2020/03/20/blunting-the-impact-and-hard-choices-early-lessons-from-china/.

53 The Economist Intelligence, "COVID-19 to Send Almost All G20 Countries Into A Recession", internet, https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/.

54 J.P. Morgan, " Fallout from COVID-19: Global Recession, Zero Interest Rates and Emergency Policy Actions ", Internet, can be accessed at: https://www.jpmorgan.com/global/research/fallout-from-covid19.

55 Frans Vanistendael, "Coronavirus and the Tax World," *Tax Notes International – Letter from Europe* (2020): 79.

56 Ibid.

in dealing with COVID-19 pandemic will contribute to the development how tax burden is supposed to be distributed for the purpose of society survival.[57]

In the context of Indonesia, heavy pressure already began in February, when Ministry of Finance (MoF) stated that the deficit of the State Budget reached Rp62.8 trillion.

B. COVID-19 Adverse Economic Consequences and Indonesia Policy Response

In the context of Indonesia, heavy pressure already began in February, when Ministry of Finance (MoF) stated that the deficit of the State Budget reached Rp62.8 trillion. This number increased 0.34% compared to the same period last year, which amounted to Rp54 trillion. The budget deficit was worth 0.37% of the GDP.

The Ministry of Finance estimates Indonesia's economic growth to reach 2.3% in the severe scenario and increase to -0.4% in the very severe scenario. MoF also stated that state revenues would decrease by at least 10% due to tax incentive support, lower income tax rates and commodity prices fall.

At the same time, the realization of tax revenue was recorded at Rp152.9 trillion. The tax revenue performance still recorded down 5% (q-to-q) compared to the same period last year.[58] In comparison, the realization of tax revenue during the first two months of 2019 was valued at Rp160.9 trillion or 10.2% against the target of Rp1,577.6 trillion.

Furthermore, as of February 2020, the realization of national revenue from the tax sector contributed as much as 9.3% of the 2020 State Budget target of Rp1,642.6 trillion. Realization of tax revenues mainly contributed from Non-Oil and Gas Income Tax and VAT/STLG.[59]

The decline of tax revenue occurred because of several factors. *First,* oil and gas income tax revenues fell 36 percent from Rp10.5 trillion to only Rp6.6 trillion or 11.6% of the state budget target.[60] This is influenced by the decline in world crude oil prices in recent times. ICP were set at US $ 56.6/barrel in an end of period and US $ 60.9/barrel in a year to date.[61] This figure is far lower than the assumed ICP price of US $63/ barrel.

The decline of oil prices is estimated due to the oil price war between Saudi Arabia and Russia when oil demand is falling due to the coronavirus fears triggered a shock to the market. Recent study also supports this argument by showing that financial stress has a positive correlation with oil price shocks.[62] As long as the virus fears prevail, oil price recovery is difficult to obtained in near future. In fact, 2020 marks the first year since the 2008 financial crisis, where global oil demand is drop.

Second, non-oil and gas tax growth recorded minus 2.7% with the realization of Rp146.3 trillion or 9.2% of the state budget. The decline in non-oil and gas tax was mainly caused by the revenue drop from CIT by 29.34% to Rp6.92 trillion in January 2020. This downward movement was partly due to increased restitution since the beginning of the year.

The fiscal pressure has been increasingly felt specifically to the non-oil and gas sector. This is reflected in the realization of tax refunds or returns to corporate taxpayers. Until February 2020 the total tax refund was Rp42.17 trillion, grew 14.73% compared to the same period last year valued at Rp36.76 trillion.[63]

Ultimately, the government projects a significant economic slowdown. The Ministry of Finance estimates Indonesia's economic growth to reach 2.3% in the severe scenario and increase to -0.4% in the very severe scenario. MoF also stated that state revenues would decrease by at least 10% due to

57 Ibid.
58 See Indonesia's Minister of Finance Sri Mulyani statement at https://news.ddtc.co.id/duh-realisasi-penerimaan-pajak-hingga-akhir-februari-masih-minus-5-19641?page_y=1041.3333740234375.
59 Ministry of Finance of the Republic of Indonesia, "APBN KiTa/ State Budget: Performance and Facts," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.
60 Ministry of Finance of the Republic of Indonesia, "APBN KITA/ State Budget: Performance and Facts," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.
61 DDTC News, "Rupiah Melemah, Penerimaan PPh Migas Tidak Terdongkak, Ini Alasannya", Internet, can be accessed at: https://news.ddtc.co.id/rupiah-melemah-penerimaan-pph-migas-tidak-terdongkakini-alasannya-19777.
62 Gkillas, K, et. al., "Forecasting Realized Oil-Price Volatility: The Role of Financial Stress and Asymmetric Loss", *Journal of International Money and Finance, Feb 2020.*
63 Ministry of Finance of the Republic of Indonesia, "APBN KiTa/ State Budget: Performance and Facts," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

tax incentive support, lower income tax rates and commodity prices fall.[64] From the various analyzes, the MoF finally announced widening the budget deficit to exceed 3% of GDP.

In response to this, the Government of Indonesia has launched various tax policy responses as stipulated in several laws and regulations. A number of these policies are regulated in Government Regulation in Lieu of Law (Perppu) No. 1/2020, Director General of Taxes Decree No.KEP-156/ PJ /2020 and Minister of Finance Regulation No.23/PMK.03/ s2020.

There are at least seven tax policy responses (excluding excise and customs) carried out by the government to date.

There are at least seven tax policy responses (excluding excise and customs) carried out by the government to date. *First*, reduction of CIT rate and permanent establishment (BUT). The reduction of CIT rates from 25% to 22% applies in fiscal years 2020 and 2021; and relegated to 20% in 2022. *Second*, the extension of the implementation of rights and fulfillment of tax obligations. This includes deadlines for filing objections, returning tax overpayments, postponement of annual tax report, up to the elimination of tax liability sanctions.

