

ROLE OF TAX INCENTIVES IN THE COVID-19 AND SUSTAINABLE ECONOMIC GROWTH STABILITY

Volume: 2
Number: 2
Page: 94 - 100

¹Ida I Dewa Ayu Manik SASTRI, ²Luh Kade DATRINI, ³Ni Putu PERTAMAWATI

^{1,2,3}Faculty of Economics and Business, University of Warmadewa Indonesia

Corresponding author: Ida I Dewa Ayu Manik SASTRI

Faculty of Economics and Business, University of Warmadewa Indonesia

Email: maniksastri@yahoo.co.id

Article History:

Received: 2021-05-26

Revised: 2021-07-15

Accepted: 2021-07-25

Abstract:

The real sector absorbs many workers, and hope they will be able to survive and not lay off their jobs. Several Government Regulations have been issued, such as PP No. 23, 44, 86, 110, and 143, regarding tax incentives for taxpayers affected by the covid-19. The 68,101 total taxpayers in The Directorate General of Taxes in Bali, only 16,624 take advantage of tax incentives, so it must be investigated why taxpayers do not take advantage of them. Optimal incentives that should be used to stimulate economic growth. The methodology used in this study is a descriptive interpretative qualitative method. The results of the study found that incentives used by taxpayers have stimulated economic growth, but some taxpayers do not take advantage of incentives due to the complexity of procedures, and some do not receive information about incentives. So that, The Directorate General of Taxes needs to simplify procedures and wider socialization.

Keywords:

Tax Incentives, Economic Growth, Covid 19 Pandemic, economic stimulus



Cite this as: SASTRI, I.I.D.A.M, DATRINI, L.K, PERTAMAWATI, N.P, (2021), Role Of Tax Incentives In The Covid-19 And Sustainable Economic Growth Stability. International Journal of Environmental, Sustainability, and Social Sciences, 2 (2), 94-100. <https://doi.org/10.38142/ijesss.v2i2.79>

INTRODUCTION

Bali, which mainly relies on tourism to support the economy, has been badly hit by the COVID-19 pandemic. The world never expected that the COVID-19 pandemic would simultaneously destroy the economy. The economic growth of countries in the world has decreased drastically to minus numbers (Larasdiputra & Saputra, 2021). This condition strongly impacts all sectors, namely: micro, small, medium, and large (Harash, 2015). Entrepreneurs who previously focused on developing their business by adding product diversification and market expansion, are now very difficult to survive (Desmaryani, 2017). Employees are the main target who must bear the economic downturn. Decreased production automatically reduces the need for labor (Sara et al., 2020, 2021). The multiplier effect due to the covid pandemic requires government assistance as a policyholder (Saputra et al., 2021). Taxes, which were previously a source of state finance, have now turned to the second function, namely the regular function, namely regulating the economic and social fields (Atmadja et al., 2021). Several Regulations of the Minister of Finance of the Republic of Indonesia issued by the Government during the COVID-19 pandemic are as follows:

1. Number 23/PMK.03/2020 concerning tax incentives for taxpayers affected by the coronavirus outbreak
2. Number 44/PMK.03/2020 concerning tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic
3. Number 86/PMK.03/2020 concerning tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic
4. Number 110/PMK.03/2020 concerning amendments to the regulation of the Minister of Finance Number 86/PMK.03/2020 concerning tax incentives for taxpayers affected by the 2019 coronavirus disease pandemic
5. Number 143/PMK.03/2020 concerning the provision of tax facilities for goods and services needed in the context of handling the 2019 coronavirus disease pandemic and the extension of the application of income tax facilities based on government regulation number 29 of 2020 concerning income tax facilities in the context of handling the coronavirus disease 2019.

The forms of tax incentives provided by the State are:

1. PPh article 21 is borne by the Government, for workers with a gross income of not more than 200 million rupiahs.
2. MSME Final PPh borne by the Government
3. Exemption of Article 22 Import Income Tax
4. Reduction of PPh 25 installments by 50%
5. Preliminary VAT return as a low-risk PKP for taxpayers who submit a Periodic SPT of VAT overpayment of restitution of a maximum of 5 billion rupiahs.

In Table 1, it can be seen that the incentives offered by the Government have been used well by taxpayers, although not all taxpayers are willing to use them for certain reasons that make it impossible to take these incentives.

