


**TAX REFORM IN INDONESIA: THE TRANSFORMATION FROM DIRECTORATE
GENERAL OF TAXES TO THE STATE REVENUE AGENCY**

Edy Sukarno^A



ARTICLE INFO	ABSTRACT
<p>Article history: Received: Jul, 08th 2024 Accepted: Sep, 06th 2024</p>	<p>Objective: This article is a critical review of tax reform in Indonesia which began in the early 1980s with various fundamental changes such as the formation of new laws, the start of the self-assessment tax collection system, organizational structure reform, modernization of the taxpayer service system. However, in reality, Indonesia's tax ratio, especially in the last 10 years, is still quite low compared to neighboring countries in ASEAN.</p>
<p>Keywords: State Revenue Agency; Tax Ratio; Tax Reform; Good Governance; Sustainable Fiscal.</p>	<p>Theoretical Framework: Positive theoretical relationship between tax revenue, tax ratio, tax reform and agenda setting of the establishment of the State Revenue Agency which is directly responsible to the president. The agenda setting of this tax issue is to describe the issues that are considered necessary to be implemented.</p>
	<p>Method: The research methodology used is a qualitative descriptive method. In conducting this study, researchers used primary data and secondary data. Primary data by interviewing several executive officials at the Directorate General of Taxes. While secondary data was obtained from the Annual Report, Performance Report and Financial Report of the Directorate General of Taxes during 2016 - 2023, scientific articles, books, information from the mass media or organizations (OECD, IMF, Asian Development Bank), and other relevant sources of information.</p>
	<p>Results and Discussion: This research finds out that the trend of the tax ratio after several decades of tax reform in Indonesia has fluctuated and tends to far away from Indonesia's ideal tax ratio of 15%. Therefore, it is important for the government to critically focus on the formation of a state revenue agency that is directly responsible to the president after several decades of the state revenue agency being responsible to the Ministry of Finance.</p>
	<p>Research Implications: It is recommended to implement a State Revenue Agency that is directly responsible to the president with a good governance concept to increase the tax ratio in Indonesia.</p>
	<p>Originality/Value: The change of government of the elected President in October 2024 is the right momentum to realize the formation of a state revenue agency that is directly responsible to the President which aims to increase state revenue, which will have an impact on increasing Indonesia's tax ratio, this will have social and economic benefits. And can be a new milestone for Indonesia in order to increase the ability to mobilize state revenue sources and increase the state's ability to realize Indonesia's development in the future.</p>
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^A Doctor in Management. Perbanas Institute. Jakarta, Indonesia.

E-mail: edy.sukarno@perbanas.id Orcid: <https://orcid.org/0009-0006-6875-1996>

REFORMA TRIBUTÁRIA NA INDONÉSIA: A TRANSFORMAÇÃO DA DIRETORIA GERAL DE IMPOSTOS PARA A AGÊNCIA DE RECEITA ESTADUAL**RESUMO**

Objetivo: Este artigo é uma revisão crítica da reforma tributária na Indonésia, que começou no início da década de 1980 com várias mudanças fundamentais, como a criação de novas leis, o início do sistema de cobrança de impostos por autoavaliação, a reforma da estrutura organizacional e a modernização do sistema de atendimento ao contribuinte. Entretanto, na realidade, o índice fiscal da Indonésia, especialmente nos últimos 10 anos, ainda é bastante baixo em comparação com os países vizinhos da ASEAN.

Estrutura Teórica: Relação teórica positiva entre receita tributária, índice tributário, reforma tributária e definição da agenda do estabelecimento da Agência de Receita Estadual, que é diretamente responsável perante o presidente. A definição da agenda dessa questão tributária consiste em descrever as questões que são consideradas necessárias para serem implementadas.

Método: A metodologia de pesquisa utilizada é um método descritivo qualitativo. Ao realizar esse estudo, os pesquisadores usaram dados primários e dados secundários. Os dados primários foram obtidos por meio de entrevistas com vários funcionários executivos da Diretoria Geral de Impostos. Os dados secundários foram obtidos do Relatório Anual, do Relatório de Desempenho e do Relatório Financeiro da Diretoria Geral de Impostos de 2016 a 2023, de artigos científicos, de livros, de informações da mídia de massa ou de organizações (OCDE, FMI, Banco Asiático de Desenvolvimento) e de outras fontes de informação relevantes.

