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Submission date: 03-Aug-2022 02:31PM (UTC+0700)

Submission ID: 1878363488

File name: Tax_amnesty_policy_as_an_effort.pdf (600.56K)

Word count: 3846

Character count: 19602

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To cite this article: Nabitatus Sa'adah 2018 *IOP Conf. Ser.: Earth Environ. Sci.* **175** 012206

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Tax amnesty policy as an effort to improve state revenues and investment growth

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Abstract. One of the most serious obstacles in tax collection is the resistance of the taxpayer. The large number of taxpayers investing abroad also causes potential loss of state revenues from the tax sector. In fact, many taxpayers are more interested in investing in tax-haven countries. Tax amnesty becomes a policy program in an effort to attract citizens to repatriate and invest in a country. What is the effect of tax amnesty on increasing state revenues and investment growth? What is the tax amnesty policy that can increase state revenues and investment growth? This research is grouped into the realm of socio legal research, namely the study of law, by using the approach of law and social sciences. Tax amnesty is theoretically capable of being used as a means of raising national investment, but it cannot guarantee an increase in investment. Tax amnesty, in order to improve the investment climate in Indonesia, should be supported by the ease of licensing bureaucracy, availability of adequate infrastructure, and conducive political climate. The recommendation that tax amnesty should be in line with the objectives needs to be supported by other policies that encourage increased investment, such as bureaucracy licensing, security assurance, and taxation policies that support investment.

Keyword: tax amnesty, taxes

1. Introduction

Almost all countries, including Indonesia, rely on taxes as a source of state revenue. Since the oil and gas sector cannot be a mainstay because of the fluctuating price, the state depends on the tax sector as the sector deemed most capable of contributing greatly to the state revenue. Tax is a relatively stable sector and even has a tendency to increase in number. Tax is defined as a compulsory levy to be paid by the people, in which the state has the authority to compel the obligations of the people. The definition of the tax itself in Article 1 paragraph (1) of Law No.28 of 2007 Jo Law No.16 of 2009 on General Provisions of Tax Procedures (KUP) mentioned that the tax is a mandatory contribution to the state payable by an individual or Law enforcement bodies, with no direct reward and used for state purposes for the greatest prosperity of the people. Based on the definition above, it can be said that the tax is a compulsory levy that must be paid by the people, it can be forced and re-used as much as possible for the welfare of the people.

Tax collection is used to provide welfare to the people. This is the basis why the state is given the authority to conduct tax levies. Article 23A of the Constitution of the Republic of Indonesia shall be the basis of the tax collection authority by the state. The rule states that taxes and other coercive charges should be based on legislation. Terms must be based on laws containing the intent that the transfer of wealth from the people to the government is not said to be robbery[1].

The role of taxes that are as important as a source of state financing, in reality is still considered as a burden for society. The fact shows that the people's obligation to pay this tax is not fully obeyed by the people as taxpayers. It thus raises the potential for state losses. Efforts of taxpayers to avoid tax payment liability is one of the things that can cause potential tax loss in state revenue. The potential loss of state from the tax sector in general can be caused by various things, among others;



- a. Legal regulatory factors, such as laws providing exemptions or deductions in order to provide incentives to taxpayers
- b. Losses caused by illegal actions of tax officials, corruption or cooperation between tax authorities and taxpayers
- c. Losses arising from the actions of tax evaders, tax avoidance, tax evasion or tax dodging [2]

Mardiasmo also said that one of the obstacles in tax collection is the resistance of the community, both passive resistance and active resistance (Mardiasmo, 2011). Passive resistance is the reluctance of the people to pay taxes, while active resistance includes all efforts and actions directly directed to the tax authorities in order to avoid taxation obligations. Active forms of resistance include tax avoidance, which is an attempt to lighten the tax burden by not violating the law, and tax evasion is an attempt to lighten the tax burden by violating the law[3]. In connection with the matters above, Marihot Pahala Siahaan states that taxpayers do not always carry out taxation obligations, one of which is in terms of reporting income and property owned by the taxpayer[4]. Taxpayer's non-compliance in reporting his property is also seen from the number of taxpayers who store their wealth abroad that is not reported in the Annual Tax Return (SPT). The fact that many citizens who deposit funds outside the territory of Indonesia should be able to be used to increase domestic liquidity that can increase economic growth in Indonesia.