Table 1. Utilization of Tax Incentives at the Bali DJP Regional Office in 2020 (In rupiah)

Type	Number of Registered	Number of Taxpayers who utilize Tax Incentive Amount	Total Tax Incentive
Tax Incentive (PPh 21)	14.200	5.243	25.690.939.403
Final Incentive of MSME	42.669	8.937	13.965.149.623
Import (PPh 22) installment reduction (PPh 25)	816	105	6.245.638.905
VAT Preliminary Refund	5.373	2.202	85.074.872.454
	5.553	139	7.888.494.341

Source: www.kemenkeu.go.id

From the data in table 1, it is known that of the large number of taxpayers registered with the Bali DJP, only a few take advantage of the tax incentives offered by the Government. There are several factors found at the beginning of the study, namely:

1. The complexity of the DGT system to obtain these facilities is because all of them use a digital system.
2. Most taxpayers do not know about the tax incentives. Most taxpayers have consultants who process the incentive application.
3. Registered companies are not included in the KLU (Business Environment Group) companies that receive incentives.

Therefore, it is necessary to investigate further whether the tax incentives offered can stimulate economic growth in Bali.

Changes in Incentives in Minister of Finance Regulation No.110 of 2020 On August 14, 2020, PMK No.110 of 2020 was stipulated regarding Amendments to PMK No.86/PMK.03/2020, which is valid until now. PPh 21 or Income Tax incentives in the form, Article 21 Income Tax borne by the Government on income received by employees with certain criteria are given from the April 2020 Tax Period to the December 2020 Tax Period. Final Taxes incentives based on PP 23 of 2018 in the form of Final PPh borne by the Government on income from businesses received or obtained by Taxpayers who have a certain gross turnover are given from the April 2020 Tax Period to the December 2020 Tax Period. Construction Services Final PPh incentives in the form of Services final PPh on income received or accrued by the P3-TGAI Recipient Taxpayer borne by the Government from August 14 to December 2020. Import Income Tax incentives in the form of Article 22 Import Income Tax are exempted from collection to certain taxpayers, effective from the date of issuance of the exemption certificate until December 31, 2020.

Article 25 Corporate Income Tax incentives in the form of a reduction in Tariffs from 25% to 22% are valid from April 2020 to December 2020. Article 25 Corporate Income Tax incentives in the form of reducing the amount of Article 25 Income Tax installments by 30% (thirty percent) of the Article 25 Income Tax installments that should be payable from April 2020 to June 2020. Article 25 Corporate Income Tax incentives in the form of a reduction in the amount of Article 25 PPh installments by 50% (fifty percent) of the Article 25 Income Tax installments that should be payable from July 2020 to December 2020. Suppose the Taxpayer has taken advantage of the Corporate Income Tax Rate Reduction Incentive and the 30% reduction in installments. In that case, the 50% reduction in Article 25 PPh installments is no longer necessary to apply. VAT incentives in the form of PKP may be given a preliminary refund of tax overpayments as low-risk PKP as referred to in Article 9 paragraph (4c) of the VAT Law.

METHODS

Place and Object of Research, This research was conducted in the Regional Office of the DJP Bali. The object of research was the administration of tax incentives during the Covid-19 Pandemic and Stable Economic Growth. Research informants are: people who will provide their opinions and thoughts in solving problems on how to build public trust in achieving tax revenue targets, someone's expertise or expertise in the cases discussed, namely the Bali DJP Account Representatives. Practical experience and focus on a problem, namely a Personal Tax Consultant involved in the focus of the problem, namely entrepreneurs who failed to get tax incentives. An authority figure in the case discussed, namely the Head of Public Relations in Bali. Ordinary people who do not know anything about this problem, but also feel the real problem, namely entrepreneurs who get tax incentives Data collection methods are in-depth interviews and questionnaires, which are given to the tax authorities as tax officials who have the authority in implementing state revenues, entrepreneurs as taxpayers, tax consultants as mediators between DGT and taxpayers, and lecturers as parties who provide tax education to prospective taxpayers. The focus group discussion is to avoid the wrong meaning of a researcher towards the focus of the problem being studied. The focus group discussion model is built on the assumption: Individual limitations are always hidden in the ignorance of these personal weaknesses. Each group member gives knowledge to each other in group association.

