



SURFING ABOVE THE HIGH WAVES OF THE COVID 19: INDONESIAN FISCAL (TAX) COUNTERMEASURES

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The high wave of the Covid 19 pandemic, which had hit several times, prompted a contraction in economic activity, one of which affected the state revenue sector from taxes. In 2019, tax revenue was recorded to have contributed 82.5 percent of total state revenue, where the consequence of this is that public service activities are highly dependent on tax revenue. On the other hand, the sudden wave of the pandemic forces the government to issue mitigation policies to prevent the worst possibility of a pandemic. The Indonesian government did not choose a lockdown policy but chose to handle and control the pandemic with large-scale social restrictions and restrictions on community activities whose implementation was handed over by each region with the permission of the central government. The policy taken by the government is to provide a way for the economy to be able to surf on the coming and going covid pandemic waves. To support the Indonesian economy to be able to surf in the midst of the COVID-19 pandemic, the Indonesian government has also issued policies that encourage the business sector to continue to carry out its business activities, including tax incentive policies, stimulus policies and tax service convenience policies. Meanwhile, for individuals, the government issues policies in the form of social safety nets and tax breaks and convenience of services. This policy taken by the government is under the umbrella of the regulations in lieu of Law Number 1 of 2020 which was later ratified into Law Number 2 of 2020, which aims to provide legal certainty for the government and society regarding the implementation of policies in situations that are not certainly. The issuance of a regulation in lieu of law is in line with the constitution of Article 23 A of the Constitution of the Republic of Indonesia stipulates that taxes and other levies which are forcing for state purposes shall be regulated by law. This paper aims to provide an analysis of the legal framework regarding the Indonesian fiscal countermeasures during the pandemic covid 19. The study conducted using legal research method using a descriptive analysis.

SUMMARY: 1. Context of the study – 2. Discussion: (a) Taxation law principles in Indonesia; (b) Tax Policies in Indonesia in order to be able to surf over The COVID-19 Pandemic; (c) Policy for The Health Sector; (d) Policy for The Business World; (e) Policies for MSME's; (f) New Normal Policy: Sailing to The New Horizon; (g) Tax Performance Challenges; (h) Taxation Omnibus Law – 3. Conclusion

1. Context of The Study

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The Covid case was first announced by the Indonesian Government on March 2nd, 2020. The identification of the first two positive cases in early March were local transmissions and not imported cases. So, it is estimated by some epidemiologists that the Covid 19 has entered Indonesia since the early January 2020¹⁰¹. Since the official announcement of the positive cases, the government quickly decided to implement some policies. Such as, physical distancing, the obligation to wear a mask, enhancing the clean and healthy lifestyle, and the work from home policy. The policy work from home is carried out to prevent the spreading of the virus in offices cluster.

Along with the increasing number of the local cases or local transmission (See Figure 1), there was pressure for the government to implement the lockdown policy as it has been done by several countries. Indonesia government considering various things, one of which was related to the economic reasons. Therefore, the Indonesian government decided not to carry out the policy, yet they applied another one, known as the Large-Scale Social Restrictions (Pembatasan Sosial Berskala Besar/PSBB). This policy is regulated by Government Regulation of the Republic of Indonesia Number 21 of 2020 which was signed by President Joko Widodo on March 31st, 2020. The main principle of the Large-Scale Social Restrictions policy is to restrict certain activities of residents in the area that has an inhabitant being infected with the Corona Virus Disease 2019 (COVID-19). It's aimed to prevent the possible spread of the Corona Virus Disease 2019 (COVID-19)¹⁰². The Guidelines for Implementing the Government Regulations are stated in the Regulation of the Minister of Health of the Republic of Indonesia Number 9 of 2020 concerning the Guidelines for the Large-Scale Social Restrictions in the Context of Accelerating the The Control of the Corona Virus Disease 2019 (Covid-19).

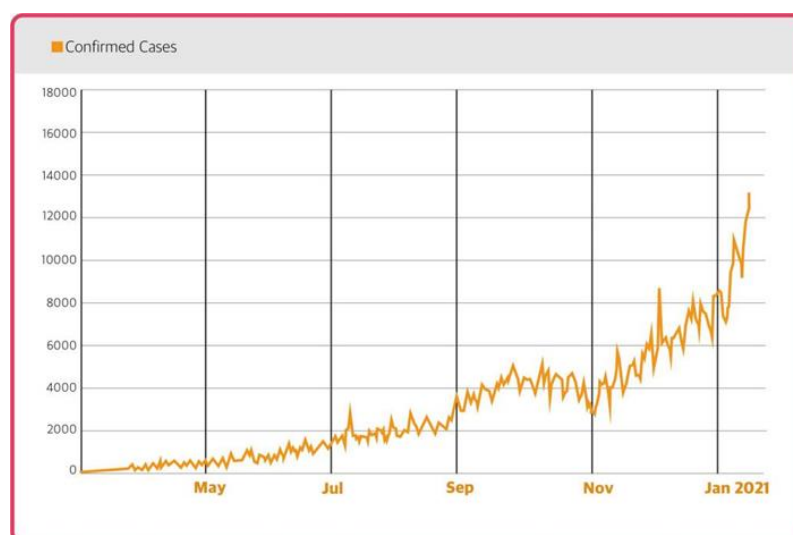


FIGURE 1 DEVELOPMENT OF THE POSITIVE CONFIRMED CASES OF THE COVID-19 PER-DAY

At the beginning of controlling the Covid 19, the Indonesian Government prioritized to handle the economic problems¹⁰³ since it is one of the sectors that severely affected by the pandemic. As the

¹⁰¹ Ellyvon Pranita and Sri Anindiati Nursastri, 'Diumumkan Awal Maret, Ahli: Virus Corona Masuk Indonesia Dari Januari', *Kompas ID*, 2020 <<https://www.kompas.com/sains/read/2020/05/11/130600623/diumumkan-awal-maret-ahli--virus-corona-masuk-indonesia-dari-januari>> [accessed 2 March 2021].

¹⁰² Republik of Indonesia, *PP No. 21 Tahun 2020 Tentang Pembatasan Sosial Berskala Besar Dalam Rangka Percepatan Penanganan Corona Virus Disease 2019 (COVID-19) [JDIH BPK RI]*, [https://Peraturan.Bpk.Go.Id/\(LN.2020/NO.91,TLN.NO.6487,JDIH.SETNEG.GO.ID:5HLM.,2020](https://Peraturan.Bpk.Go.Id/(LN.2020/NO.91,TLN.NO.6487,JDIH.SETNEG.GO.ID:5HLM.,2020)) <<https://peraturan.bpk.go.id/Home/Details/135059/pp-no-21-tahun-2020>> [accessed 2 March 2021].

¹⁰³ Mutia Fauzia and Bambang P. Jatmiko, 'Sri Mulyani Ungkap Alasan Fokus Tangani Masalah Keuangan Di Awal Pandemi Covid-19', *Kompas ID*, 2020 <<https://money.kompas.com/read/2020/09/16/160800726/sri-mulyani-ungkap-alasan-fokus-tangani-masalah-keuangan-di-awal-pandemi-covid>> [accessed 2 March 2021]; Soraya Novika, 'Sri Mulyani Akui Sempat Fokus Ke Ekonomi Saat Awal Diserang Corona', *Detik.Com*, 2020

condition of the pandemic wave continues to rise, it has significantly affected the economic activities. In addition, the geographic factor and the extent of Indonesia's territory consisting of 17,000 thousand islands and 33 provinces, as well as the population of 267 million people are the considerations for not implementing the lockdown policy. Large-Scale Social Restrictions has become the Governor responsibility, where it is need to take into account the situation in her/his territory. As regulated in article 2 which states that the Large-Scale Social Restrictions policy must be approved by the Health Minister. So that, the Local Government can carry out the Large-Scale Social Restrictions or restrictions on the movement of people. Large-Scale Social Restrictions policy must be based on epidemiological considerations, the extent of the threat, effectiveness, resource support, technical operations, political, economical, social, cultural, defense and security considerations.