Table 6 Indonesia Tax Responses and Global Comparison

No.	Indonesia Tax Measures	Number of Economies	Type of Tax	Indonesia Regulation
1.	Tax Payment Deferral	86	All taxes	KEP 156/PJ/2020
2.	CIT Rate Deduction	3	CIT	PERPPU No. 1/2020
3.	Tax Refund Acceleration	7	VAT & Other Consumption Taxes	PMK 23/2020
4.	Exemption of Import CIT Rate	4	CIT	PMK 23/2020
5.	Withholding Income Tax Relief	16	CIT & PIT	PMK 23/2020
6.	PIT Borne by The Government	12	PIT	PMK 23/2020
7.	Introduction of Digital Tax	2	CIT, VAT, other consumption taxes	PERPPU No. 1/2020

Source: Processed by DDTC Fiscal Research from various sources: OECD, IBFD, IMF, Tax Foundation, Country Press Release, etc per 31 March 2020 (GMT+8).

Third, personal income tax (PIT) is borne by the government. Indonesian government intends to bear 100% of PIT from workers of up to Rp200 million in 440 processing industry that obtain Export Destination Import Facility (KITE). *Fourth*, the reduction of Article 25 Income Tax by 30% to 102 certain sectors and/or KITE companies. *Fifth*, Article 22 income tax exemption on imports.

The measures are: Corporate Income Tax (CIT) rate cut from 25% to 22% (applies in fiscal years 2020-2021) and 20% in 2022; time extension for exercising rights and fulfilling tax obligations; personal income tax (PIT) borne by the government for certain industries; Article 25 income tax reduction by 30% to certain sectors; exemption from Article 22 income tax on imports; taxation arrangement for e-commerce; and acceleration of VAT refund policy.

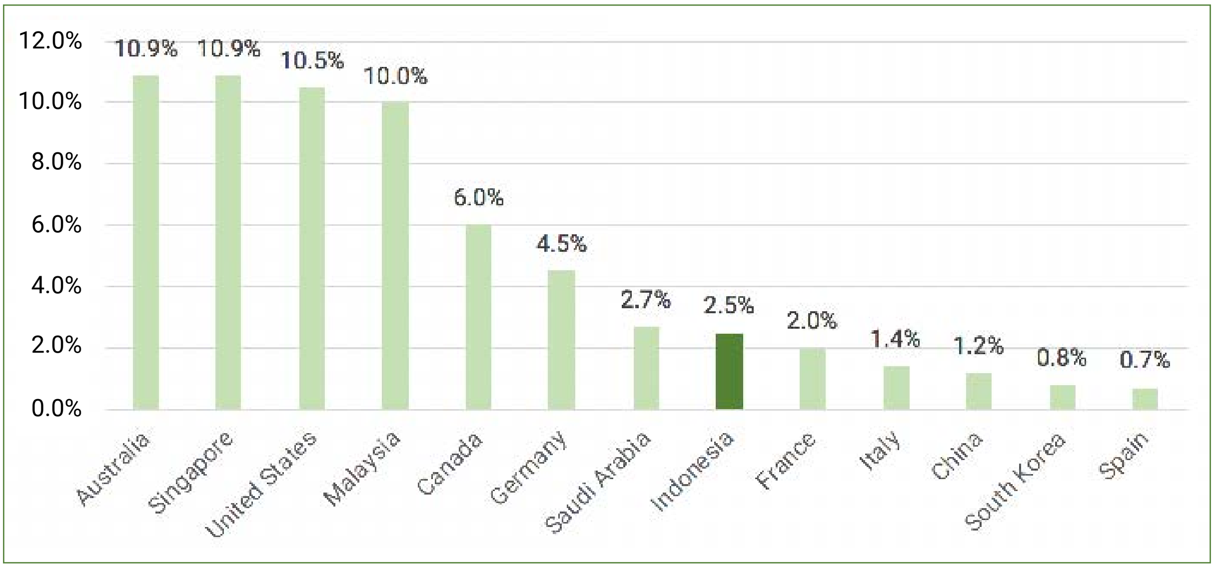
Sixth, taxation arrangements for e-commerce. The regulation affirms the obligation on CIT and VAT for International Trade Providers through Electronic Systems (PPMSE). *Seventh*, the VAT refund policy is accelerated. In Indonesia this was given to 102 specific sectors and / or KITE companies during April-September 2020.

These efforts are actually on the same path as other countries have been performing (see Table 6). The majority of countries respond by delaying tax payments, followed by relief of withholding income tax and relief or exemption from import duties. On the other side, the rare options taken by several countries include a CIT rate reduction and the enactment of electronic taxes. These measures are not solely caused by COVID-19, but fiscal and economic consideration as a whole that already took place before the outbreak.[65]

64 Ministry of Finance of the Republic of Indonesia, "Press Release: Strategies for Strengthening Social and Economic Stimulary Protection", 1 April 2020.

65 For Indonesia case, these two instruments had been discussed earlier by the government and was planned to be legalized in the form of an Omnibus Law.

Figure 8 Global Fiscal Support Comparison Amid the COVID-19 Outbreak (% to GDP)



Source: IMF and Official Press Release of Governments of Indonesia, Australia and Malaysia as cited in Kementerian Keuangan, "Pandemi COVID-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal", *Materi Rapat Kerja Komisi XI-DPR RI 6 April 2020* (2020): 9.