The condition that the number of taxpayers who keep funds abroad, where there are many taxpayers' property are not being reported in the Annual Tax Return (SPT), will certainly bring the tax consequences that they should bear. Such conditions give rise to the ferocity for them to bring their money back to Indonesia and invest in economic activity in Indonesia. Some of these facts ultimately prompted the Indonesian government to adopt a policy of Tax Amendment by issuing Law No.11 of 2016 on Tax Amnesty. This tax forgiveness policy is interesting to be researched with the aim to know how the effect of tax amnesty on increasing state revenues and investment growth. And how is the tax amnesty policy capable of increasing state revenues and investment growth?

2. Methodology

The method of this study is grouped into the realm of socio legal research, the study of the law by using the approach of law science and social sciences [5]. The approach used in this research is non-doctrinal approach (socio legal approach). Soetandyo Wignjosebroto said that non-doctrinal research places the observation of social realities to be placed as general propositions or major premises, so that non-doctrinal research is not merely the mastery of deductive thinking methods but rather the inductive priority[6]. All data obtained were analyzed by using qualitative analysis and presented in descriptive form.

3. Findings

3.1. The Influence of Tax Forgiveness Policy

The policy of tax forgiveness is the tax abolition policy that should be owed by not subject to administrative sanction of taxation and criminal sanction if the taxpayer want to reveal the property and want to pay the ransom as stipulated in law. The policy of tax forgiveness in some countries is taken as a way to find a way out of the economic deficit through fiscal fulfillment. This is what Bayer Oberhofer says, "Many governments around the world, faced with mounting public deficits after the recent financial crisis, frequently initiated tax amnesties to meet their fiscal needs" [7]. In this regard the tax is not only used in function as the fulfillment of state revenue (budgeter) but also used as regulatory tool (regulerend). As it is known, the tax has two main functions, namely the function of budgeter and regulerend. Taxes in the function of budgeters mean that taxes are used as a tool to enter the maximum amount of funds through state coffers, while taxes in the regulerend function imply that the tax has the function of governing and directing the community to take action as desired by the government[8].

Before the issuance of Law No.11 of 2016, the policy of tax amnesty in Indonesia has been applied historically several times, among others, in 1964 based on Presidential Decree No.5 of 1964 on Tax Remuneration Rule. The policy at the time was drawn against the background of the enormous need for funds for the interests of the national revolution and national development. The second tax amnesty policy was made by the government in 1984 based on Presidential Decree no. 26 and 72 in 1984. At this time the policy of tax forgiveness background of the existence of a new tax system changes aimed at improving public participation in state financing, from the official assessment system to self-assessment system. This change of tax collection system is used as the starting point of starting condition for all registered and unregistered taxpayers [2]. Another reason underlying the policy of forgiveness at the time was the existence of a difficult condition to reach the law that is the loss of potential tax revenue caused by dishonesty and non-compliance of taxpayers.

In 2016, the government reapplied the policy of tax forgiveness by strengthening the legal basis in the form of law, namely Law No.11 of 2016 on Tax Amnesty. This policy is taken with the background of several things, among others, the slowdown in economic growth in recent years, resulting in a decrease in tax revenues. Another thing behind this policy is the number of citizens who keep their property abroad and do not report his property, thus causing tax loss due to this condition. The government on the other hand is in dire need of financial support from the participation of the investors in enhancing the national economic growth.

The form of a 2016 tax forgiveness policy can be seen as follows:

a. Subjects and Objects of Tax Forgiveness;

Every taxpayer is entitled to get a tax forgiveness, by disclosing his possessions with a statement. Such tax forgiveness includes forgiveness of tax obligations up to the end of the last tax year which has not yet been fully resolved by the taxpayer. The tax liability consists of Income Tax, Value Added Tax and Sales Tax on Luxury Goods.