Resultados e Discussão: Esta pesquisa descobriu que a tendência do índice fiscal após várias décadas de reforma tributária na Indonésia flutuou e tende a se distanciar do índice fiscal ideal da Indonésia de 15%. Portanto, é importante que o governo se concentre de forma crítica na formação de uma agência de receita estadual que seja diretamente responsável perante o presidente, após várias décadas em que a agência de receita estadual era responsável perante o Ministério da Fazenda.

Implicações da pesquisa: Recomenda-se a implementação de uma agência de receita estadual que seja diretamente responsável perante o presidente com um conceito de boa governança para aumentar o índice de impostos na Indonésia.

Originalidade/Valor: A mudança de governo do presidente eleito em outubro de 2024 é o momento certo para concretizar a formação de uma agência de receita estadual que seja diretamente responsável perante o presidente, com o objetivo de aumentar a receita estadual, o que terá um impacto no aumento do índice de impostos da Indonésia, o que trará benefícios sociais e econômicos. E pode ser um novo marco para a Indonésia, a fim de aumentar a capacidade de mobilizar fontes de receita do Estado e aumentar a capacidade do Estado de realizar o desenvolvimento da Indonésia no futuro.

Palavras-chave: Agência de Receitas Estaduais, Índice de Impostos, Reforma Tributária, Boa Governança, Orçamento Sustentável.

REFORMA FISCAL EN INDONESIA: LA TRANSFORMACIÓN DE LA DIRECCIÓN GENERAL DE IMPUESTOS EN LA AGENCIA ESTATAL DE INGRESOS**RESUMEN**

Objetivo: Este artículo es una revisión crítica de la reforma fiscal en Indonesia que comenzó a principios de los años ochenta con varios cambios fundamentales como la formación de nuevas leyes, el inicio del sistema de recaudación de impuestos por autoliquidación, la reforma de la estructura organizativa, la modernización del sistema de servicio al contribuyente. Sin embargo, en realidad, el coeficiente fiscal de Indonesia, especialmente en los últimos 10 años, sigue siendo bastante bajo en comparación con los países vecinos de la ASEAN.

Marco Teórico: Existe una relación teórica positiva entre los ingresos fiscales, el coeficiente fiscal, la reforma fiscal y el establecimiento de la Agencia Tributaria Estatal, que depende directamente del presidente. El establecimiento de la agenda de esta cuestión fiscal consiste en describir las cuestiones que se considera necesario aplicar.

Método: La metodología de investigación utilizada es un método cualitativo descriptivo. Para llevar a cabo este estudio, los investigadores utilizaron datos primarios y datos secundarios. Los datos primarios mediante entrevistas a varios funcionarios ejecutivos de la Dirección General de Impuestos. Mientras que los datos secundarios se obtuvieron del Informe Anual, Informe de Rendimiento e Informe Financiero de la Dirección General de Impuestos durante 2016 - 2023, artículos científicos, libros, información de los medios de comunicación u organizaciones (OCDE, FMI, Banco Asiático de Desarrollo), y otras fuentes de información relevantes.

Resultados y Discusión: Esta investigación descubre que la tendencia de la ratio fiscal tras varias décadas de reforma fiscal en Indonesia ha fluctuado y tiende a alejarse de la ratio fiscal ideal de Indonesia del 15%. Por lo tanto, es importante que el gobierno se centre críticamente en la formación de una agencia estatal de ingresos que

sea directamente responsable ante el presidente después de varias décadas en las que la agencia estatal de ingresos era responsable ante el Ministerio de Finanzas.

Implicaciones de la Investigación: Se recomienda implementar una Agencia Estatal de Ingresos que sea directamente responsable ante el presidente con un concepto de buena gobernanza para aumentar la proporción de impuestos en Indonesia.

Originalidad/Valor: El cambio de gobierno del presidente electo en octubre de 2024 es el momento adecuado para realizar la formación de una agencia de ingresos del Estado que sea directamente responsable ante el presidente que tiene como objetivo aumentar los ingresos del Estado, lo que tendrá un impacto en el aumento de la proporción de impuestos de Indonesia, esto tendrá beneficios sociales y económicos. Y puede ser un nuevo hito para Indonesia con el fin de aumentar la capacidad de movilizar las fuentes de ingresos del Estado y aumentar la capacidad del Estado para realizar el desarrollo de Indonesia en el futuro.

Palabras clave: Agencia Estatal de Ingresos, Ratio Fiscal, Reforma Fiscal, Buena Gobernanza, Fiscalidad Sostenible.