Table 7 Type of Tax Instrument by Economies

No.	Type of Tax	Number of Economies based on Region					Total
		Asia	Australia & Oceania	Europe	America	Africa	
1	CIT	14	2	26	12	6	**60**
2	Multiple Taxes*)	12	0	14	7	4	**37**
3	Other Consumption Taxes**)	12	1	4	7	5	**29**
4	Other taxes***)	6	1	5	2	0	**14**
5	PIT	13	1	24	11	9	**58**
6	Property Taxes	3	0	8	1	2	**14**
7	VAT	9	1	21	8	8	**47**
Number of Country Observed		**28**	**2**	**45**	**21**	**17**	**113**

Source: Processed by DDTC Fiscal Research from various sources: OECD, IBFD, IMF, Tax Foundation, Country Press Release, etc per 31 March 2020 (GMT+8).

*) Type of tax policies that are similar to number of tax but difficult to classify each type of tax due to lack of information from the relevant source.

**) Other consumption taxes include import tariff/tax, good and service tax, excise, export taxes, duties, etc.

***) Tax types which are not included in the above classification

C. Global Study On Tax Policy Response

As the coronavirus extends its deadly potential throughout the world, various economies have announced tax and other measures to mitigate the economic impact of COVID-19. Various economies give great fiscal support to handle the COVID-19 and prevention of the economic crisis.

The huge amount of fiscal support implemented in a variety of instrument consists of strategic expansive spending and revenue relaxation program. Governments utilize these instruments as steps to prop up businesses and individuals in the wake of the coronavirus outbreak, which has sharply decreased economic activity around the globe.

DDTC Fiscal Research recorded, as per 31 March 2020, there are at least 113 economies that have utilized (or going to utilize) their tax instrument as a response to this threatening situation.[66] Based on type of tax, certain pattern for the policy response can be identified (see Table 7). Majority of the countries that have given tax-measures response mostly

66 This database is processed by DDTC Fiscal Research from various sources: OECD, IBFD, IMF, Tax Foundation, etc).

use their income taxes measurement. However, value added tax (VAT) and other consumption taxes (import tariff, good and service tax [GST], and excise) also widely used by many country and economies. Several countries also use property and other taxes to overcome the economics distortion.

A number of income tax measures are implemented in many countries to overcome current difficult situation.

Income Taxes

A number of income tax measures are implemented in many countries to overcome current difficult situation. Income taxes holds strategic value, as it has attributes that are very attached to individual. Significant number of literatures also stated that income tax has a trickle-down effect on fairness and income distribution.[67] Some measurement of CIT that widely used are tax deduction, exemption and temporary tax holiday. These features are spread across various business scales, including the SMEs. Meanwhile for the PIT, the scope of the measures are related to income tax return, income tax exemption for certain workers, tax discount and tax rebate.

One of the progressive steps taken by Indonesia is corporate income tax rates reduction. Through Regulation in Lieu of Law (Perppu) No. 01/2020, Indonesia declared a CIT rates cut from 25% to 22% (period 2020-2021). Furthermore, the corporate income tax rate will be 20% in 2022. This reduction is one year faster than the initial plan in the Tax Omnibus Law Bill. Resemblant to Indonesia, Kenya also reduces CIT tariffs from 30% to 25%.[68]

VAT and Other Consumption Taxes

Another mostly used measure as a response to the COVID-19 threats are consumption taxes. The objectives of these type of tax were mainly to support consumption, business and household cashflow. Several measurements that used by the government are tax

Box 3 - Lesson from China's Response to COVID-19

The government of China has adopted a series of comprehensive measures to contain the epidemic and boost economic and social development. On taxation policy, China has successively rolled out three batches of tax incentives and fees, with specific priority and target. The ultimate goal of the tremendous efforts is in order to support the plague control and facilitate the sustainability of employment and production.

- *The first batch* is aimed at providing immediate support to the containing of virus on the frontline. The measurements are income tax exemption for medical workers and donors, VAT exemption for producers of certain medical material and donated goods, incentive for excise tax, urban maintenance and construction tax.
- *The second batch* is designed to ease business burden in accordance to social security contributions (SSC), The measurement are SSC temporary reduction and exemption for employees' endowment insurance, unemployment insurance, fee exemption for SMEs on five months.
- *The third batch* focuses on facilitating SMEs and self-employed to strengthen the resilience and stabilize employment. The policies contain affirmation for Hubei province, which the origin and highest number of COVID-19. Some of the measurement are VAT exemption, endowment insurance reduction and property tax reduction by the local government.