Taxpayers who are excluded from the forgiveness policy are taxpayers who are:

1. Investigated and investigation files have been declared complete by the AGO.
2. In the juridical process
3. Under a criminal penalty,

For criminal offenses in the field of taxation.

b. Rates and How to Calculate Money Atonement:

The ransom price on assets located in the territory of Indonesia or outside the territory of the unitary state of the Republic of Indonesia transferred into the territory of Indonesia and invested in the territory of Indonesia within a period of no later than three years from the transfer are:

- 1) 2% (two percent) for the submission period of the statement in the first month up to the end of the third month from the time the law becomes effective.
- 2) 3% (three percent) for the submission period of the letter in the fourth month effective from the date of the law as of December 31, 2016
- 3) 5% (five percent) for the submission period of letter of statement effective from January 1, 2017 to 31 March 2017

The rate of ransom on assets located outside the territory of the unitary territory of the unitary territory of the Republic of Indonesia and not transferred into the territory of the unitary state of the Republic of Indonesia shall be as follows:

- 1) 4% (four percent) for the submission period of the statement in the first month up to the end of the third month from the time the law becomes effective.
- 2) 6% (six percent) for the submission period of the letter in the fourth month from the date of the law on December 31, 2016
- 3) 10% (ten percent) for the submission period of letter of statement effective from January 1, 2017 to 31 March 2017

Based on the rates above, there is a difference in rates for taxpayers who initially declared themselves join the tax amnesty program with taxpayers who participated in the final period of tax amnesty. Taxpayers who participated in the early tax amnesty period get a lighter rate facility than those who participated at the end period. Likewise, there is a difference in rates for taxpayers who have property abroad and want to withdraw their treasures abroad for investment in Indonesia (repatriation) get a lighter rate when compared with taxpayers who have property abroad but do not want to withdraw his property to Indonesia or just report his wealth abroad (declaration).

The low tax rate facility is expected to attract taxpayers to join the tax forgiveness policy program, so the payment of government redemption money in the short term to obtain additional state revenue and in the long term mandatory data can be used as a valid database.

The purpose of applying the policy of tax forgiveness in Indonesia as mentioned in the explanation of Law No.11 of 2016 on Tax Amnesty, is as follows:

- i. Accelerate the growth and restructuring of the economy through the transfer of property, which will have an impact on increasing domestic liquidity, improving the rupiah's exchange rate, decreasing interest rates and increasing investment.
- ii. Encourage taxation reform towards a more equitable tax system and the expansion of a more valid, comprehensive and integrated taxation database.
- iii. Increase tax revenue, which is used for financial development.

According to statistical data released by the Directorate General of Taxation of tax amnesty based on tax receipts received amounting to 135 trillion, consisting of ransom payment of 114 T, payment of proof of beginning of 1.75 T and payment of arrears 19.4 T. The composition of property is based on Statement of Treasury with visible data repatriation of 147 T, foreign declaration of 1037 T, and domestic declaration of 3.701 T.

The above tax amnesty results include successful implementation compared to some other countries, Sri Mulyani claimed the best implementation of tax amnesty in Indonesia only lost to Chile[9]. Implementation of Tax Amnesty on the one hand in a short time is capable of generating funds that can contribute to state revenues, but on the one hand the policy of true tax forgiveness is also considered as a detrimental action to state finances, because the state must sacrifice the amount of tax that should be levied by granting forgiveness to compulsory taxes that do not comply. As disclosed in the previous description, one of the causes of tax loss is the existence of tax incentives that are reduction policies, exclusions and tax abolition.

Tax amnesty in the short term can be used as a shortcut for the state to quickly get funds from the tax sector, but on the other hand the state experiences real loss because it has lost most of the tax revenue that should be collected. For state losses to be covered, the tax amnesty policy should serve as a starting point to explore the potential for increased state revenues from the tax sector through increased taxpayers. New databases related to taxpayers resulting from the implementation of tax amnesty should be used as a foothold to explore potential tax revenue in the future. A good administrative system is needed to guard this database after the implementation of the tax amnesty.