1 INTRODUCTION

According to the Maastricht Treaty, fiscal conditions are considered sustainable if the deficit ratio to the country's Gross Domestic Product (GDP) is less than 3 percent, and the debt ratio to GDP is less than 60 percent (Kamp et al., 2019). Given that the European Union (EU) still uses this standard, it is reasonable for Indonesia's fiscal condition to be assessed based on these criteria. The Ministry of Finance is committed to taking important steps to support a deeper fiscal policy and the expansion of existing state revenue instruments. The Directorate General of Taxes as an institution under the Ministry of Finance is given full authority to carry out the management of central tax collection. The types of taxes managed by the Directorate General of Taxes (DJP) include Income Tax, Value Added Tax (VAT), Sales Tax on Luxury Goods, and Land and Building Tax. In addition, the Directorate General of Taxes is also given authority for Stamp Duty and Land and Building Acquisition Rights (PBB). The tax revenue target imposed on the Directorate General of Taxes has increased from year to year. Tax revenue performance over the past 5 years has fluctuated, from 2018 to 2019 revenue increased, but in 2020 to 2021 tax revenue decreased due to the Covid-19 pandemic, but in 2022 to 2023 tax revenue increased again. In 2022, the government set domestic tax revenue at around 1,608.1 trillion rupiah (DGT Performance Report, 2023)

Meanwhile, in carrying out its mandate in the fiscal sector, the Directorate General of Taxes has not optimized its efficiency and effectiveness. This is reflected in the low tax ratio (the ratio of tax revenue to gross domestic product). Indonesia's tax ratio in the last two decades has only been around 10 percent. Meanwhile, with the current tax elasticity coefficient, every percent of economic growth is only able to increase tax revenue by 1.3 percent. Is the Directorate General of Taxes not disturbed by such facts as an institution that collects

Indonesian state revenue? Of course not, the Directorate General of Taxes has implemented tax reforms, the essence of which is to make changes to the tax system as a whole, covering the pillars of the organization, human resources, data-based technology, business processes, and tax regulations. The purpose of this reform is to make the Directorate General of Taxes a strong, credible, and accountable tax institution. The Directorate General of Taxes has implemented tax reforms in several stages, starting from 2000-2001 (stage 1). Up to the implementation of the current tax reform (stage 3), it can be said that the tax revenue target has been achieved in the last five years. However, with this achievement, Indonesia's tax ratio is still relatively low compared to ASEAN countries, Indonesia is only ahead of Laos. (DJP, 2021)

Tax reform cannot be implemented in a short time, based on the experience of several countries in the world that have successfully carried out tax reform, on average it takes 10 years to increase the tax ratio which leads to increased revenue (Wildan, 2023). However, with the fact that Indonesia's tax ratio has not experienced a significant increase for two decades, it raises the question of whether there are serious bureaucratic/governance problems that have been ignored by the Directorate General of Taxes? Tax reform can be said to be successful if it is able to create synergy in relations and cooperation between tax authorities, the community, and the business world, especially in the form of transparent, fair, and accountable public services (the realization of good governance). Tax reform will be successful if there is a change in mindset, a change in behavioral culture (culture set) and a change in bureaucratic management (Management set).

Taxes and non-tax state revenues are still the mainstay of national income, especially taxes. Taxes on average contribute around 80% of the total state budget. In addition, the role of taxes is very crucial in state finances because: (i) revenue for the implementation of government and basic services for citizens; (ii) equalizing state financial resources for poverty alleviation and equity; (iii) one way or space for the government to build accountability to citizens and space for citizens to be involved in policy; (iv) limiting bad public goods and increasing other public goods.

The cause is the ongoing state budget deficit. As a developing country, Indonesia has major constraints in managing all national resources. Therefore, these resources have not provided optimal contributions to the state budget. There are many negative inputs regarding the performance of the Directorate General of Taxes. However, continuous improvement must be carried out gradually. Increasing institutional integration, gradual modernization, strengthening the platform to monitor any non-compliance, developing the Single Population

Identification Number, developing the Tax Data Center, and providing training, have increased public trust. This has been demonstrated by the good results of the AC Nielsen survey (DJP, 2007) and his ability to convince the government to provide more support to the Directorate General of Taxes – namely. Currently, the President himself launches all amendments to the tax laws at the State Palace.

Handling of tax revenues in Indonesia cannot be separated from bureaucratic reform which is an effort to create a bureaucracy that is competent, professional, has integrity, has high performance, is free from fraud/corruption, is able to increase tax potential, aims to serve the community and adheres to the basic values and code of ethics of the apparatus.