The first province to carry out the Large-Scale Social Restrictions policy was Jakarta¹⁰⁴, which becomes the highest affected area. The submission of the Large-Scale Social Restrictions policy in Jakarta was approved by the Minister of Health's Decree on April 7th, 2020. It followed by the Decree of the Governor of Jakarta Number 380 of 2020. The submission of Large-Scale Social Restrictions policy in Jakarta was followed by the West Java and West Sumatra Provinces. By the end of April, there were 3 provinces and 16 districts and cities had submitted and implemented the Large-Scale Social Restrictions policy.¹⁰⁵ However, not all regions in Indonesia had applied the Large-Scale Social Restrictions policy. For instance the city of Semarang in Central Java. They chose to carry out the policy of Restricting Community Activities through the Regulation of the Mayor of Semarang Number 57 of 2020 concerning the Implementation of Restrictions on Community Activities in the context of preventing and controlling the covid in Semarang City. The focus of this policy is to ensure that the economic activities of the society continue to run, yet still in the context of preventing and overcoming the Covid 19.

The efforts of the Indonesian government in managing the impact of the Covid pandemic wave in the health, economic, social and cultural sectors have been going on for almost a year since the first positive cases were announced. However, until the beginning of 2021, the Covid wave was getting higher (See Figure 2). In the second week of January 2020, the total number of confirmed Covid cases in Indonesia had reached 882,418 thousand with an additional number of cases totaling approximately 12,818 cases. The cure rate reached 81.1% or around 737,358 thousand cases, and the death rate was 2.9% or around 25,767 thousand cases.¹⁰⁶

<<https://finance.detik.com/berita-ekonomi-bisnis/d-5175662/sri-mulyani-akui-sempat-fokus-ke-ekonomi-saat-awal-diserang-corona>> [accessed 2 March 2021].

¹⁰⁴ Provinsi Daerah Khusus Ibukota Jakarta, *Peraturan Gubernur (PERGUB) Tentang PELAKSANAAN PEMBATASAN SOSIAL BERSKALA BESAR DALAM PENANGANAN CORONA VIRUS DISEASE 2019 (COVID-19) DI PROVINSI DAERAH KHUSUS IBUKOTA JAKARTA, BERITA DAERAH PROVINSI DKI JAKARTA TAHUN 2020 NOMOR 55003* (Provinsi Daerah Khusus Ibukota Jakarta, 2020) <<https://peraturan.bpk.go.id/Home/Details/152475/pergub-prov-dki-jakarta-no-33-tahun-2020>> [accessed 2 March 2021].

¹⁰⁵ Vincentius Gitiyarko, 'Upaya Dan Kebijakan Pemerintah Indonesia Menangani Covid-19', *Kompas ID*, 2020 <<https://kompaspedia.kompas.id/baca/paparan-topik/upaya-dan-kebijakan-pemerintah-indonesia-menangani-pandemi-covid-19>> [accessed 2 February 2021].

¹⁰⁶ 'Peta Sebaran COVID-19 | Covid19.Go.Id', *Satuan Tugas Penanganan COVID-19*, 2021 <<https://covid19.go.id/peta-sebaran-covid19>> [accessed 2 March 2021].

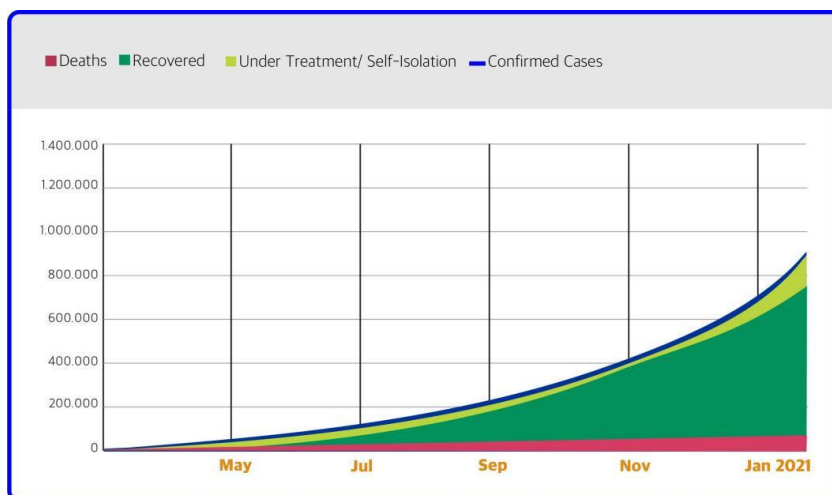


FIGURE 2 NATIONAL TRENDS (DATA ACCUMULATION)

The economic impact of the Covid pandemic wave in Indonesia was getting worst in the second quarter of 2020, it impacted the economic growth fell into 5.32 percent (y on y) (See Figure 3). Several policies taken by the government related to the high rise of the covid pandemic wave, have given the impact in the decreasing of the level of consumption and investment. They caused the economic shocks which leads to a global recession. Investment Coordinating Board recorded (foreign investment and domestic investment) during the second quarter of 2020 amounted to Rp.191.9 trillion, or decreased by 8.9 percent (q-to-q) and decreased by 4.3 percent (y-on-y).¹⁰⁷

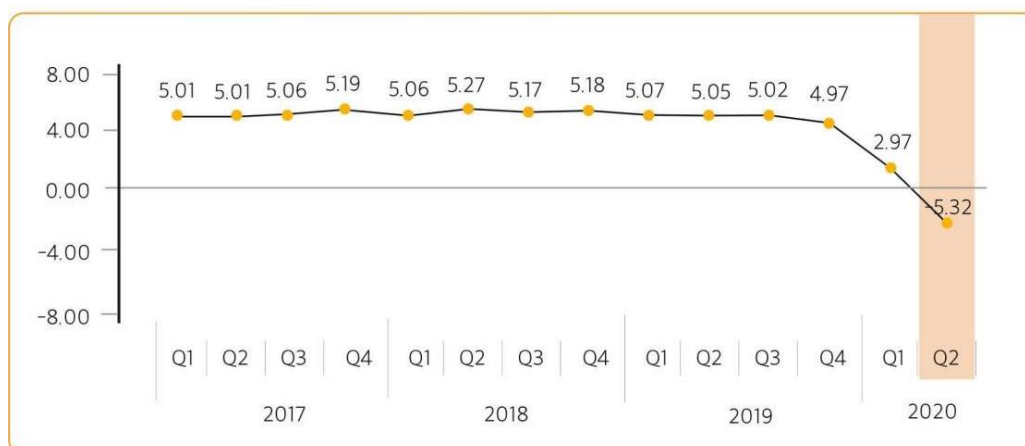


FIGURE 3 Y-ON-Y QUARTERLY GROWTH RATE

¹⁰⁷ *Pertumbuhan Ekonomi Indonesia Triwulan II-2020* (Jakarta, 5 August 2020).

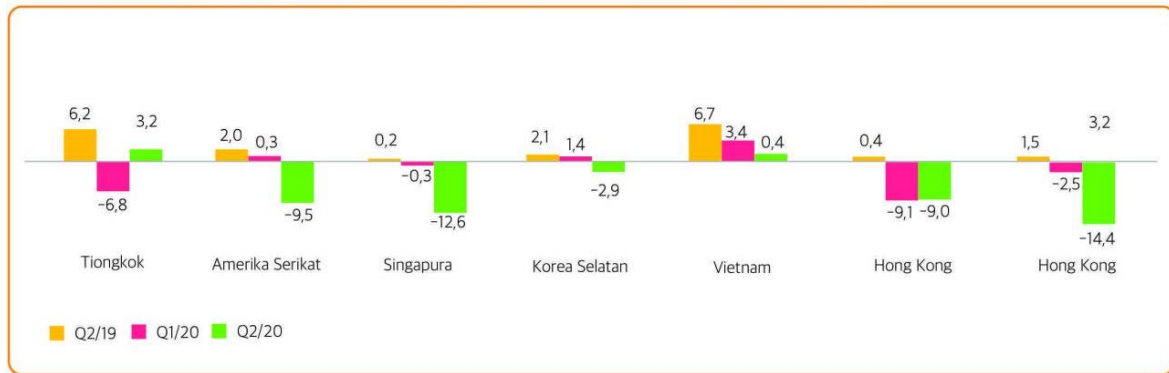


FIGURE 4 THE ECONOMIC GROWTH DEVELOPMENT OF SEVERAL INDONESIAN TRADING PARTNERS (Y-ON-Y)