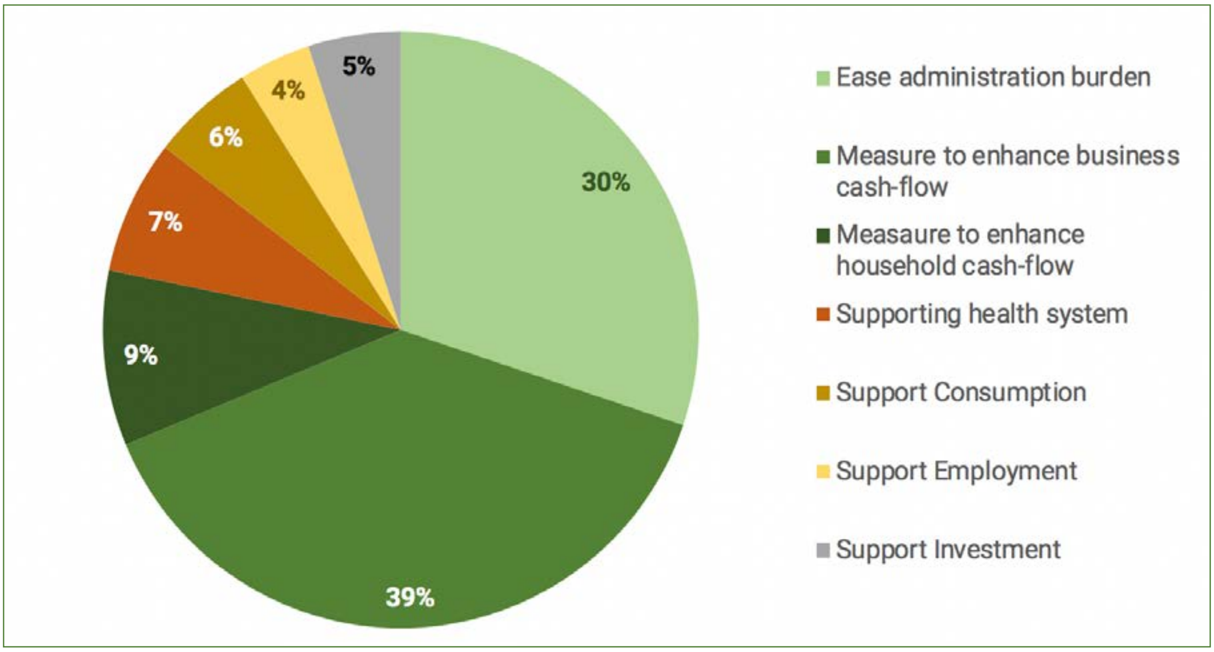
Through these comprehensive policies, there are signs of economic progress in China. The manufacturing and services sectors both expanded in March. It was a higher and faster rebound than had been anticipated by many analysts. A successful response can be drawn from the Chinese experiment. But as the World Bank warned, the economic slowdown other parts of the world could endanger China's recovery.

Source: IBFD Tax Research Platform, "Country Report", (2020). Internet, can be accessed at https://www.ibfd.org/IBFD-Tax-Portal/Tax-News-Service

67 Some notable studies which discusses the effects of income tax comes from Irving Fisher (1936), James Mirlees (1971), T.D. Griffith (1989) and numbers of recent studies.

68 Reuters, "REFILE-UPDATE 2-Kenya announces tax cuts and curfew in battle with coronavirus", Internet, Can be accessed at: https://www.reuters.com/article/health-coronavirus-kenya-economy/refile-update-2-kenya-announces-tax-cuts-and-curfew-in-battle-with-coronavirus-idUSL8N2BI73I.

Figure 9 Distribution of Tax Measurement Objectives



Source: Processed by DDTC Fiscal Research from various sources: OECD, IBFD, IMF, Tax Foundation, Country Press Release, etc per 31 March 2020 (GMT+8).

remittance, VAT reduction for certain good/service, VAT refunds acceleration and local/municipal tax exemption.

Besides tax measures through certain taxes, administrative relieves are often used by many affected countries.

For other consumption taxes, some highlighted measurements are lower import tariff, zero-rated import duties, good and service tax return, tax and excise exemption. Some countries that use those measurements are Australia, Costa Rica, China, Greece and many more.

China can be identified as a special case by launched more than five types of stimulus on the consumption taxes, considering the majority of China's economy is supported by production and processing industries. Other interesting analysis from the consumption taxes is a joint concern to the tour and travel industries. Several countries as Indonesia, Turkey and Mauritius, relieve the airlines passengers, hotels and restaurants taxes.

Property and Other Taxes

Property taxes is the type of instrument that is most rarely used to respond the adverse effect of COVID-19. This is partly because this type of tax has largely been delegated to lower levels of government (local/subnational). Consequently, the tax revenue goes to the regional treasury so that the leverage for the country's economy is still limited.[69] Some property tax measurement utilized as follows real estate tax relief, property tax rebate, etc. The countries that been using the property tax features are Singapore, Egypt, Ukraine, etc.

In particular, Singapore utilizes more than three property tax instruments. This is mainly because Singapore only has one level of government in the affairs of the tax collection authority. Moreover, property tax receipts in Singapore are one of the biggest sources of state revenue.[70]

Administrative Measure

Besides tax measures through certain taxes, administrative relieves are often used by many affected countries. Globally, the tax administrations have implemented or at least considered measures to support the overall or certain classes of taxpayers affected

---

69 Michael Thom, *Tax Politics and Policy*, (Oxfon: Routledge, 2017).
70 Inland Revenue Authority of Singapore (IRAS), "Property Tax Relief", Internet, Can be accessed at:https://www.iras.gov.sg/irashome/Property/Property-owners/Working-out-your-taxes/Property-Tax-Reliefs/.

Box 4 - Nordic Countries: A Different Approach

While majority of the countries implement numbers of tax incentives, welfare states such as Nordic countries prefer to use more expansive fiscal instrument. Poland, for example, provide wage subsidies for employee and self-employed of up to 80% of the average statutory wage. Those instrument are included in the policy package to counter the adverse economic consequences, as well as other instrument consist of loan guarantees and liquidity, health care and investment spending. This approach is also used by Denmark, the government planned to cover 75% of the cost of employees' salaries and Temporary compensation to self-employed persons and freelancers.

Sweden can be considered as an outlier case in the context of Nordic countries. While others are busy with their lockdown status, Sweden choose the trust approach to exercise community's responsibility for the greater good. It turns out that Sweden is one of the biggest spenders in Europe on its public healthcare system. This is reflected in various policy responses to overcome the threatening situation. Despite the seemingly relaxed approach, Swedish government implements the coronavirus crisis package worth than $30 billion. The package included several measures which aims to build advance health system and secures social safety nett.

Nevertheless, Nordic countries also do not negate the use of tax instruments in overcoming this situation. They especially use the tax administration relief approach.