2 THEORETICAL FRAMEWORK

Increasing tax revenue for Indonesia, which is currently seeking a solution to get out of the fiscal crisis, is one of the major challenges faced in efforts to maintain a sustainable fiscal policy and create fiscal stimulus for the sake of moving the community's economic activities. From the tax ratio indicator, it has not provided hope, which is also a challenge to achieving independence in financing development and governance in the future. In order to respond to the very rapid changes both at the national and international levels, it is necessary to make adjustments and improvements to the Tax Law.

According to the iceberg theory, understanding problems including problems faced by public organizations/government agencies, always begins with events that emerge in society. Based on these events, it can be stated what the tendencies or behavioral patterns of the events are. Based on this same behavioral pattern, it can then be found what the systemic structure of the emerging societal problems is. After the systemic structure of the problem from the event is found, the mental model as the root of the problem can be found. Based on the root of the problem, it can then be determined what strategic intervention framework (policy design) needs to be carried out to overcome the emerging problems. When the systemic structure has been intervened, the behavioral pattern of the problem will not be repeated. In this case, the events will automatically not emerge again in society (Widodo, 2018).

2.1 AGENDA SETTING

According to Kingdon (1984) in Baumgartner (2005), agenda setting is the activity of making public problems (tax problems) into policy problems. Agenda is a term that is generally used to describe an issue that is considered by the public to require action. Public problems are defined as problems that have broad consequences, including effects that affect people who are indirectly involved.

2.2 TAX RATIO

Taxation is a government instrument that has the power to influence and regulate a country's economic system (Yossinomita, 2022) because tax revenue is the largest source of income for a country (Milasi & Waldmann, 2018). The tax ratio is often used as an indicator to compare tax revenue with GDP. The tax ratio provides valuable insight into the overall tax burden on the economy, helping policymakers and economists understand the magnitude of taxes in relation to the scale of the economy. In a country, the tax ratio is influenced by 2 factors, namely; macro factors, which include tax rates, per capita income levels of the community, and the level of optimization of good governance implementation and micro factors, which include the level of taxpayer compliance in paying taxes, coordination between state institutions, and a common perception between taxpayers and the tax authorities.

The tax ratio is simply the ratio of tax revenue to a certain tax base, often gross national product (GNP) or GDP. The higher the tax ratio, the greater the role of taxes in a country's economy. The average tax ratio in developed countries is more than 30%, for example in Sweden the average tax ratio is above 50%. The OECD states that the tax ratio in Indonesia is still below the average for countries in the Asia Pacific region, which is 20%. Indonesia's tax ratio in 2021 was only 9.12%, the lowest tax ratio among the G20 and ASEAN countries (OECD, 2023). According to data from the Ministry of Finance, the pure tax ratio is only 7.52%, without import duties and excise.

Indonesia's tax ratio is still low. Data as of 2020, Indonesia's tax ratio to GDP is around 8.1 percent and state revenue to GDP is 10.4 percent. This ratio is relatively low when compared to the average of African countries (17.2 percent), Latin American and Caribbean countries (23.1 percent), and OECD countries (34.3 percent). Thus, the government, especially in this

case the Directorate General of Taxes, Ministry of Finance, has a tough job to increase the tax ratio in the medium term (OECD, 2024).

Tax-to-GDP ratio in 2022 compared to other Asia Pacific countries and the regional average, states that Indonesia's tax-to-GDP ratio is 12.1%, below the Asia Pacific average (36) of 19.3% by 7.3 percentage points (OECD 2024). This figure is also 22.0 percentage points lower than the OECD average (34.0%). Indonesia's tax ratio is still low compared to other ASEAN and G-20 countries. This is also another reason why tax reform is needed

2.3 TAX REFORM

Achieving optimal tax revenue is not easy for a developing country like Indonesia. Therefore, the Directorate General of Taxes (DGT) as the Indonesian tax authority, has implemented several tax reforms programs for more than 40 years in the hope of increasing the effectiveness of tax revenue collection. The Law on Harmonization of Tax Regulations which was passed on October 7, 2021 is the government's commitment to carry out comprehensive fiscal policy reform (Ministry of Finance of the Republic of Indonesia, 2021). Mankiw (2000) defines fiscal policy as "The government's choice regarding levels of spending and taxation". Tax reform is expected to generate optimal state revenue and create good synergy between institutions, high taxpayer compliance, and achieve a higher tax ratio.