In the second quarter of 2020, the export and import of goods and services sector also experienced a dynamic up and down in line with the covid pandemic policy. The dynamics in export and import also affected the taxation policies. The non - oil and gas exports contracted in line with the decline of the value and volume of the main commodities. Such as, mineral fuels and electrical equipment / machinery. The oil and gas exports grew in line with the increasing of the volume of the oil and gas exports. Trade of Services contracted in line with the decline of the number of foreign tourists visit Indonesia and the decline of the inflow of the foreign exchange (See Figure 4). The economic growth of Indonesia's main trading partner countries experienced the contraction, except for China. The non-oil and gas imports contracted. The oil and gas imports contracted in line with the decline of the value and volume of the oil and gas imports. The trade of services also contracted in line with the declining of the transportation services for the exports and imports of goods.¹⁰⁸ Various efforts to deal with the impact of the Covid 19 pandemic began to meet the satisfied result in the third Quarter of 2020, where the economic growth rose to minus 3.49% (See Figure 5), slightly better than during the second Quarter of 2020 which was 5.32%.¹⁰⁹



FIGURE 5 INDONESIA'S ECONOMIC GROWTH (Y-ON-Y)

¹⁰⁸ 'Ekonomi Indonesia Triwulan II 2020 Turun 5,32 Persen', *Badan Pusat Statistik Nasional*, 2020 <<https://www.bps.go.id/pressrelease/2020/08/05/1737/-ekonomi-indonesia-triwulan-ii-2020-turun-5-32-persen.html>> [accessed 2 March 2021].

¹⁰⁹ 'Ekonomi Indonesia Triwulan III 2020 Tumbuh 5,05 Persen (q-to-Q)', *Badan Pusat Statistik Nasional*, 2020 <<https://www.bps.go.id/pressrelease/2020/11/05/1738/ekonomi-indonesia-triwulan-iii-2020-tumbuh-5-05-persen--q-to-q-.html>> [accessed 2 March 2021].

The contraction in the economic growth, resulted from the direct impact of the pandemic, as well as the indirect impact of the policies applied to control the pandemic. This impact affected directly both individuals and the business entities. For instance, the Micro, Small, and Medium Enterprise have experienced the decrease in its turnover or profits. Thus, they decided to reduce the number of their employees. According to a study conducted by the Ministry of Manpower, there were 41 percent of companies had experienced a heavy loss, 47 percent quite a loss, 11 percent were affected and only 1 percent could make a profit.¹¹⁰ Fernanda et al¹¹¹ in their research stated that a pandemic is a socio-economic disaster that requires emergency policies to address the existing gap which is getting worse with the pandemic. As a result of criticism of the tax exemptions and privileges enjoyed by the rich, the paper highlights the mitigation measures adopted by Argentina, Brazil, Chile and Uruguay and their impact on debates surrounding progressive tax reform to finance social schemes. All of these countries already have income transfer schemes and, during the pandemic, they have adopted responses related to mitigating the pandemic to the labor sector, one of which is to create job retention schemes and formal worker income schemes.

The conditions for the companies to suffer the losses due to the impact of the rising of the covid wave indeed have affected on individuals. In this case, they were the employees, as well as other individuals and entities connected to the losing business unit. So that, the scale of the economic and social losses were very large. According to the research, the the Micro, Small, and Medium Enterprise was one of the sectors which had a quite heavy impact, where in Indonesia there were 64 million business units and 116 million people who depend on their livelihoods. There are 1,785 cooperatives and 163,713 the Micro, Small, and Medium Enterprise which affected by the corona virus pandemic (Covid-19).¹¹² The business sectors, such as, the food, tourism, creative and entertainment industries were significantly affected. These business fields have been experiencing the stagnation as they were forced to close their businesses. That was because the decreasing of their turnover which significantly occurred as the effect of the policies applied in dealing with the covid. Besides, it also might happen as the result of the changing in the social behaviour of the society.

At the beginning of the first wave of the Covid 19, according to the statement of the Indonesian Minister of Manpower, the total number of the workers affected by the Covid-19 were around 2,084,593 workers. They were from 116,370 companies of both formal and informal sectors.¹¹³ At the end of 2020, around 29 million workers were at risk of losing their jobs. That was caused by the impact of policy due to pandemic situation, which forced them to reduce their working hours.¹¹⁴ The Central Statistics Agency noted that at the end of 2020 there were at least 2.56 million people in Indonesia lost their jobs.¹¹⁵ Therefore, the policy after policy in the economic sector, especially in taxation, continuing to provide

¹¹⁰ Dedi Rahmadi, 'INFOGRAFIS: Dampak Pandemi Covid-19 Terhadap Perusahaan | Merdeka.Com', *Merdeka.Com*, 2020 <<https://www.merdeka.com/peristiwa/infografis-dampak-pandemi-covid-19-terhadap-perusahaan.html>> [accessed 2 March 2021].

¹¹¹ Fernanda Cimini and others, 'Covid-19 Pandemic, Social Mitigation and Taxation: The Open Veins of Inequality in Latin America', *Bulletin of Latin American Research*, 39.S1 (2020), 56–61 <<https://doi.org/10.1111/blar.13213>>.

¹¹² Abdurrahman Firdaus Thaha, 'DAMPAK COVID-19 TERHADAP UMKM DI INDONESIA', *BRAND - Jurnal Ilmiah Manajemen Pemasaran*, 2.1 (2020), 147–53 <<https://ejournals.umma.ac.id/index.php/brand>> [accessed 2 March 2021].

¹¹³ 'Menaker: Badai Pasti Berlalu, Panggil Kembali Pekerja Yang Ter-PHK Nanti', *Indonesia's Ministry of Labour*, 2020 <<https://www.kemnaker.go.id/news/detail/menaker-badai-pasti-berlalu-panggil-kembali-pekerja-yang-ter-phk-nanti>> [accessed 2 March 2021].

¹¹⁴ Agatha Olivia Victoria, '29 Juta Pekerja Terdampak Covid-19: Jam Kerja Berkurang Hingga PHK', *Katadata.Co.Id*, 2020 <https://katadata.co.id/agustiyanti/finansial/5fa39e64a3b0e/29-juta-pekerja-terdampak-covid-19-jam-kerja-berkurang-hingga-phk?__cf_chl_jschl_tk__=aff1e3d7e9f73a9f34a79f8ad75b68d9d15cb945-1614673590-0-ASpMevMPghht32MZZNCRlc5rGa6VEihAfq5abzsfNyotdm3wYr897nHF> [accessed 2 March 2021].

¹¹⁵ Muhammad Hendartyo and Martha Warta Silaban, 'Pandemi Covid-19, BPS Catat 2,56 Juta Orang Jadi Pengangguran - Bisnis Tempo.Co', *Tempo ID*, 2021 <<https://bisnis.tempo.co/read/1432998/pandemi-covid-19-bps-catat-256-juta-orang-jadi-pengangguran>> [accessed 2 March 2021].

stimulus in the form of tax cuts and incentives to drive the economy activities running, especially for the business entities, private businesses, and the individuals.

The Covid wave in Indonesia has not yet fallen, however on November 2nd, 2020, the Government of the Republic of Indonesia passed Law Number 11 of 2020, known as the Omnibus law. It was aimed to encourage the ease in running businesses and fostering a conducive investment climate, tax law is one that is included in the omnibus law arrangement. It is expected to protect and enhance the tax revenue through the increasing of the investment, voluntary compliance, legal certainty, and business climate justice.¹¹⁶

In 2021, the wave of the Covid pandemic is getting higher, while the economy is getting sluggish due to the decreasing of the purchasing power of the society. Taxes, as a means of distributing the welfare, is needed to be readjusted on its policy. So that, the goal on social justice for all Indonesian people could be reached out. What policy does the Indonesian government take on the taxation which can help the individuals and the economic operators to be able to keep surfing on the rise and fall of the covid wave? How far the law policy in taxation will take roles in dealing with the impact of the pandemic (legal implementation of temporary measures and other technical legal implementation issues)?

