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Research Article

Analysis Of Covid-19 Tax Incentives On Tax Revenues

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Abstract: The Covid-19 pandemic is a global problem that affects every aspect of almost all countries, especially the economic aspects. The Indonesian government states that the Covid-19 pandemic is an unnatural disaster that affects economic stability as well as state revenue, which is exacerbated by the existence of an incentive scheme.This study aims to analyze the provision of tax incentives by the government to respond to the economic impact caused by the Covid-19 pandemic, as well as the impact on tax revenue on the tax incentive scheme or policy undertaken. This research is a descriptive study with a qualitative approach, which describes an event that becomes a phenomenon, then explains the situation based on the data obtained and analyzed.From several of the incentives and tax policies undertaken, more emphasis is placed on the regulatory function than on the budgetary. This step was taken to face the difficult economic conditions due to Covid-19. Losses in the form of loss of tax revenue due to the consequences of tax incentives can be calculated through the Tax Expenditure analysis, to measure the effectiveness of the tax incentives provided.

Keywords: Tax Incentives, Tax Revenues, Covid-19

1. Introduction

The Covid-19 outbreak is a national disaster that affects the stability of the national economy and the productivity of society. Covid-19 itself has been declared a unnatural disaster that affects economic stability and also state revenue of the government. The government projected this year’s economic growth at minus 0.4%. The government's response to the decline in productivity of businesses is to provide tax incentives to taxpayers. Based on taxation theory, taxes have a budgetary function and a regulatory function. Collecting state revenue and using it in development is a budgetary function. Providing regulations to help society in social and economic matters is a tax regulatory function. The current tax incentives given to taxpayers at the time of the Covid 19 pandemic are more directed at regulatory functions to help get the country's economy rolling. Currently, Indonesia's economic condition is extremely worrisome.

The government, in this case through the Minister of Finance, has several times issued a Minister of Finance Regulation (PMK) which regulates the provision of tax incentives for taxpayers affected by the coronavirus outbreak which has undergone several changes and amendments, starting from PMK No. 23 / PMK.03 / 2020 which was enacted on March 21, 2020, then it was revoked and replaced with PMK No. 44 / PMK.03 / 2020 which was enacted on 27 April 2020, and was again revoked and replaced with PMK No. 86 / PMK.03 / 2020 which was enacted on July 16, 2020, and the last was amended by PMK No. 110 / PMK.03 / 2020.

PMK No. 86 / PMK.03 / 2020 which was last amended by PMK No. 110 / PMK.03 / 2020 describes the provision of tax incentives on income tax (PPh) article 21 with employee tax objects, final income tax (PPh) for taxpayers who have a certain gross turnover as regulated in PP. 23 of 2018 and businesses engaged in the construction service industry, income tax (PPh) article 22 with its tax object on imports, income tax article 25 related to reducing tax installments and Value Added Tax (VAT) in terms of accelerating returns (restitution).

It is hoped that the provision of tax incentives can help businesses to maintain their business activities without having to terminate the employment relationship (PHK), and also to help employees to maintain their purchasing power amidst these difficulties, so it is hoped that the economy will keep on rolling to avoid the country from being on the brink of recession.

Tax revenue on state revenue contributes quite significantly, namely 68.06%, if the government provides incentives without conducting a comprehensive study by considering the various characteristics of the types of tax revenue, the government will lose quite a lot of state revenue originating from the tax sector. This can lead to a larger APBN deficit if it is assumed that the posture of the expenditure budget is not corrected, however, the provision of incentives also has a domino effect on increasing tax revenue, particularly tax revenue originating from Value Added Tax (VAT).