3.2. *Tax Amnesty Policy is Able to Increase State Revenues and Investment Growth*

As described above the objective of the tax amnesty is aimed at increasing state revenues from the tax sector in particular and improving macroeconomic growth in general. Tax amnesty policy is usually taken as a solution to the problems of a country's economy. Tax amnesties are considered as the easiest way for countries to obtain sources of funding, so they can get out of the financial crisis. Tax amnesty is also used for the state as an effort to encourage repatriation of capital invested in other countries. When a citizen's capital is invested in another country, profits or income cannot be taxed in the investor's home country. With the re-entry of capital to the country of origin, the tax-haven country will use the capital to invest [2]. Based on this it can be seen that the purpose of tax forgiveness policy is not only to increase state revenue from the tax sector but also as a tool to encourage investment increase which is expected to increase macro-economic growth.

In order to improve the investment climate, taxes are usually one of the instruments used by some countries to attract investors to invest in their country. It cannot be denied that one of the considerations of investors to invest is a tax facility offered by a country. Tax-haven countries are certainly an option and investors want to invest. This is also the consideration of Indonesian investors to invest in tax haven country. There is a number of Indonesian investors who invest their capital abroad, revealed by Bambang Brodjonegoro, who at that time served as minister of financial, in a hearing with Commission XI of the House of Representatives when discussing the bill Amnesty Tax. Bambang revealed there are about 6519 citizens who save his wealth abroad, with the amount of funds about 4000 trillion. The accumulated wealth deposited abroad is largely unreported and the tax is also not paid. Such thing must be realized by the taxpayer causing tax consequences that they should bear, it thus raises reluctance for the taxpayer to bring back his money in Indonesia and invest it in Indonesia. On the other hand the government needs a fast fund in overcoming the weakening of the economy in Indonesia and hoping that these funds can return to Indonesia. When the funds are brought back to Indonesia and invested in Indonesia, certain countries will benefit substantially from this, both from tax revenues and revenues from other sectors.

This condition is thought by the government and looked for ways to get the funds back to Indonesia. Tax amnesty is considered by the government as a way of addressing this issue. Tax amnesty is not only intended for taxpayers who save or invest their capital abroad but also for all taxpayers. Tax in its function as a regulend function is directed to the function of the arrangement that is used as a tool to meet the goals to be achieved. To improve the tax investment climate, providing tax incentives is often used as an instrument to achieve this goal. For countries that require investment, tax incentives serve as an attractive investment attraction [2]. Tax incentives are the provision of facilities in the field of taxes to investors who meet certain qualifications to make investments in accordance with regulations that have a profit when compared to general investment[2].

The intensive forms of tax are as follows: [10]

- a) Exemption from tax exemption is the exclusion made by the legislator by not making an object for taxation
- b) Tax Holiday, is tax-intensive in the form of tax exemption for a certain period of time
- c) Deduction from the taxable base, which is a deduction from gross income in the form of deductible expenses
- d) Reduction in the rate of taxes
- e) Tax deferment, tax deferral is usually provided for certain cases where taxpayers may defer tax payments.

Tax amnesty can also be said to be a form of tax incentives, although indirectly, that is exemption from taxes that should be payable and not subject to administrative sanctions or criminal sanctions. Tax amnesty programs basically do not directly affect the participation of investors to invest in Indonesia. For investors to join the tax amnesty is an attempt to avoid the consequences of greater sanctions in the future. Option to participate in investment is more due to utilize the low tariff facility for payment of ransom.

For investors, the most important things are the programs that support the investment climate after the decision to invest. For example, tax policies that benefit investors, guarantee a conducive political situation, simplicity of licensing bureaucracy, and other things that support investment. Some of these things are considered more important for investors to participate in investing in a country.

4. Conclusion

A short-term tax amnesty policy can increase state revenues from ransom payments even if the state loses a large amount of taxpayer revenue. In the long term, tax amnesty policies can increase state revenues from sectors based on data obtained from the program. An amnesty policy that provides a low tariff facility for ransom payments for taxpayers who repatriate and investments can increase investment in Indonesia.

Tax amnesty policies that are capable of increasing state revenues and investment are tax amnesty programs supported by profitable programs for investors following the implementation of tax amnesty, such as favorable taxation policies for investors, licensing bureaucracies that are not complicated, conducive political situation And other things that support investment.

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