2. Discussion

A. Taxation law principles

The basic principle of tax is justice, in which the state as the provider of public services has to deliver the social welfare to all its citizen. So that, the welfare can be evenly distributed. Taxes are a source of the state revenue that used to achieve of the national interests. WH. Van den Berge, stated that nation as: "Groupsverband" (organization of groups) with respect to the requirements of the justice has the duty to carry out the public interest.¹¹⁷ The Constitution of the Republic of Indonesia guarantees the collection of taxes by the state was first set the Article 23 paragraph 2 of the 1945 Constitution: "All taxes for the State are based on law". Furthermore, the Article 23 paragraph (2) of the 1945 Indonesian Constitution was amended by the Article 23A of the 1945 RI Constitution which states that: "Taxes and other levies that are compelling for the purpose of the state are regulated by the constitution".

Tax collection is an implementation of democracy, distributing the people's welfare and ensuring that the public rights are fulfilled. Bruno Peter argued that the tax concept cannot be seen solely as a method to collect the state's revenue to support government activities, taxation has a democratic goal to allocate the equal justice for all society and to maintain the economic stability, as well as to stimulate the prosperity.¹¹⁸ Therefore, the tax collection should be balanced with social welfare. Tax Law is a collection of regulations used to regulate the legal relationship between the State (Fiscus) as the tax collectors and the public as the tax payers. This shows that the taxation sector are coping with two legal subjects, the State and the people as tax payers. They are juridically have rights and obligations that regulated by laws and regulations. The existence of the principles that ensoul every tax law is expected to be able to help in carrying out the tax collection properly and appropriately.¹¹⁹ Tax law must have the aspects of justice, both in terms of material and how it is implemented. When the tax justice cannot be carried out through a persuasive approach, the aspect of law enforcement through the examination and investigation is the

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¹¹⁷ Suparnyo, *Hukum Pajak: Suatu Sketsa Asas*, 2nd edn (Semarang: Pustaka Magister, 2012)

<https://eprints.umk.ac.id/277/> [accessed 2 March 2021].

¹¹⁸ Mustaqiem, *PERPAJAKAN DALAM KONTEKS TEORI DAN HUKUM PAJAK Di INDONESIA*, ed. by Ibnu Teguh, 1st edn (Yogyakarta: Buku Litera, 2014).

¹¹⁹ Mustaqiem.

best way to be carried out to realize the tax justice. Apart from the issue of the tax justice, the moral application is an important part that must be done by every tax stakeholder.¹²⁰

There are 4 (four) functions of the tax, the budget function, the regulating function, the stability function, and the income redistribution function. The Budget Function (Budgetair) as a source of the state's revenue, taxes serve to support the state's expenditures. To carry out the routine state tasks and the development. The Regulation Function is where the Government can set the economic growth through the tax policy. By the Regulation function, taxes can be used as a means to reach the national goals. For example, in order to drive the investment, both Domestic and Non domestic, it is given various kinds of facilities in the form of tax relief. The Stability function of the existence of taxes, the government has the funds to carry out policies related to the price stability. So that, any inflation can be controlled. The Income redistribution function, taxes collected by the state will be used to support all the public interests, including the development. In this regards, there will be lot of job opportunities which can help to raise the people's income.

Furthermore, there are some requirements in collecting taxes. Such as, the awareness of a fair tax collection and law based procedure. The tax collection should not distract the economical activities. The tax collection must be efficient and its collection system must be simple.¹²¹ In this pandemic situation, these five conditions must be taken into account in taking stages of the tax policy. So that, it can be fair, effective, efficient and beneficial. According to Adam Smith in *Wealth of Nation*, for a fair tax regulations, there are four conditions that must be fulfilled. It called The Four Canons of Adam Smith or often called The Four Maxime, which include Equality and equity, Certainty, Convenience of payment, and Economic of collection. The Equality and equity means equation and justice, where the tax laws always provide the equal treatment to people who are in the same condition. The tax collection carried out by the state must be in accordance with the economic ability (income) of the tax payers. The state must not act discriminatively against the tax payers. Tax law should provide legal certainty to the tax payers about the tax payment date, their rights and obligations, etc. In this regard, the tax law should not contain any ambiguous interpretation. The Convenience of payment is that the tax must be collected at the exact time. This relates to the capability of the tax payers on paying the tax. The due date of each tax payer is different according to their capability on paying the taxes. The Economic of collection is the condition where the tax law should consider the ratio (balance) between the costs collection / the collection with the results of the tax itself. So, it is expected that there will be no negative tax results where the costs spent for the tax collection is higher than the amount of the taxes collected.¹²²

The juridical principle of all tax collection must be based on law. Hiba Hafiz, et.al¹²³, analyse the major legislative and other policy initiatives that are being proposed and enacted to manage the economic and financial aspects of the COVID-19 crisis by examining these initiatives through the lens of these three policy priorities. They are outlining three important, interrelated policy concerns that demand increasing attention and that will need to be addressed by regulators managing the pandemic and its economic and social fallout. The policy that being analysed are social Insurance, broader economic and systemic risk management, and spatio-behavioral management. These three policy concerns may come in tension with one another given the distinctive behavioural agenda and crisis backdrop against which policy decisions must be made. The confluence of these three policy considerations make the COVID-19 crisis truly unique from the standpoint of economic and financial regulation. In order to protect the domestic production, the government sets high import duties for the foreign products.

¹²⁰ Mustaqiem.

¹²¹ Mustaqiem.

¹²² Rochmat Soemitro, *Pengantar Singkat Hukum Pajak*, 1st edn (Malang: Eresco, 1992) <<https://onsearch.id/Record/IOS2875.slims-33171>> [accessed 2 March 2021].

¹²³ Hiba Hafiz and others, 'Regulating in Pandemic: Evaluating Economic and Financial Policy Responses to the Coronavirus Crisis', *SSRN Electronic Journal*, 2020 <<https://doi.org/10.2139/ssrn.3555980>>.

B. Tax Policies in Indonesia : Surfing over The High Waves COVID-19 Pandemic

At the beginning of the Covid pandemic, the Indonesian Government responded it by focusing on mitigating the economic impacts which are considered to have a very wide-scale impact on the people's lives. To ensure the legal certainty in making policies, the Indonesian issued the Government Regulation in Lieu of Law Number 1 Year 2020, Concerning The State Financial Policy and Financial System Stability for Controlling the Corona Virus Disease 2019 (Covid-19) Pandemic and / or in the Context of Facing Threats Which Endanger the National Economy and / or Financial System Stability. Later it ratified becomes the Act o Number 2 of 2020. Followed some countries that applied temporary policies to mitigate the economic impact of the pandemic. However, they only used technical instruments since they considered that the pandemic will not be permanent. According to the paper issued by the legal department of the International Monetary Fund (IMF) in the "Special Series on Tax Law Design Issues to Respond to COVID-19"¹²⁴, it contains the stages of legal policy that must be implemented in response to the Covid pandemic without changing the existing tax laws. It suggested to use of secondary legal instruments or administrative arrangements, because it is necessary to anticipate the impact of the legal policies taken during the post-pademic period. The use of secondary instruments is more effective and providing legal certainty in the technical implementation.

Since the policy taken are related to the substantial tax liability or “if the policy taken is not in accordance with the existing laws”, requires a legal instrument that can provide a solution, including anticipating post-pandemic changes. In this case, the Indonesian Government carry out the Government Regulation in Lieu of Law, where it is govern under Article 22 paragraph 1 of the 1945 Constitution of the Republic of Indonesia.¹²⁵ Based on the provisions of the Article 22 paragraph (2) of the Indonesia Constitutions, Government Regulation in Lieu of Law Number 1 Year 2020 has been approved by the House of Representatives to be later ratified into the Law Number 1 Year 2020. The broader economic implications are considered to be the deceleration of the national economic growth, the degression of the state revenues, and an the escalation of the state spending. Therefore, the Indonesian Government needs to save the health care and the national economy by focusing public spending on health, social safety nets, as well as the economic recovery. This includes the business world and the affected communities. The State financial and fiscal policy’s responses are needed to deal with the risk of the pandemic. For instance, the escalation of the expenditure to mitigate the health risks, public safety, and maintain the business activities. The pressure on the financial sector will affect the Government Budget, particularly in the public spending. The decline in the state revenues and the global economic uncertainty require policies and extraordinary movements in the field of state finances, one of which is taxation.¹²⁶

Some of the recommended policies are the tax relaxation, postponement for the tax payment, tax incentives, suspension of tax court proceedings, and suspension of fines or other penalties. The policies must be designed effectively and meets the rules and regulations that exist during a crisis. Based on the statement of the Minister of Finance, the stimulus that has been conveyed to the entire business world and individual. The state budget will cover the needs of health, social and economic sectors, all of which

¹²⁴ Christophe Waerzeggers, Cory Hillier, and Irving Aw, ‘Tax Law Design Considerations When Implementing Responses to the COVID-19 Crisis’, 2.March (2020), 19–20 <<https://www.imf.org/~media/Files/Publications/covid19-special-notes/special-series-on-covid-19-tax-law-design-considerations-when-implementing-responses.ashx>>.