Various Taxes Revenue
(in trillion rupiah)

Type of Tax	Realization 2019	∆% '18 -'19	% Target '19
Income Tax Article 21	148.63	10.17%	101.97%
Income Tax Article 22	18.94	5.19%	83.40%
Income Tax Article 25/29	267.97	1.72%	83.10%
Personal	11.23	19.38%	102.80%
Corporate	256.74	1.07%	82.41%
Final Income Tax	124.54	7.86%	90.36%
Domestic VAT	346.31	3.71%	84.33%
Tax on Imports	229.64	-6.36%	77.13%
- PPh 22 Import	53.66	-1.94%	78.61%
- Import VAT	171.25	-8.13%	76.69%
- Import PPnBM	4.73	15.04%	76.65%

Based on the data above, we can see that the revenue for various taxes used as incentives experienced positive growth compared to the previous year, except for PPh 22 Imports which grew negatively by -1.94%, and Import VAT which grew by -8.13%. Government policy in terms of providing incentives for taxpayers affected by the coronavirus pandemic can significantly reduce state revenue originating from the tax sector.

2. Literature review

2.1 Tax Incentives

Tax incentives are facilities or conveniences provided by the state to taxpayers related to tax obligations that affect the reduction of the amount of tax that must be deposited into the state.

According to Spitz, as quoted by Erly Suandy (2006: 18), in general, there are four types of tax incentives, including incentives in the form of exemptions from tax imposition, reduction of the tax base, reduction in tax rates, and tax deferral.

In the present condition of the Covid-19 pandemic, the government issued a policy package related to the provision of tax incentives based on certain taxpayer criteria, which is aimed to help restore or stabilize Indonesia's economic conditions amid the decline in people's purchasing power and productivity of businesses affected by the Covid-19 pandemic. The provision of this incentive is to encourage economic activity to return to normal, which is reflected in the increasing level of public consumption.

2.2 Tax revenue

According to Law Number 20 of 2020 concerning the State Revenue and Expenditure Budget for the 2020 Fiscal Year, tax revenues are all state revenues consisting of domestic tax revenues and tax revenues on international trade.

According to Suryadi (2006: 105), tax revenue is the most dominant source of state financing in financing national development and routine government spending, while in the OECD it is explained that tax revenue is revenue collected based on income and profits, social contribution security, taxes on goods and services, taxes on a person's salary or income, taxes on ownership and transfer of property and other taxes. The percentage of total tax revenue from GDP is considered as a measure of the extent to which the government can control or manage its economic resources.

3. Research methods

This research is a descriptive study with a qualitative approach. This research describes an event that has become a phenomenon, then explains the situation based on the data obtained and analyzed. According to Creswell (2014), qualitative methods represent a different approach to scientific inquiry than quantitative research methods, qualitative methods rely more on text and image data, and have unique steps in data analysis, using various designs. The data analysis technique used in this research is descriptive analysis. According to Nuryaman and Veronica (2015: 118), the descriptive analysis describes the characteristics of the variables studied or observed as well as the demographic data of respondents.

4. Research result

4.1 Tax Incentives

In the current conditions of the Covid-19 pandemic, the government issued a policy package related to the provision of tax incentives based on certain taxpayer criteria, which aim to help restore or stabilize Indonesia's economic conditions amid the decline in people's purchasing power and productivity of business actors affected by the Covid-19 pandemic.

The government through the Ministry of Finance has issued several incentives and relaxation policies in the field of taxation for taxpayers affected by the COVID-19 virus outbreak. Tax incentives imposed by the government during a pandemic include:

1) Income Tax Incentives (PPh) Article 21
2) Article 22 Import Income Tax Incentives
3) Income Tax Installment Incentive Article 25
4) Value Added Tax (VAT) Incentives
5) UMKM Tax Incentives

4.2 Tax revenue

The most potential source of state revenue is from tax recipients. It can be said that every year the state revenue from the tax sector has increased, state revenue is obtained from the community and should be used again for the benefit of the public in general.

Types of tax revenue in Indonesia:

a) Income Tax (PPh)
b) Value Added Tax on Goods and Services (VAT)
c) Sales Tax on Luxury Goods (PPn-BM)

Taxes are levies made by the government (central/regional) on certain taxpayers based on the law (the collection can be enforced) without any direct compensation for the payer.