RESULT AND DISCUSSION

Of the 100 taxpayers, 96% stated that entrepreneurs were aware of the tax incentives, only 4% were unaware of the information about these incentives. It means that the information submitted by the DGT has reached the taxpayer. Only a small

proportion of taxpayers do not receive this information (Priliandani & Saputra, 2019). As many as 85% of taxpayers take advantage of these incentives, only 15% do not. Therefore, it indicates that the Government has succeeded in implementing the regular taxation function during the pandemic (Darma & Saputra, 2021). Of the 15% of taxpayers who do not take advantage of tax incentives, the majority is because taxpayers do not receive information about these incentives. 15% stated that the incentives were complicated, and 23% said they did not understand how to use them. It proves that there are still people who do not pay attention to the appeal made by the DGT through posters even though they have been posted in strategic places, but still do not get the attention of taxpayers (Darma & Saputra, 2021). Besides the digital model applied by the DGT, taxpayers who are unfamiliar with the digital world will consider it complicated and impossible to obtain (Larasdiputra & Saputra, 2021). Likewise, the reason for the taxpayer's lack of understanding about the procedures for using it. It also makes taxpayers resigned not to take advantage of these incentives.

Their business growth greatly helps as many as 92% of taxpayers because these taxpayers are in the category of medium and large taxpayers, so there are many types of incentives that can be utilized. Meanwhile, 8% stated that it was not helped, because they could only take advantage of one type of incentive while their business was already in danger of going bankrupt, especially taxpayers whose types of business were hotels and restaurants (Priliandani & Saputra, 2019). A total of 74 taxpayers who take advantage of incentives in the form of Final PPH, which means that the taxpayers are still in the MSME category, 31 taxpayers who take advantage of the PPH 21 incentives, which means this is the category of medium and large entrepreneurs, whose employees are already owed PPh article 21. Only two taxpayers are taking advantage of VAT incentives in connection with the sale of goods needed for Covid to the State. As many as 26 taxpayers are medium and large entrepreneurs who are included in the PPh Article 25 area, and as many as ten entrepreneurs have succeeded in utilizing VAT refunds with acceleration so that they can help stimulate business growth for taxpayers (Yasa & Prayudi, 2019). Those who stated that it was too complicated to take advantage of these incentives were 15% of taxpayers who generally did not use the services of a tax consultant, while those who used tax consultants would not find it difficult to take advantage of these incentives (Chiou & Shu, 2019; Gaughan & Javalgi, 2018). ; Larasdiputra & Saputra, 2021). Summary of Suggestions proposed by Employers

- a. Encouraging the community to participate in formal economic activities by providing convenience and more justice to taxpayers
- b. Extend the period of use of incentives because the company's financial condition is very bad, and reporting limits do not need to be filled. After all, sometimes they forget to report because they are not open daily
- c. For information, the scope is expanded, so that all can understand the contents of the incentives, for reporting on its realization if necessary there is no time limit, so that the status of the company is not late in reporting, because we are already difficult to regulate the company during the pandemic.
- d. Do not give too complicated requirements to get incentives.
- e. Clearer socialization about tax incentives procedures, not just a banner that says tax incentives are free to pay taxes. In fact, to take advantage of incentives, some conditions and procedures must be met
- f. In the future, it is hoped that medium-sized companies or MSMEs can utilize the incentives, the DGT can provide a clearer socialization to the company beforehand, and there will be no difference of opinion from the regulations issued. Regulations are not issued suddenly, and requirements are not complicated.

- g. Economic growth is first addressed after covid; it is better to keep incentives given because companies definitely need time to stabilize
- h. Information is expanded so that other entrepreneurs know about the information, the time for reporting realization is removed
- i. Please carry out in-depth socialization to the treasurer and the Government's finance department regarding the final income tax incentive, because in the application, many treasurers continue to cut the final income tax even though the company has notified and provided evidence that the company is using the final income tax incentive
- j. The conditions are simplified, without complicated bureaucracy, so that ordinary people can enjoy incentives without the burden of bureaucracy and reporting incentives again. Do not make the recipient of the incentive a taxpayer with special attention in the future.