¹²⁵ Ali Marwan Hsb, ‘Kegentingan Yang Memaksa Dalam Pembentukan Peraturan Pemerintah Pengganti Undang-Undang (COMPPELLING CIRCUMSTANCES OF THE ENACTMENT GOVERNMENT REGULATION IN LIEU OF LAW)’, *Jurnal Legislasi Indonesia*, 14.01 (2017), 109–22 <<https://doi.org/10.31219/osf.io/4cuh3>>.

¹²⁶ *Undang-Undang (UU) Tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 1 Tahun 2020 Tentang Kebijakan Keuangan Negara Dan Stabilitas Sistem Keuangan Untuk Penanganan Pandemi Corona Virus Disease 2019 (Covid-19) Dan/Atau Dalam Rangka Menghadapi Ancaman Yang Membahayakan Perekonomian Nasional Dan/Atau Stabilitas Sistem Keuangan Menjadi Undang-Undang, Republic of Indonesia* (Cabinet Secretariat of Indonesia, 2020) <<https://peraturan.bpk.go.id/Home/Details/137323/uu-no-2-tahun-2020>> [accessed 2 March 2021].

experience the impacts. Such as, the domino effects definitely influence the financial sector. Furthermore, Ministry of Finance launch stimulus / policies to reduce the enormous impact of the Covid-19, where all shocks cannot be absorbed by the state budget. Therefore, the state budget is focused to support the social resilience of the community. So that the impact of the pandemic does not cause any bankruptcy or massive damages. The needs for extraordinary policies by the Government to reduce the impact of the spread of the Covid-19 virus in Indonesia has made it necessary to establish a legal ground. So that, the implementation of these policies does not cause problems during the post-pandemic period. In other words, the instrument created can be used to surf over the waves of the Covid 19 pandemic. The government's commitment to maintain the sustainability of state finances shown by the the efforts in managing the fiscal as well as the state revenue, prudent debt management and improving the performance of the budget absorption. This is directed for the implementation of the state budget as it can provide optimal and equitable benefits for all levels of the society.¹²⁷

In managing the covid 19 wave which continues to rise, many countries have issued extensive economic stimuli which include the fiscal stimulus, monetary stimulus, and the financial sector. This fiscal stimulus includes the escalation improvemen budget for health, unconditional cash transfer, and assistance to the business sector (tax postponement and loan guarantees). Additionally, low- and middle-income countries should prioritize public money creation over foreign borrowing. Experience shows that the cost of servicing foreign debt diverts resources from public services and can undermine fundamental economic, social and cultural rights, such as the rights to clean water, sanitation, basic education and health care¹²⁸. The monetary and financial sector stimuli include the deflation of the interest rates, quantitative easing, postponement and easing of the credit payments, as well as providing the loan facilities.¹²⁹ The fiscal stimulus of the Indonesian government in the form of assistance to the business sector includes the health sector, the business world, and the middle class.

C. Tax Policy in the Health Sector

The government encourages the availability of goods such as personal protective equipment and medicines needed in coping with the COVID-19 outbreak by providing value added tax facilities which are not collected or borne by the government. These facilities are provided to the government intitutions / agencies , referral hospitals, and other parties appointed to assist the handling of the COVID-19 outbreak for the import, acquisition and utilization of goods and services.¹³⁰ The items needed for handling the COVID-19 outbreak include medicines, vaccines, laboratory equipment, detection equipment, personal protective equipment, equipment for patient care, and other supporting equipment. Meanwhile, the services needed in the context of handling the COVID-19 outbreak include construction services, consulting services, engineering, and rental service management, and other supporting services.

In addition to the value added tax (VAT) incentives, to help accelerate the handling of the COVID19 outbreak, the government also provides exemptions from collecting or cutting the income taxes as follows:

- a. The Article 22 : for imports and purchases of goods as mentioned above carried out by the government instances / agencies, the referral hospitals, and other parties appointed to assist in handling the COVID-19 outbreak;

¹²⁷ 'Pemerintah Waspada Dampak Pandemi Covid-19 Terhadap Ekonomi Indonesia', *Kementerian Keuangan Republik Indonesia* (Jakarta, 17 April 2020).

¹²⁸ Takondwa Chimowa, Stephen Hall, and Bernadette O'Hare, 'Public Money Creation to Maintain Fundamental Human Rights during the COVID-19 Pandemic', *Health and Human Rights*, 22.1 (2020), 395–97.

¹²⁹ *Stimulus Fiskal* (Jakarta, 28 March 2020)

<<https://www.kemenkeu.go.id/media/14874/stimulusekonominegara.pdf>> [accessed 2 March 2021].

¹³⁰ 'FASILITAS PAJAK UNTUK Mendukung Ketersediaan Obat, Alat Kesehatan dan Jasa yang Diperlukan dalam Rangka Penanganan COVID-19', *Kementerian Keuangan* (Jakarta, 11 April 2020)

<<https://www.kemenkeu.go.id/media/14914/sp-15-fasilitas-pajak-produk-covid-19.pdf>> [accessed 2 March 2021].

- b. The Exemption facility of the Import duty, excise, Value Added Tax (VAT) / Sales Tax on Luxury Goods, and the Income Tax Article 22 on imported goods for handling COVID-19. Minister of Finance Regulation Number 34/2020 as amended by the Minister of Finance Regulation Number 83/2020 which has been amended by the Minister of Finance Regulation Number 149/2020;
- c. The Article 21: for the income received by individual domestic taxpayers as the compensation given by the government instances / agencies, referral hospitals, or other designated parties for services needed in the context of handling the COVID-19 outbreak;
- d. The Article 23: for the income received by the domestic corporate taxpayers and permanent businesses as the compensation given by the government instances / agencies, referral hospitals, or other parties appointed for technical, management, or other services required in the context of handling the epidemic of COVID-19.

1. Government Regulation in Lieu of Law Number 1 of 2020 on State Finance Policy and Financial System Stability for the Handling of Corona Virus Disease 2019 (COVID-19) and/or in the Framework of Dealing with Threats Endangering National Economy and/or Financial System Stability.
2. Presidential Decree Number 11 of 2020 on the Declaration of Coronavirus Disease 2019 as Public Health Emergency.
3. Government Regulation Number 29 of 2020 on Income Tax Facilities to Address Corona Virus Disease (Covid-19).
4. Minister of Finance Regulation Number 34/PMK.04/2020 on the duty/customs and tax facilities for goods imported for the purpose of combating the COVID-19 pandemic.
5. Minister of Finance Regulation Number 38/2020 concerning Implementation of State Financial Policies for Handling the COVID-19 Pandemic
6. Minister of Finance Regulation Number 31/2020 concerning Additional Incentives for Companies Receiving Bonded Zone Facilities
7. Minister of Finance Regulation Number 107/2020 Concerning Implementation Mechanisms and Accountability for Government-Borne Taxes in Handling the COVID-19 Pandemic
8. Minister of Finance Regulation Number No. 19 / PMK.07 / 2020 concerning Distribution and Use of Profit Sharing Funds, General Allocation Funds, and Regional Incentive Funds for the 2020 Fiscal Year in the Context of Combating Corona Virus Disease 2019 (COVID-19)

Regarding, the pharmaceutical industry for the production of vaccines and / or drugs for the import or acquisition of the vaccine and / or drug for handling the COVID-19, the Value Added Tax will be considered as the Government Borne Tax. This regulation will be last until December 2020. The Value Added Tax which become the Government Borne Tax applied to the those receiving the vaccine and / or the drugs for handling the COVID-19 by the pharmaceutical industry will be last until December 2020. There will also be applied the relaxation on the import provisions of medical devices used in handling the COVID-19. The regulation will be in a form of the exemption from distribution permit obligations or Special Access Scheme (SAS).