4.3 Impact of Incentives on State Revenues

Quoted from page www.pajak.go.id Jakarta, 22/09/2020 MoF - The component of state revenue realization is still experiencing contraction, tax revenue has grown negatively compared to the previous year due to the slowdown in economic activity and the use of fiscal incentives. This was conveyed by the Minister of Finance (Menkeu) Sri Mulyani Indrawati at the Press Conference: APBN Performance and Facts (APBN KiTa) virtually, on Tuesday (22/09). "Tax revenue (until August 2020) is Rp.676.9 trillion or 56.5% of this year's tax revenue target based on Presidential Decree 72 of 2020, so tax revenue until the end of August is a contraction of 15.6%," explained the Minister.

The Minister of Finance continued that, a very sharp decline occurred in the revenue of Oil and Gas Income Tax (PPH Migas) which realization until August 2020 was IDR 21.6 trillion. Oil and gas PPH revenues experienced a large contraction, namely 45.2% when compared to August last year which amounted to Rp39.5 trillion. Furthermore, non-oil and gas tax revenues also contracted by 14.1% compared to last year. As of August 2020, Non-Oil and Gas Tax revenue has reached IDR655.3 trillion. This figure is based on the composition submitted by the Minister of Finance, including non-oil and gas PPH of IDR 386.2 trillion, Value Added Tax (PPN) of IDR 255.4 trillion, Land and Building Tax (PBB) of IDR 9.7 trillion, and other taxes of IDR 4 trillion.

Meanwhile, Customs and Excise revenues until the end of August 2020, were able to record a growth of 1.8%. Excise revenues experienced positive growth of 4.9% with total revenues of Rp. 97.7 trillion, while international trade taxes experienced minus 9.3% with revenues of Rp. 23.5 trillion.

The Minister of Finance on that occasion also detailed tax revenues by the business sector. "All business sectors without exception experience negative growth (on a) year-on-year basis," explained the Minister. The pressure on business activities due to PSBB during the Covid-19 pandemic was the main cause of the contraction in revenues. Also, the Covid-19 fiscal incentives that began to be utilized in the past April also added to the pressure on revenues.

Revenue from the manufacturing sector contracted by 16%, trade sector revenue contracted by 16.3%, revenue from the financial services and insurance sector experienced a minus 5.5% growth, revenue from the construction and real estate sector was minus 15.1%, revenue from the mining sector minus 35.7%, and revenue from the transportation and warehouse sectors contracted by 10.4%.

This is because the contraction in import activities and the slowdown in domestic delivery have put a lot of pressure on the manufacturing and trade sectors. Meanwhile, financial services began to take a beating from the credit slowdown and lower interest rates. Then, falling commodity prices still put pressure on the mining sector. Subsequently, the decline in construction activities and property sales put pressure on the revenue sector, and the decline in transportation users and the construction of supporting facilities continued to erode the revenues from the transportation and warehousing sectors.

SEMESTER I REALIZATION OF TAX REVENUE
2019 AND 2020 PERIOD
(In Trillion Rupiah)

NO	**DESCRIPTION**	**2019**				**2020**			
		State Budget	**Realization in Semester 1**	**% to APBN**	**Growth%**	**Presidential Decree 72/2020**	**Realization in Semester 1**	**% to Presidential Decree 72/2020**	**Growth%**
I	**Tax revenue**	**1,577.6**	**604.3**	**38.2**	**3,9**	**1,198.8**	**531.7**	**44.4**	**-12.0**
	Income tax	894.4	377.4	42.2	5.0	670.4	330.3	49.3	-12.5
	- Oil and Gas Income Tax	66.2	30.2	45.6	0.3	31.9	18.1	56.7	-40.1
	- Non Oil and Gas Income Tax	828.3	347.3	41.9	5,4	638.5	312.2	48.9	-10.1
	PPN and PPnBM	655.4	212.2	32.4	-2.7	507.5	189.5	37.3	-10.7
	property tax	19.1	11.7	61.4	3,914.4	13.4	9,1	67.8	-22.3
	Other Taxes	8.6	3.0	34.5	-20.1	7.5	2.8	37.5	-5.6
II	**Customs and Excise Revenue**	**208.8**	**85.6**	**41.0**	**19.0**	**205.7**	**93.2**	**45.3**	**8.8**
	Excise	165.5	66.7	40.3	30.9	172.2	75.4	43.8	13.0
	Import duty	38.9	17.3	44.4	-2.3	31.8	16.5	51.8	-4.6
	Export Duty	4,4	1.6	36.9	-50.3	1.7	1.3	80.7	-18.2
	Total Tax Revenue	**1,786.4**	**689.9**	**38.6**	**5,6**	**1,404.5**	**624.9**	**44.5**	**-9.4**