Source: OECD Center for Tax Policy and Administration, "*Overview of Country Tax Policy Measures in Response to Covid-19 Crisis*", (2020). Internet, can be accessed at http://www.oecd.org/tax/tax-policy/country-reviews-advice/ and IMF, *Policy Response to COVID-19*, (2020). Internet, can be accessed at https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#

by the COVID-19 plague. Some measurement can be classified to four groups: additional times for dealing with tax affairs, quicker refunds to taxpayers, temporary changes in audit policy and ways to provide quicker tax certainty and enhanced taxpayers services and communication initiatives. [71] Based on countries' experiences, the additional times classification usually elaborated on several features: extension of filing and tax payment deadlines; remitting penalties and interest; deferral of tax payments; easier access to debt payment plans and extension of plan duration; and also suspension of debt recovery.

Based on the objective, most of the tax instruments are aimed to enhance business cash-flow, as business players have difficulty due to COVID-19

Based on the objective, most of the tax instruments are aimed to enhance business cash-flow, as business players have difficulty due to COVID-19 (see Figure 9). Fiscal instruments through taxes are also intended to enhance household cash flow to continue meeting daily needs. In addition, the tax measure is also intended for the first line of handling COVID-19, namely the health system.

Certain pattern can also be anayzed based on the COVID-19's size of damage. Countries that have higher number of total cases tend to use various tax instrument to stimulate the economy.

On the other hand, limited stimulus is given by economies that are still slightly infected.[72] These group of countries tend to use administrative tax measure and expansive expenditure policy for COVID-19 prevention and medical support. Those approach also found on social-democratic countries as the Nordic countries.

In general, there seem to be positive correlation between the COVID-19 severity and the number of tax instruments used to contain the impact. From DDTC Fiscal Research data, it is found that countries with relatively fewer cases –less than 100 cases— of COVID-19 such as Bolivia, Rwanda, Bangladesh and Gibraltar mostly prefer to apply anticipatory measures. Some instruments used includes expansive fiscal stimulus and tax administration measures (specifically deferral tax payment).

71 OECD, *Tax Administration Responses to COVID-19: Measures Taken to Support Taxpayers*, (Paris: OECD, 2020).

72 Based on DDTC Fiscal Research calculation, a correlation is found between the number of COVID-19 cases and the number of tax measurement carried out by the government. See https://news.ddtc.co.id/ddtc-fiscal-research-112-negara-pakai-instrumen-pajak-hadapi-covid-19-19883.

In contrast, economies with high COVID-19 cases such as Italy, China, Germany and United States, tend to use variety of tax measures. The measurements frequently use are income tax relief, VAT refund acceleration, PIT Borne by The Government, etc.

D. Concluding Remarks: Several Key Takeaways

The escalation of COVID-19 is projected to grow faster and more widely throughout Indonesia. The Eijkman/ Oxford Clinical Research Unit estimates that COVID-19 cases in Indonesia could reach 71 thousand cases by the end of April.[73] With the National Intelligence Agency (BIN) projects that the peak of COVID-19 in Indonesia will occur in May. The impact of COVID-19 on Indonesia's macroeconomic can be very severe if no immediate mitigation measures are taken.

In truth, those economics forecasts and projections can be corrected through appropriate policies response, including tax measures. Based on the above analysis, there are at least several key takeaways that can be considered for future steps.

First, tax policy can be a reliable instrument to overcome the global crisis caused by the COVID-19 pandemic. At least 113 countries have responded to this condition through a series of tax policies with various priorities and focuses. Tax policies hold strategic values in the context of supporting business/investment, employment and consumption.

Second, in general, the schemes and types of tax instruments taken by Indonesia are aligned and even more progressive in some cases compared to other countries. Most of Indonesia's tax policy responses have tend to follow the global trends. While one policy, the reduction on CIT rates, is a distinct yet progressive response considering Kenya is the only country –besides Indonesia-- that also establishes the policy.

Third, the tax stimulus policies consequently will put forward short-term implications in the budgetary function. In the current situation, the Indonesia's tax response included in several regulation shows that the government has utilized tax system not only as revenue collection tools, but also to regulate and improve the economy. Certainly, tax policies has a strategic role to work together with all parties and community to face the difficult economic conditions due to COVID-19.

Fourth, the lesson can be drawn from countries experience is the importance of systematic approaches and the perils of partial solutions.[74] An effective response to the virus needs to be built as a coherent system of actions taken simultaneously. Learning from China's experience, the tax policy responses are extensively focused on certain priority which as a part of the framework of multitude actions.

In the end, the need for immediate action imply that an effective response to this crisis will require a decision-making approach that is far from everyday business. While there's no 'one size fits all' policy in the context of tax response, the global practices can be helpful both as a starting point of reference and in-depth study.

---

73 Ministry of Finance of the Republic of Indonesia, "Press Release: Strategies for Strenghtening Social and Economic Stimulary Protection", 1 April 2020.

74 Harvard Business Review, "Lessons from Italy's Response to Coronavirus", Internet, can be accessed at: https://hbr.org/2020/03/lessons-from-italys-response-to-coronavirus.

Reference

Books, Journals and Reports

ADB. *A Comparative Analysis of Tax Administration in Asia and the Pacific,* Manila: ADB, 2020.

Alm, James, Eric Kirchler, Stepham Muehlbacher, Katharina Gangl, *et. Al*. 'Rethinking the Research Paradigms for Analysing Tax Compliance Behaviour' (2012).

Bird, Richard M. "Administrative Dimensions of Tax Reform." *Asia-Pacific Tax Bulletin* (2004).

Darussalam. "Strategi Baru Pajak." *Kompas Newspaper Opinion Article* (2019).

Darussalam. "Membangun Kerangka Baru Kepatuhan Pajak." *Inside Tax* 36 (2016).