D. Tax Policy in the Business Sector

The business world is a sector that has been severely affected by this pandemic, where the degression of the economic scale had given a significant domino effect in various sectors. Therefore, the government had passed around 19 Regulations in order to ensure the legal certainty and give facilities in that sector.¹³¹

¹³¹ PP No. 29 Tahun 2020 Tentang Fasilitas Pajak Penghasilan Dalam Rangka Penanganan Corona Virus Disease (Covid-19) [JDIH BPK RI], Republic of Indonesia (Cabinet Secretariat of Indonesia, 2020) <<https://peraturan.bpk.go.id/Home/Details/138977/pp-no-29-tahun-2020>> [accessed 2 March 2021].

1. Government Regulation Number 30 of 2020 concerning Decrease in Income Tax Rates for Domestic Corporate Taxpayers in the Form of Public Companies.
2. Government Regulation No. 29/2020 on Income Tax Facilities in the Effort to Mitigate COVID-19.
3. Minister of Finance Regulation Number 30 of 2020 concerning Amendments to PMK No 57 /PMK.04/2017 concerning Postponement of Excise Payment.
4. Minister of Finance Regulation Number 31 of 2020 concerning Additional Incentives for Companies Recipient of Bonded Zone Facilities.
5. Minister of Finance Regulation No. 34/PMK.04/2020 on the duty/customs and tax facilities for goods imported for the purpose of combating the COVID-19 pandemic.
6. Minister of Finance Regulation Number 38 of 2020 concerning Implementation of State Financial Policies for Handling the COVID-19 Pandemic.
7. Minister of Finance Regulation Number 48 of 2020 concerning Procedures for Appointment of Collectors, Collection and Deposit, as well as Reporting Value Added Tax on Utilization of Intangible Taxable Goods and / or Taxable Services from Outside the Customs Area within the Customs Area through Trade Through the System Electronic.
8. Minister of Finance Regulation Number 45 of 2020 concerning Procedures for Submitting a Certificate of Origin or Invoice Declaration along with Complementary Customs Documents of Research Certificate of Origin in the Context of Imposing Import Duty Tariffs on Imported Goods Based on International Agreements or Agreements During the Covid-19 Pandemic
9. Minister of Finance Regulation Number 83 of 2020 Amendment to PMK No. 34 / Pmk.04 / 2020 concerning the Granting of Customs and / or Excise Facilities as well as Taxation on Imported Goods for the Purposes of Handling the COVID-19 Pandemic.
10. Minister of Finance Regulation Number 86 of 2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic.
11. Minister of Finance Regulation Number 98 of 2020 concerning Government Guarantee Procedures for Corporate Business Actors through the Designated Guarantee Business Entity in the Context of Implementing the National Economic Recovery Program (PEN).
12. Minister of Finance Regulation Number 104 of 2020 concerning Fund Placement in the Context of Implementing the National Economic Recovery Program (PEN).
13. Minister of Finance Regulation Number 107 of 2020 concerning Implementation Mechanisms and Accountability for Government-Borne Taxes in the context of Handling the COVID-19 Pandemic.
14. Minister of Finance Regulation Number 110 of 2020 concerning Amendments to PMK 86/2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic.
15. Minister of Finance Regulation Number 118 of 2020 concerning Government Investment in the Context of the National Economic Recovery Program.
16. Minister of Finance Regulation Number 134 of 2020 concerning Government Borne Import Duty on the Import of Goods and Materials to Produce Goods and / or Services by Certain Industry Sectors Affected by the COVID-19 Pandemic.
17. Minister of Finance Regulation Number 137 of 2020 concerning the Determination of Zero Rupiah Tariff for the Issuance of Certificate of Origin that Applies to the Ministry of Trade Due to the COVID-19 Pandemic.
18. Minister of Finance Regulation Number 143 of 2020 concerning the Granting of Tax Facilities for Goods and Services Needed in the Context of Handling the COVID-19 Pandemic and the Extension of the Enforcement of Income Tax Facilities based on Government Regulation No. 29 of 2020 concerning Income Tax Facilities in the Context of Handling COVID-19.
19. Minister of Finance Regulation Number 149 of 2020 concerning the Second Amendment to PMK 34/2020 concerning the Granting of Customs and / or Excise Facilities as well as Taxation on Imported Goods for the Purposes of Handling the COVID-19 Pandemic.

The Indonesian Government also providing Government-borne import duty incentives (BM DTP) on raw materials imported by 33 industrial sectors affected by the Covid-19 pandemic with varying BM DTP ceilings will be last up to December 31st, 2020. The detail explanation can be seen on the Minister of Finance Regulation (PMK) Number 134 / PMK.010 / 2020. This incentive for the imported goods is intended to support the handling of the Covid. Then, it is expected to encourage the escalation

in exports. There are several policies provided by the Indonesian government, one of which is to give away for free the services on the issuance of the certificate of origin (SKA) for all exporters. This regulation will be carried out on October 1st, to December 31st, 2020. The SKA is one of the documents used to access the trade preference facilities. So that, the domestic exporters can get the benefit from the tax deductions of their products entering certain markets of countries which apply the free agreements.

- a. The Income Tax (PPh) 21 is borne by the government for the 1,189 certain industrial sectors, companies with Ease of Import for Export Purposes facility, and companies in bonded zones.
- b. The Exemption of the Income Tax (PPh) 22 on imports for 721 certain industrial fields, companies with Ease of Import for Export Purposes facility, and companies in bonded zones.
- c. The reduction in the Income Tax (PPh) 25 installments from 30% to 50% for the 1,013 certain industrial sectors, companies, the convenience of the Import for Export Purposes, and companies in bonded areas
- d. The Value Added Tax refunds are accelerated for the 716 certain industrial sectors, companies for the convenience of the import for export purposes, and companies in bonded areas whose VAT overpayments are at maximum of Rp. 5 billion.

Moreover, the Government has also developed the National Logistics Ecosystem (NLE). It is a platform that facilitates the collaboration in information systems between the government and the private instances for the simplification and synchronization of the flow of information and documents in export / import activities at ports, and trade / distribution activities of the domestic goods through the data sharing, business process implications, and the elimination of repetitions, as well as duplications. This aims to improve and accelerate the export-import process services (See Table 1 and 2).

TABLE 1 BONDED ZONE (KB)

	Previously	Currently
Products Selling To The Local	The quota limitation of 50% of the export proceeds	Being allowed without reducing the current year's sales quota
Physical Inspection	Random, based on the risk management, is done directly by the officer while the self-service is only allowed for the self-bonded areas companies	Selective, utilizing the information technology, and if the area is designated as in Large-Scale Social Restrictions, then the bonded storage place can be given the independent service
Income <ul style="list-style-type: none"> - Disinfectant - Face Mask - PPE - Measuring tool body temperature and/or - Other stuff for handling Covid-19 	Paying the Import Duty, and the general import provisions is applied	The postponement of the Import Duty and the import tax as long as it is used in the Bonded Zone (KB)

TABLE 2 THE SIMPLICITY IN IMPORT ACTIVITIES

The Export Purposes (KITE)		
	Previously	Currently
The entry of the local goods in order to be processed for the export purposes	Subjected to the VAT or the sales tax on luxury goods (PPnBM)	Not subjected to the Large-Scale Social Restrictions or the sales tax on luxury goods (PPnBM)
The submission of the products to be processed/ combined with the Bonded Zone/Ease of Import for Export Purposes Small and Medium Enterprises products	Not allowed	Allowed
The selling of the products to the local	The exemption of the Ease of Import for Export Purposes is not allowed. The Ease of Import for Export Purposes Small and Medium Enterprises is only allowed as much as 25%	The exemption of the Ease of Import for Export Purposes and the Ease of Import for Export Purposes Small and Medium Enterprises are allowed as much as 50% and the export value of the previous year
The submission of the products for handling the COVID-19 disaster	Unregulated	The exemption of the Ease of Import for Export Purposes and the Ease of Import for Export Purposes Small and Medium Enterprises are allowed to submit the products for the COVID-19 disaster management to the government or those who are allowed to the exemption of the Import Duty and import tax in the country without reducing the local sales quota