Source: Ministry of Finance

One of the Government's efforts to anticipate the potential for widespread impact of the Covid-19 pandemic on weakening economic activity is through the provision of facilities in the form of incentives and tax relaxation. We can see in the comparison table of tax revenue realization above in the first semester of 2020, tax revenue realization reached Rp.531.7 trillion, growing by negative 12.1 percent of tax revenue realization in the same period in 2019.

Tax revenue, which consists of PPh, VAT, PBB, and other taxes, has been under considerable pressure since the end of the first quarter of 2020. This can be seen from the contraction of the realization of tax revenue in that period when compared with the realization of the same period in the year. 2019. Then it was also influenced by the contraction of several main types of taxes such as Income Tax Article 25/29 for Individuals and Entities as well as taxes in the context of imports as a result of the economic slowdown, and relaxation of the deadline for reporting the Annual Personal Income Tax Return until the end of April 2020. coupled with the fiscal policies taken by the government related to the provision of non-oil and gas PPh tax incentives such as Article 21 PPh, Article 22 import PPh, Corporate Income Tax Article 25/29, and Final Income Tax.

Almost in all types of tax posts experienced a contraction for Tax Revenue grew by negative 12.1%, Income Tax -12.5% respectively including Oil and Gas PPh - 40.1%, Non-Oil and Gas PPh -10.1%, VAT and PPnBM - 10.7%, Land and Building Tax -22.3% and other taxes -5.6% Based on the data above, it can be seen that tax revenue has contracted, one of the causes is due to tax incentives in the National Economic Recovery (PEN) program.

5. Conclusion

From several of the incentives and tax policies undertaken, more emphasis is placed on the regular function than on the budgetary. This step was taken to face the difficult economic conditions due to Covid-19. It is not surprising that through the issuance of Presidential Regulation (Perpres) No.54 / 2020, the tax revenue target in the 2020 Revised State Budget posture has decreased by 23.65% from the main target. This new target has decreased by 5.9% compared to last year's realization of IDR1,332.1 trillion. So the need for spending is still high, including for the budget In handling the Covid-19 pandemic, the budget deficit is set to widen to 5.07% of gross domestic product (GDP).

So from this, it can be seen that taxes have a very important role, both from regular and budgetary functions. In the context of providing incentives and several relaxation the government has used tax instruments to stimulate the economy directly. And not using it to become a source of revenue that the state ultimately spends. At the same time, the government does not stop providing relaxation from the administrative side so that the fulfillment of tax obligations can still be carried out. However, the state must be able to attend through a priority budget allocation to deal with the Covid-19 pandemic.

In implementing tax incentive regulations, consideration is also required of the cost of tax incentives. The OECD in its 2015 report mentions several factors that affect the social costs of tax incentives, including the loss of potential tax revenue, costs of administration and compliance, and inefficient allocation of resources. Each country, including Indonesia, certainly has a goal of having a tax incentive policy that can provide great benefits at a low cost.

Losses in the form of loss of tax revenue due to the consequences of tax incentives can be calculated through Tax Expenditure analysis, therefore more attention is needed from the Government in the application of reports on Tax Expenditure to measure the effectiveness of the tax incentives provided, as well as to evaluate the policies undertaken. Preparing a report on Tax Expenditure in the APBN is one of the important steps that the government needs to take in relation to the success of tax incentives in Indonesia.

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