The DGT has successfully implemented the regular tax function during the Covid-19 pandemic as the executor of the tax sector. Taxpayers can already enjoy the facilities provided by the Government through the use of tax incentives, although there are still taxpayers who do not care about the incentives offered by the Government. Dissemination and simplification of the procedure for obtaining incentives must be carried out by the DGT considering that taxpayers are spread across various levels of economy and knowledge (Piliandani & Saputra, 2019; Yasa & Prayudi, 2019). Confirmation of incentive information that is known to taxpayers shows that there are still 4% of taxpayers who do not know the incentives offered by the Government during the covid 19 pandemics. Not a material percentage, but it still must receive attention in the future if incentives are extended again (Jensen, 2005; Stanojević et al., 2010; Velte, 2019).

1. Confirmation of the use of tax incentives, 14.6% of taxpayers who are aware of these incentives but do not use them because of complicated procedures with the digitalization model and expansion of the business environment group that is not well informed to taxpayers (Chiou & Shu, 2019; Darma & Saputra, 2021; Dwijayanti & Hamidah, 2017).
2. Confirmation of taxpayers not taking advantage of the biggest tax incentives due to not getting information. The information conveyed by the DGT through the news, social media, and cross-talk between taxpayers through the Tax Service Office did not fully target the existence of very widespread taxpayers. The intensity and details of the delivery of information need to be carried out by the DGT, considering that facilities such as social media, news reports, and infectious taps have not yet targeted all taxpayers (Jensen, 2005; Tang et al., 2017).
3. Confirmation of the benefits of incentives for taxpayers' economic growth found that these incentives helped 92% of taxpayers. Especially taxpayers who get refunds due to the acceleration of refunds by the State. This information needs to be expanded further to receive more taxpayers (Darma & Saputra, 2021; Larasdiputra & Saputra, 2021).
4. Confirmation of the type of tax used, it turns out that at DGT Bali, more taxpayers are categorized as MSMEs, so that more can take advantage of Final tax incentives. However, MSMEs themselves cannot digitize, so they need to simplify digitization procedures (Dwijayanti & Hamidah, 2017; Piliandani & Saputra, 2019; Yasa & Prayudi, 2019).
5. Confirmation of the level of difficulty faced when getting incentives, received confirmation of 15% who considered it too complicated, because they were in the MSME category, indicating that many MSME taxpayers do not have assistants in the form of tax consultants or proximity to AR Account Representatives. The DGT has prepared AR as a place for consultation with taxpayers, but unfortunately, they

are all working from home; once again, this is a big obstacle to discussing digitization via WhatsApp or telephone. The limited reach of AR is also a barrier, so many taxpayers have to be handled by AR so that AR is overwhelmed in assisting the pandemic (Darma & Saputra, 2021; Larasdiputra & Saputra, 2021; Priliandani & Saputra, 2019).

CONCLUSION

The conclusions of this research are: Most taxpayers have used Tax incentives offered by the Government. In DGT Bali, the dominant incentive is in the form of Final Income Tax. The incentives have been able to stimulate the economic growth of taxpayers. Suggestions that can be put forward in this research are: Expansion of the information base on incentives or other facilities that taxpayers can enjoy in the future. DGT should provide a special server to convey information, such as regarding the submission of annual tax returns, taxpayers can be sent WhatsApp or SMS simultaneously through the DGT database because the taxpayer registration requirement has the taxpayer's telephone number listed. Simplification of procedures is very important considering the diversity of taxpayers in terms of education, economy, society, and culture. We are a former Dutch colony of Indonesia, which has inherited a colonial legacy in the form of certain deceptions and fanaticism; this culture has not been completely erased even though Indonesia was independent 76 years ago. DGT will continue to use the digital era, but do not leave the conventional era suddenly. Gradually but still touching the layers of the most traditional taxpayers.