E. Tax Policies and Micro Small and Medium Enterprises (MSME's)

Meanwhile, specifically for the MSME's, the government issued at least 9 regulations that provide the incentives and relaxation. So that, the economic activities in this sector can continue to run their business activities. The forms of policy provided are in the form of tax incentives, soft loans, ease of licensing, and some capital stimulus assistance. The Indonesian Ministry of Cooperatives and SMEs reports that in terms of number of units, MSME's have a share of around 99.99% (62.9 million units) of the total business actors in Indonesia (2017), while large businesses are only 0.01% or around 5400 units. Micro enterprises employ around 107.2 million workers (89.2%). Medium Small Enterprises employ around 5.7 million (4.74%) workers and Medium Enterprises employ 3.73 million (3.11%) workers. Meanwhile, Big Enterprises employs around 3.58 million workers. This means that collectively, MSME's employ around 97% of the national workforce, while large enterprises only employ about 3% of the total national workforce. The business of accommodation and food and beverage provision is a fairly large sector with a portion of 16.93% of MSME's, covering types of businesses in restaurants, restaurants, catering services, food sales centers, cafes etc. Catering businesses that serve the provision of food for events or logistical needs (for example procuring food or snacks for airplanes, trains, ships, etc.) also fall into this category.¹³² This sector experienced a very big shock due to the covid wave and was seriously affected by the pandemic management policy.

1. Minister of Finance Regulation Number 29/2020 Concerning Implementation of Tax Administration Services in Force Majeure Due to the 2019 Corona Virus Disease Pandemic.
2. Minister of Finance Regulation Number 34/2020 Concerning Granting Customs and / or Excise Facilities and Taxation on Imported Goods for Handling the Covid-19 Pandemic.
3. Minister of Finance Regulation Number 38/2020 concerning Implementation of State Financial Policies for Handling the COVID-19 Pandemic.
4. Regulation of the Minister of Finance Number 45/2020 concerning Procedures for Submitting Certificate of Origin or Invoice Declaration along with Complementary Customs Documents of Research Certificate of Origin in the Context of Imposing Import Duty Tariffs on Imported Goods Based on International Agreements or Agreements During the Covid-19 Pandemic.
5. Minister of Finance Regulation Number 65/2020 concerning Procedures for Providing Interest Subsidies / Margin Subsidies for Credit / Financing Micro, Small and Medium Enterprises in the Context of Supporting the Implementation of the National Economic Recovery Program.
6. f. Minister of Finance Regulation Number 85/2020 Concerning Procedures for Providing Interest Subsidies / Margin Subsidies for MSME Credit / Financing in Support of the Implementation of the PEN Program.
7. Minister of Finance Regulation Number 86/2020 Concerning Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic..
8. Minister of Finance Regulation Number 104/2020 concerning Fund Placement in the Context of Implementing the PEN Program.
9. Minister of Finance Regulation Number 110 of 2020 concerning Amendments to PMK 86/2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic

¹³² Potret UMKM Indonesia: Si Kecil yang Berperan Besar, <https://www.ukmindonesia.id/baca-artikel/62>.

TABLE 3 SCHEME THE PROTECTION AND THE RESTORATION OF THE MSME IN THE MIDST OF THE PANDEMIC COVID-19

Scheme	Subject	Form
Social Assistance	The MSME owners who is in poor category and is vulnerable to be affected by the COVID-19	Sign in as the recipient of the social assistance from the government
Tax Incentive	The MSME owners whose turnover is below Rp. 4,8 billion per year	0% of the final Income Tax rate for 6 months (April-September 2020)
Relaxation and Restructuring the MSME Credit	The Loans for MSME	6 months of postponement of the installments and interest subsidies
Special emergency working capital assistance stimulus for the MSME owners affected by the COVID-19	The MSME owners who have never received any financing from the financial institutions and the banking system	Special emergency working capital assistance stimulus for the MSME owners affected by the COVID-19
Business recovery and consolidation	The government through the Ministry, State Enterprise institution, and the regional government act as the buffer for the MSME ecosystem; especially, at the recovery and business consolidation stages after the COVID-19 pandemic	

F. New Normal Policy: Sailing to The New Horizon

One year since the issuance of the tax policy in response to the pandemic, the government has conducted several evaluations. In 2021, the Indonesian Government issued a Macroeconomic Framework (KEM) and the Fiscal Policy Principles (PPKF). Those documents is a form of the accountability for the implementation of the government's obligation to serve the people. This is in line with what is mandated in Article 13 paragraph 1 of the Constitution (UU) Number 17 of 2003 concerning the State Finances and Article 178 paragraph 2 of the Constitution Number 17 of 2014 concerning the People's Consultative Assembly (MPR), People's Representative Council (DPR), Regional Representative Council (DPD), and Regional House of Representatives (DPRD). The documents are used as the material for the Preliminary Discussions in the case of drafting the Financial Note, as well as the Indonesian Proposed Budget (RAPBN) to the House of Representatives (DPR). The KEM PPKF document for 2021 is an initial description as well as a scenario for the direction of the economic and fiscal policy in 2021.¹³³

In 2021, we still faces the same challenges as in 2020. Such as, the global uncertainty, the efforts to improve the quality of the human resources, both in terms of health, education and the prosperity levels. So that, within the future it requires structural reforms to rearrange the allocation of the national economic resources so as to form it more efficient and effective. The policies pursued by the govt in 2020 like , the stipulation of the govt Regulation in lieu of Law (Perppu) No.1 / 2020 and therefore the Presidential Regulation (Perpres) No. 54/2020 as a step to affect the COVID-19 pandemic and maintain the national economic conditions and therefore the economic system stability, become the important bases within the formulation of the economic policy in 2021.

In 2021, the Government will carry out some recovery efforts including fiscal reforms. So that, the fiscal policy 2021 focusing in "Accelerating the Economic Recovery and Strengthening the Reforms". The fiscal policy itself in 2021 directed to stimulate the economy to grow at a high level, as well as the investment and exports, encourage the innovation and strengthen the quality of the human resources, and encourage the national competitiveness, including the structural transformation. The fiscal policy is

¹³³ KERANGKA EKONOMI MAKRO DAN POKOK-POKOK KEBIJAKAN FISKAL TAHUN 2021 (Jakarta, 2021).

also directed to encourage the creation of healthier fiscal management, which is reflected in the optimization of the state revenues, higher quality spending (spending better), and creative, efficient and sustainable financing. Besides, the fiscal policy is also directed to be able to encourage the improvements in the government's financial balance.¹³⁴

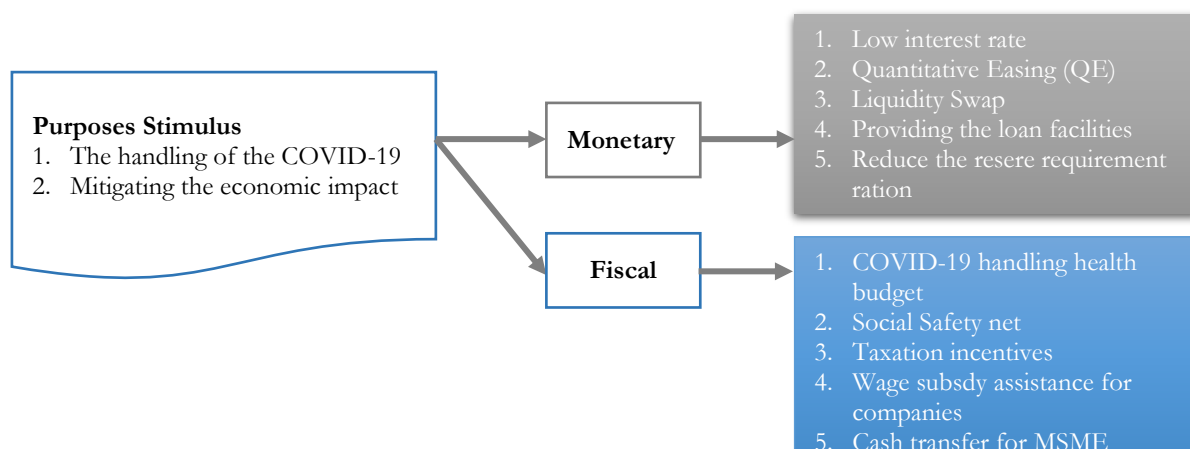


FIGURE 6 FORMS OF STIMULUS FOR HANDLING THE COVID-19 AND ITS IMPACT

The most significant impact of the COVID-19 is estimated to affect the baseline of the state revenue, both in terms of the Taxation and the Non-Tax Revenue. Regarding the tax revenue, it was estimated that in 2020 it would experience a significant decline. The decrease in the tax revenue was caused by several factors, including the following explanations:¹³⁵

1. The changes in the baseline for the tax realization in 2019 and the changes in the macroeconomic assumptions in 2020.
2. The Tax stimulus policies that directly reduce the tax revenues.
3. The Acceleration of the implementation of the Omnibus Law Taxation, e.g. the reducing of the corporate income tax rate from 25 percent to 22 percent.
4. The potential risk of a significant decline in the economic activity in the sectors which become the largest tax contributors.
5. Potential risks of slow economic recovery in 2020.