Darussalam, Danny Septriadi, B. Bawono Kristiaji and Denny Vissaro. *Era Baru Hubungan Otoritas Pajak dengan Wajib Pajak,* Jakarta: DDTC Publishing, 2019.

European Commission. *Compliance Risk Management Guide for Tax Administrations*. EC Publishing, 2010.

Gkillas, K, et. al. "Forecasting Realized Oil-Price Volatility: The Role of Financial Stress and Asymmetric Loss." Journal of International Money and Finance, 2020.

ICTD. "Obstacles to increasing Tax Revenues in Low Income Countries." *ICTD Working Paper* (2015).

IMF. "*World Economic Outlook: Tentative Stabilization, Sluggish Recovery?"* Washington, 2020.

Kirchler, Eric, Christoph Kogler, and Stephan Muehlbacher. "Cooperative Tax Compliance." 23 *Current Direction in Psychological Science* 87 (2014).

Kopits, George and Jon Craig. "Transparency in Government Operations." *International Monetary Fund* (1998).

Langham, Jo'Anne and Neil Paulsen. "Effective Engagement: Building A Relationship of Cooperation and Trust with the Community." *eJournal of Tax Research* 378 (2015).

Ministry of Finance. "Kajian Potensi Penerimaan Perpajakan Berdasarkan Pendekatan Makro." (2014).

Ministry of Finance of the Republic of Indonesia. "Press Release: Strategies for Strengthening Social and Economic Stimulary Protection." 2020.

Ministry of Finance. "Pandemi COVID-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal." *Materi Rapat Kerja Komisi XI-DPR RI 6 April 2020* (2020).

Medina, Leandro and Friedrich Schneider. "Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?" *IMF Working Paper* No. WP 18/17 (2018).

OECD. *Advanced Analytics for Better Tax Administration: Putting Data to Work.* Paris, OECD, 2019.

OECD. *Compliance Risk Management: Managing and Improving Tax Compliance.* Paris, OECD, 2004.

OECD. *The Changing Tax Compliance Environment and the Role of Audit.* Paris, OECD, 2017.

OECD. *Tax Administration 2019: Comparative Information on OECD and other Advanced and Emerging Economies.* Paris, OECD, 2019.

OECD. *Tax Administration Responses to COVID-19: Measures Taken to Support Taxpayers*. Paris: OECD, 2020.

OECD. *The Changing Tax Compliance Environment and the Role of Audit.* Paris, OECD, 2017.

OECD. *Tax Morale: What Drives People and Businesses to Pay Tax*. Paris, OECD, 2019.

Owens, Jeffrey. "Embracing Tax Transparency." *Tax Notes International* (2013).

Ricciuti, Roberto, Antonio Savoia, and Kunal Sen. "How Do Political Institutions Affect Fiscal Capacity? Explaining Taxation in Developing." *Journal of Institutional Economics* (2018).

Roch, M. T. Soler. "Forum: Tax Administration versus Taxpayers – A New Deal?" *World Tax Journal*, (2012).

Santos, A. Nunes dos. 'The Changing Relationship Between Tax Administrations and Taxpayers: Countries' Experience with Horizontal Monitoring" in Rafaelle Petruzi and Karoline Spies (eds), *Tax Policy Challenges in 21st Century*, (2014).

Shome, Parthasarathi. "Tax Administration and the Small Taxpayer." *IMF Policy Discussion Paper* PDP/04/2 (2004).

Stretch, Client. "Special Reports: An Entirely New Level of Tax Administration?" *Tax Notes International* (2007).

Thom, Michael. *Tax Politics and Policy*. Oxford: Routledge, 2017.

Vanistendael, Frans. "Coronavirus and the Tax World." *Tax Notes International – Letter from Europe* (2020).

World Bank. "Global Economic Prospects, January 2020: Slow Growth, Policy Challenges." Washington, 2020.

Internet

Central Bank of Indonesia. "Tinjauan Kebijakan Moneter Maret 2020". Internet, can be accessed at: https://www.bi.go.id/id/publikasi/kebijakan-moneter/tinjauan/Pages/Tinjauan-Kebijakan-Moneter-Maret-2020.aspx.

DDTCNews. "Dengan CRM, DJP Fokus Awasi Wajib Pajak Tidak Patuh". Internet, can be accessed at: https://news.ddtc.co.id/dengan-crm-djp-fokus-awasi-wajib-pajak-tidak-patuh-17309.

DDTCNews. "Bersiap, Petugas KPP Pratama DJP Bakal Intens Kunjungi Wajib Pajak". Internet, can be accessed on: https://news.ddtc.co.id/bersiap-petugas-kpp-pratama-djp-bakal-intens-kunjungi-wajib-pajak-19274?page_y=0.

DDTCNews. "DJP: Wajib Pajak di KPP Pratama Berpotensi Ditangani AR Baru". Internet, can be accessed at: https://news.ddtc.co.id/djp-wajib-pajak-di-kpp-pratama-berpotensi-ditangani-ar-baru-19272?page_y=894.

DDTCNews. "Dengan CRM, DJP Fokus Awasi Wajib Pajak Tidak Patuh". Internet, can be accessed at: https://news.ddtc.co.id/dengan-crm-djp-fokus-awasi-wajib-pajak-tidak-patuh-17309.

DDTCNews. "Pengaturan Pajak Daerah di Omnibus Law untuk Hindari Kompetisi Tarif". Internet, can be accessed at: https://news.ddtc.co.id/pengaturan-pajak-daerah-di-omnibus-law-untuk-hindari-kompetisi-tarif-19340.

DDTCNews. "Rencana Strategis DJP Sudah Dibuat, Ini Poin Pentingnya". Internet, can be accessed at: https://news.ddtc.co.id/rencana-strategis-djp-sudah-dibuat-ini-poin-pentingnya-18555?page_y=1086.