REFERENCES

- Atmadja, A. T., Saputra, K. A. K., Tama, G. M., & Paranoan, S. (2021). Influence of Human Resources, Financial Attitudes, and Coordination on Cooperative Financial Management. *Journal of Asian Finance, Economics and Business*, 8(2), 563–570. <https://doi.org/10.13106/jafeb.2021.vol8.no2.0563>
- Chiou, C. L., & Shu, P. G. (2019). How does foreign pressure affect a firm's corporate social performance? Evidence from listed firms in Taiwan. *Journal of Multinational Financial Management*, 51(510), 1–22. <https://doi.org/10.1016/j.mulfin.2019.04.006>
- Darma, I. K., & Saputra, K. A. K. (2021). Analysis Of The Potential Of Motor Vehicle Taxes And The Level Of Risk During The Covid-19 Pandemic To Increase Regional Income In Bali Province. *Palarch's Journal Of Archaeology Of Egypt/Egyptology*, 18(7), 872–882.
- Desmaryani, S. (2017). The Role of Regional Government in Growing Small and Medium Enterprises' Performance towards Creative Industry in Jambi Province. *Jurnal Bina Praja*, 9(1), 159–169. <https://doi.org/10.21787/jbp.09.2017.159-169>
- Devaney, L. (2016). Good governance? Perceptions of accountability, transparency and effectiveness in Irish food risk governance. *Food Policy*, 62, 1–10. <https://doi.org/10.1016/j.foodpol.2016.04.003>
- Dwijayanti, Y. W., & Hamidah. (2017). Intention and behavior of individual taxpayers participating in the Tax Amnesty Program. *Journal of Accounting, University of Jember*, 15(1), 12–25.
- Gaughan, P. H., & Javalgi, R. (Raj) G. (2018). A framework for analyzing international business and legal ethical standards. *Business Horizons*, 61(6), 813–822. <https://doi.org/10.1016/j.bushor.2018.07.003>
- Harash, E. (2015). The Role of Environmental Uncertainty in the Link between Accounting Information System and Performance Small and Medium Enterprises in Iraq. *Global Journal of Management And Business Research*, 15(2).
- Jensen, M. C. (2005). Takeovers: Their Causes and Consequences. *SSRN Electronic Journal*, 2(1), 21–48. <https://doi.org/10.2139/ssrn.173455>

- Larasdiputra, G. D., & Saputra, K. A. K. (2021). The Effect Of Tax Amnesty , Compliance Fees , And Tax Sanctions On Individual Taxpayer Compliance. *South East Asia Journal of Contemporary Business, Economics and Law*, 24(2), 84–89.
- Nimri, R., Patiar, A., & Kensbock, S. (2017). A green step forward: Eliciting consumers' purchasing decisions regarding green hotel accommodation in Australia. *Journal of Hospitality and Tourism Management*, 33, 43–50.
<https://doi.org/10.1016/j.jhtm.2017.09.006>
- Prihandani, N. M. I., & Saputra, K. A. K. (2019). The Influence of Subjective Norms and Tax Socialization on Hotel and Restaurant Taxpayer Compliance. *Krisna: Collection of Accounting Research*, 11(1), 13–25.
- Saputra, K. A. K., Subroto, B., Rahman, A. F., & Saraswati, E. (2021). Financial Management Information System , Human Resource Competency and Financial Statement Accountability : A Case Study in Indonesia. *Journal of Asian Finance, Economics and Business*, 8(5), 277–285.
<https://doi.org/10.13106/jafeb.2021.vol8.no5.0277>
- Sara, I. M., Saputra, K. A. K., & Utama, I. W. K. J. (2020). Financial Statements of Micro , Small and Medium Enterprises Based on the Concept of an Economic Entity. *Journal of Hunan University (Natural Sciences)* , 47(12), 125–132.
- Sara, I. M., Saputra, K. A. K., & Utama, I. W. K. J. (2021). The Effects of Strategic Planning, Human Resource and Asset Management on Economic Productivity: A Case Study in Indonesia. *Journal of Asian Finance, Economics and Business*, 8(4), 381–389. <https://doi.org/10.13106/jafeb.2021.vol8.no4.0381>
- Stanojević, M., Vranes, S., & Gökalp, I. (2010). Green accounting for greener energy. *Renewable and Sustainable Energy Reviews*, 14(9), 2473.
<https://doi.org/10.1016/j.rser.2010.06.020>
- Tang, T., Mo, P. L. L., & Chan, K. H. (2017). Tax collector or tax avoider? An investigation of intergovernmental agency conflicts. *Accounting Review*, 92(2), 247–270. <https://doi.org/10.2308/accr-51526>
- Velte, P. (2019). What do we know about meta-analyses in accounting, auditing, and corporate governance? *Meditari Accountancy Research*, 17–43.
<https://doi.org/10.1108/MEDAR-03-2018-0317>
- Yasa, I. N. P., & Prayudi, M. A. (2019). Ethical values based on local wisdom and tax compliance behavior. *Journal of Economics and Business*, 22(2), 361–390.
<https://doi.org/10.24914/jeb.v22i2.2527>
- Yu, S. (2009). Factors influencing the use of Mobile Banking : The case of SMS-based Mobile Banking. *Auckland University of Technology*, 162.