The tax revenues in 2020 experienced a significant decline. If the average of the tax ratio to the GDP ranges from 10.3 percent in 2014-2019, then in 2020 the tax ratio to the GDP is expected to decline, and only reach around 8.7 percent of the GDP. The Strategy to support the fiscal policy in 2021 is to encourage the national economic recovery process accompanied by the policy reforms, both in terms of the state revenue, state expenditure and financing. The Reform of the state revenue policy is aimed to encourage the mobilization of the state revenue, both in terms of taxation and non-tax revenue. So that, it can improve the investment and the national competitiveness. In terms of the state spending, refocusing on the state expenditure policies is aimed to encourage the more optimal and well-targeted allocation of the state expenditures. From the financing aspect, the policies are directed to support the exploration of the national financial market. So as, it can help to support the involvement of the public and the private sector in financing the national development. The role of the private sector is expected to continue to rise, as it is supported by the provision of the fiscal and non-fiscal incentives by the government.¹³⁶

¹³⁴ *Stimulus Fiskal.*

¹³⁵ *KERANGKA EKONOMI MAKRO DAN POKOK-POKOK KEBIJAKAN FISKAL TAHUN 2021* (Jakarta, 2021).

¹³⁶ *KERANGKA EKONOMI MAKRO DAN POKOK-POKOK KEBIJAKAN FISKAL TAHUN 2021* (Jakarta, 2021).

In order to increase the state revenue, particularly the tax acceptance, the government is making the efforts to expand the base of the taxation and improve the tax administration (See Table 4). As an initial stage, the Government will collect the taxes on Trade Through Electronic Systems or more popularly known as the e-commerce. In recent years, the online transactions have developed rapidly and have the potential to replace the conventional markets. For this reason, taxation on Trade Through Electronic Systems is expected to be an important source of the state revenue as it gives the large transaction value in the future. On the other hand, the efforts to increase the tax revenue can also be made from extending the new taxpayers based on the sector and region, and increasing the voluntary compliance of the taxpayers through the effective education and improved services.

TABLE 4 THE INDONESIA’S TAX REFORM

Objectives	Reform	Stages
Enhancing the national economic growth	Providing the incentives right on target	1. Evaluating the insentive given currently (Tax Expenditure) 2. Giving the new insentive selectively
	Reducing the load of the business activities	1. Increasing the EoDB 2. Minimizizing the unfair taxation 3. Establishing the National Logistic System (NLE) program
Enhancing the state revenue	<ol style="list-style-type: none"> 1. Adding new objects of taxation 2. Adding new subjects of taxation 3. Improving the voluntary compliance of the Tax Payer 4. Implementing the supervision and law enforcement 5. Improving the management and the administration 	<ol style="list-style-type: none"> 1. Increasing the number of the objects of the Value Added Tax (VAT) and Income Tax 2. Increasing the number of the objects of the excise (Extification of the BKC) 3. Implementing the extification of the new tax payer (Based on the sectors and region) 4. Improving a user friendly services based on the technology information 5. Improving the education and an efective public relation 6. Optimizing the use of the data and the risk management in supervision, inspection and law enforcement 7. Developing the use of the artificial intellegence and smart customs 8. Implementing the organizational reforms (probis, IT, database, organization, and HR)

Furthermore, the Government continues to improve the tax management and administration. By the growth of the technology, the use of new, more efficient ways of providing the tax services must be started immediately. Therefore, the improvement of the business processes, information technology, databases (core tax), organization, and the human resources is a part of the tax reform in the long run. These policy are expected to be able to bring changes for a better Indonesia's tax revenues. The optimization of the state revenue is carried out both in terms of the tax revenues and the non-tax revenue. In terms of the taxation, the Government continues to make various efforts to expand the tax base and the improvement of the tax management and administration in order to increase the tax ratio. In addition, the application of the Taxation in Omnibus Law and the provision of various fiscal incentives are expected to be able to encourage the escalation of the investment and the national competitiveness, accelerate the economic recovery after the COVID-19 pandemic, and spur the economic transformation.

G. Tax Performance Challenges

Compared to other countries, the tax ratio in Indonesia is still relatively low. This indicates that there is still a policy and compliance gap in the implementation of the national tax collection. The relatively large amount of the tax exemptions and tax incentives reflected in the tax spending have

influenced the Indonesia's tax ratio achievements in recent years. Besides, the existence of the tax avoidance and a high tendency for the informal activities that have not yet been captured in the tax system are also contributed to the achievement of the tax ratio that is less optimal. It is seen by the growth in the last five years that the tax revenue has grown by an average of 6.2 percent per year. During this period, the highest tax growth occurred in 2018, amounting to 13, 0 percent in line with the high price of the world oil and other mining commodities. In 2019, the taxation growth experienced the worst deceleration, reaching only 1.8 percent or the lowest in the last five years.¹³⁷

The fluctuating performance of the taxation indicates that the tax revenues are strongly influenced by the developments of the domestic economic activity and the performance of the international trade. From the domestic sphere, the growth of the certain economic sectors on which the tax revenues are based will determine the achievement of the tax revenue performance. Besides, the stability of the public consumption also affects the achievement of the tax revenues, particularly the VAT. Meanwhile, from the international trade sphere, the performance of tax revenues is strongly influenced by the dynamics of the import and export of the goods and services. The portion of tax revenue based on import activities is quite large. So that, the amount of the tax revenue is also determined by the fluctuation of the import volume and value, as well as the developments in the domestic and international economy. The performance of the tax revenue in the recent years has also been influenced by various tax policies implemented by the government. The performance of tax administration also directly affects the success of the tax collection in Indonesia. The improvement of the administration system and reinforcement of the tax database have a very significant effect on the supervision and enforcement of the taxpayer compliance.

H. Tax Omnibus Law

Taxation Omnibus Law is a new breakthrough taken by the Government, based on the fact that the tax regulations are often become a disincentive to do the investment. The tariff policy that is less competitive with the other countries, the imposition of the double taxes, and the complex tax administration have created additional costs (cost of funds) borne by the investors. Other than that, the Tax regulations that are often incompatible with the regional taxation regulations have made the investment climate in Indonesia less conducive to the business world. For this reason, the presence of the Tax Omnibus Law is expected to be a breakthrough that is beneficial for the community through the investment in productive sectors that absorb a lot of labor and sectors with high added value. This in turn is expected to be able to boost the national economy. The implementation of the Tax Omnibus Law which is expected to be effective in 2021 will of course have an impact to the state revenues, in this case a decrease in the tax revenues.

I. Concluding Remarks

Indonesian fiscal countermeasures can control the worst possibility of a pandemic with several policies that focus on handling a pandemic in the health sector and handling the impact of a pandemic on the economic sector. The legal framework in making fiscal policy made by the Indonesian government is able to encourage the issuance of a taxation sector policy that is responsive to the Covid 19 pandemic whose graph continues to rise throughout 2020. Existing policies still refer to the tax principles guidelines to avoid legal problems in the future, either for taxpayers and policy makers.

¹³⁷ *KERANGKA EKONOMI MAKRO DAN POKOK-POKOK KEBIJAKAN FISKAL TAHUN 2021* (Jakarta, 2021).