DDTC News. Rupiah Melemah, Penerimaan PPh Migas Tidak

Terdongkak, Ini Alasannya. Internet, can be accessed at: https://news.ddtc.co.id/rupiah-melemah-penerimaan-pph-migas-tidak-terdongkakini-alasannya-19777.

DDTC News. Internet, can be accessed at https://news.ddtc.co.id/duh-realisasi-penerimaan-pajak-hingga-akhir-februari-masih-minus-5-19641?page_y=1041.3333740234375.

Harvard Business Review. Lessons from Italy's Response to Coronavirus. Internet, can be accessed at: https://hbr.org/2020/03/lessons-from-italys-response-to-coronavirus.

IMF. "Opening Remarks at a Press Briefing by Kristalina Georgieva following a Conference Call of the International Monetary and Financial Committee (IMFC). Internet, can be accessed at: https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call.

IMF. Blunting the Impact and Hard Choices: Early Lesson from China. Internet, can be accessed at: https://blogs.imf.org/2020/03/20/blunting-the-impact-and-hard-choices-early-lessons-from-china/.

Inland Revenue Authority of Singapore (IRAS), "Property Tax Relief", Internet, Can be accessed at: https://www.iras.gov.sg/irashome/Property/Property-owners/Working-out-your-taxes/Property-Tax-Reliefs/.

J.P. Morgan. Fallout from COVID-19: Global Recession, Zero Interest Rates and Emergency Policy Actions. Internet, can be accessed at: https://www.jpmorgan.com/global/research/fallout-from-covid19.

The Ministry of Finance of the Republic of Indonesia. *"Realisasi APBN"*. Internet, can be accessed at: https://www.kemenkeu.go.id/informasi-publik/realisasi-apbn/.

The Ministry of Finance of the Republic of Indonesia. "*APBN KiTa*," Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

Ministry of Finance of the Republic of Indonesia. APBN KiTa/ State Budget: Performance and Facts. Internet, can be accessed at: https://www.kemenkeu.go.id/publikasi/apbn-kita/.

Reuters. REFILE-UPDATE 2-Kenya announces tax cuts and curfew in battle with coronavirus. Internet, can be accessed at: https://www.reuters.com/article/health-coronavirus-kenya-economy/refile-update-2-kenya-announces-tax-cuts-and-curfew-in-battle-with-coronavirus-idUSL8N2BI73I.

The Economist Intelligence. COVID-19 to send almost all G20 countries into a recession. Internet, https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/.

OECD. "Coronavirus (Covid-19): Update on OECD Tax Work". Internet, can be accessed at: https://www.oecd.org/tax/coronavirus-covid-19-update-on-oecd-tax-work.htm

OECD. Internet, can be accessed at: http://www.oecd.org/tax/forum-on-tax-administration/publications-and- products/tax-administration-responses-to-covid-19-measures-taken-to-support-taxpayers.pdf.

OECD. Internet, can be accessed at http://www.oecd.org/economic-outlook/november-2019/.

OECD. OECD Economic Outlook, Interim Report March 2020. Internet, can be accessed at: https://www.oecd.org/berlin/publikationen/Interim-Economic-Assessment-2-March-2020.pdf.

Reuters. "No Global Digital Tax by End-2020 would Mean Chaos: France".

Internet, can be accessed at: https://www.reuters.com/article/us-g20-saudi-france-tax/no-global-digital-tax-by-end-2020-would-mean-digital-tax-chaos-france-idUSKCN20H0ID.

Reuters. "Tax Certainty Needed on Global Basos". Internet, can be accessed at: https://www.reuters.com/article/us-g20-saudi-usa-mnuchin/u-s-treasurys-mnuchin-tax-certainty-needed-on-global-basis-idUSKCN20G0AU.

WHO. Coronavirus Disease 2019 (COVID-19) Situation Report -70. Internet, can be accessed at: https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200401-sitrep-70-covid-19.pdf?sfvrsn=3dd8971b_2.

Regulations

Director General of Taxes Decree No. KEP-75/PJ/2020.

Directorate General of Taxes Circular Letter Number SE-06/PJ/2020.

Directorate General of Taxes Circular Letter Number SE-07/PJ/2020.

Government Regulation in Lieu of Law No. 1/2020.

Minister of Finance Regulation No. 210/ PMK.01/2017.

Minister of Finance Regulation No. 23// PMK.03/2020.

Minister of Finance Regulation No. 22.

Presidential Regulations No. 40 of 2018.

Appendix

A. Global Economic Growth Projection

Global Economic Growth Projection		
Institution	**Time**	**Value**
JP Morgan	March 20 2020	-1.10%
The Economist Intelligence Unit (EIU)	March 26 2020	-2.20%
IMF	March 27 2020	Negative growth

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 11.

B. Asian Economic Growth Projection

Asian and Indonesia Projection in 2020	World Bank	ADB	EIU
Developing EAP	-0.50% to 2.10%	n/a	n/a
Indonesia	-3.50% to 2.10%	2.50%	1.00%
Malaysia	-4.60% to -0.10%	0.50%	n/a
Filipina	-0.50% to 3.00%	2.00%	n/a
Thailand	-5.00% to -3.00%	-4.80%	n/a
Vietnam	1.50% to 4.90%	4.80%	n/a
China	0.10% to 2.30%	2.30%	1.00%
India	n/a	4.00%	2.10%

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 11.

C. Indonesian Economic Growth (2.3%) Scenario (%)

	2020				
	Q1	**Q2**	**Q3**	**Q4**	**Y**
Household Consumption and LNPR	4.60	2.10	2.40	3.50	3.20
Household	4.80	2.30	2.40	3.50	3.20
Non-profit Organizations serving Households	-4.70	-4.20	4.10	4.30	-0.20
Gross Fixed Capital Formation	3.00	-0.30	-1.00	2.80	1.30
Government Consumption	4.00	9.70	10.40	3.70	6.80
Export	-2.90	-18.30	-16.40	-9.10	-11.70
Import	-3.20	-22.40	-16.90	-11.40	-13.50
GDP	4.70	1.10	1.30	2.40	**2.30**

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 12.

D. Outlook State Budget 2020 with Covid-19 Effect

State Revenue	State Budget	Outlook	Difference	Notes
Taxation	1,865.70	1,462.60	-403.10	5.40% reduction (78.30%) --> tax ratio: 9.14% (broad term)
Tax	1,642.60	1,254.10	-388.50	5.90% reduction or Rp388.50 trillion rupiah shortfall
Customs and Excise	223.10	208.50	-14.60	2.20% reduction or Rp14.60 trillion rupiah shortfall
Non-Tax State Revenue	367.00	297.80	-69.20	81.10% of state budget target

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 33.

E. Tax Ratio Projection in 2020

	TAX RATIO					
	2015	2016	2017	2018	2019	2020
Broad	11.60%	9.90%	10.50%	11.40%	10.60%	9.10%
Narrow	10.70%	9.40%	9.70%	10.20%	9.70%	8.70%

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 41.

F. Covid-19 Impact on Indonesian Economic Sector

Heatmap Effect Covid-19 towards Economic Sectors	
Low Exposure	Education, Construction, Real Estate, Electricity and Gas, Government Administration, Social Security, Health, Water, Recycle
Moderate Exposure	Agriculture, Forestry, Fishery, Financial & Insurance, Information & Communication, Company Services, Mortgage
High Exposure	Big trade, Automotive, Accomodation, Transportation & Storage, Manufacture, Automotive Credit, Flight Services

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 26.

G. Non-Tax State Revenue 2020 outlook under Covid-19 Impact

Source of income	2020			
	State Budget	Outlook	% of State Budget	Growth
Natural resources	160.40	82.20	51.30%	-46.60%
Oil and Gas	127.30	53.30	41.90%	-55.70%
Non-Oil and Gas	33.00	28.90	87.60%	-14.10%
Restricted State Assets Revenue	49.00	65.00	132.70%	-19.50%
other Non-Tax State Revenue	100.90	94.70	93.90%	-22.40%
Public Service Agency	367.00	297.80	81.10%	-16.00%

Source: Ministry of Finance, "Pandemi Covid-19, Perkembangan Ekonomi dan Langkah Kebijakan Fiskal," *Work Meeting House of Representatives Commission XI* (2020): 43.

H. Table 1 Changes in Tasks of the Perubahan Tugas untuk Seksi Dalam KPP Pratama

Section	Tasks
Section of Data and Information Processing	a. searching, collecting, processing, presenting taxation data and information. b. conducting quality assurance and validation of data and/or information tools.* c. forwarding data and/or information on the results of quality assurance and validation.* d. recording tax documents. e. following up on taxpayer data received from the head office.* f. preparing fiscal monographs.* g. providing computer technical support. h. monitoring tax applications. i. managing organizational performance and risk management. j. carrying out management and following up on taxation cooperation.
Section of Extensification and Dissemination	a. granting and/or revoking tax identification, confirming and/or revoking taxable persons for VAT purposes, granting and/or revoking tax object number ex officio. b. performing analysis, elaboration, and achieving tax revenue targets.* c. observing tax potentials. d. collecting data and mapping on taxpayers and tax objects. e. collecting supporting data and reconciling data in the context of taxpayer supervision.* f. analyzing taxpayers' performance.* g. supervising tax compliance and providing advice and counseling to taxpayers.* h. producing information on the results of observations, data collection, mapping, and supervising taxpayers.* i. updating the taxpayer database.* j. performing audits with certain criteria.* k. following up on the data received from the head office.* l. updating the tax object value database. m. conducting tax dissemination. n. performing assessments.
Section of Supervision and Consultation II	a. conducting analysis, elaboration, and achieving tax revenue targets for strategic taxpayers. b. collecting data and mapping on strategic taxpayers and tax objects that are owned, controlled, and/or utilized by strategic taxpayers. c. collecting supporting data and reconciling data in the context of supervising strategic taxpayers. d. analyzing the performance of strategic taxpayers. e. supervising tax compliance and providing advice and counseling to strategic taxpayers. f. producing information on the results of the supervision of strategic taxpayers' activities . g. updating the strategic taxpayer database. h. performing audits with certain criteria. i. following up on data received from the head office. j. updating the database of the value of tax objects that are owned, controlled and/or utilized by strategic taxpayers.

Section	Tasks
Section of Supervision and Consultation III and Section of Supervision and Consultation IV of the Small Tax Office	a. granting and/or revoking tax identification, confirming and/or revoking taxable persons for VAT purposes, granting and/or revoking tax object number ex officio. b. conducting analysis, elaboration, and achieving tax revenue targets. c. observing tax potentials. d. collecting data and mapping on taxpayers and tax objects. e. collecting supporting data and reconciling data in the context of taxpayer supervision f. analyzing taxpayers' performance. g. supervising tax compliance and providing advice and counseling to strategic taxpayers. h. producing information on the results of observations, data collection, mapping, and supervising taxpayers. i. updating the taxpayer database. j. performing audits with certain criteria. k. following up on the data received from the head office. l. updating the tax object value database.

*Note: Additional Task.
Source: KEP-75/PJ/2020

ISBN 978-623-93493-0-1 (pdf)

9 786239 349301

ddtc.co.id

DDTC

Sets the Standards and Beyond