Tax reform is expected to generate optimal state revenue and create good synergy between institutions, high taxpayer compliance, and to achieve a higher tax ratio. According to the Directorate General of Taxes (2024), there are 5 reasons why tax reform needs to be carried out.

1. the level of taxpayer compliance is still low;
2. the target for tax revenue increases every year;
3. the number of human resources is not comparable to the increase in the number of taxpayers. Difficulties in supervision and law enforcement;
4. the development of the digital economy and technological advances is very rapid
5. Regulations that anticipate the development of trade transactions.

In other words, tax reform is implemented because, like regulations in general, tax regulations are a very influential foundation in determining the direction of government policy in taxation. A strong foundation, in the form of reliable tax base data and information and tax compliance mapping, is expected to improve tax compliance. Because this foundation is the main capital for determining the future direction of tax strategy. In relation to this, the direction

of fiscal policy change is no longer sufficient and stops at the position of minimum government intervention (Minimalist Government Intervention) but must reach a policy formulation that creates and develops synergy between the government and private sectors. Therefore, fiscal policy reform is directed to stimulate the realization of the conditions of 'get price right', get all policies right', and 'get institutions right' in the Indonesian economy (Subiyantoro, 2004).

2.4 TAX ADMINISTRATION

According to Nasucha (2004), tax administration reform is the refinement or improvement of administrative performance, both individually, in groups, and institutionally, to be more efficient, economical, and fast. The two main tasks of tax administration reform are to achieve high effectiveness, namely the ability to achieve a high level of compliance and efficiency in the form of the ability to minimize administrative costs per unit of tax revenue. Nasucha (2004) stated that in order for tax administration reform to be successful, what is needed includes 1) Simplified tax structure for ease, compliance, and administration, 2) A suitable reform strategy must be developed. 3) Strong political commitment to improving tax administration. And there are four dimensions of tax administration reform which are: 1) Organizational structure, 2) Organizational procedures, 3) Organizational strategy and 4) Organizational culture

2.4.1 Tax reform of organizational structure

To implement changes more effectively and efficiently, while achieving the desired state revenue goals, adjusting the DJP organizational structure is a step that must be taken and is quite strategic in nature. Furthermore, the organizational structure must also be given sufficient flexibility to always be able to adapt to the very dynamic external environment, including developments in the business world and technology. To implement the concept of modern tax administration that is oriented towards service and state revenue, the DJP organizational structure needs to be changed, both at the head office level as a policy maker and at the operational office level as an implementer of policy implementation

2.4.2 State revenue agency reform of business process and information technology

The key to improving the complicated bureaucracy is improving the business process, which includes methods, systems, and work procedures. Therefore, improving the business process is an important pillar of the DJP modernization program, which is directed at implementing full automation by utilizing information and communication technology, especially for clerical work. It is expected that with full automation, an efficient and effective business process will be created because administration becomes fast, easy, accurate, and paperless, so that it can improve services to Taxpayers, both in terms of quality and time.

2.4.3 State revenue agency reform of human resource management

The focus of this reform program is improving the HR system and management, and the changes made are planned to be more comprehensive. This is necessary and urgent to do, because it is realized that the most important element of an organizational system is its people. No matter how sophisticated the structure, system, information technology, methods and workflow of an organization, all of that will not be able to run optimally without the support of capable and integrated Human Resources (Sukarno et al., 2023).

2.4.4 State revenue agency reform of good governance

An organization and its system will run well when there are clear guidelines to guide the implementation of its tasks and work, and more importantly, the consistency of the implementation of these guidelines. In organizational practice, good governance is usually associated with internal control mechanisms that aim to minimize the occurrence of deviations or abuses in the state revenue agency organization, whether carried out by employees or other parties, whether intentionally or not. For this reason, the modernization of the implementation of good governance in the state revenue agency must be carried out consistently.

2.5 BUREAUCRACY

According to Max Webber (1947), bureaucracy is a large organization that has rational legal authority, legitimacy, has a division of labor, and is imperative. Literally, the term

bureaucracy itself was introduced by the French philosophers Baron de Grimm and Vincent de Gournay from the word "bureau" which means desk, where officials (at that time) worked behind it (Albrow, 1970). The words bureaucratie (French), burocratie (German), burocrazia (Italian) and bureaucracy (English). These terms are then used to indicate the understanding of an organ/institution implementing government activities in a country, as defined by Hague, Harrop & Breslin (1998) that bureaucracy is "an organization consisting of salaried officials who conduct the detailed business of government, advising on and applying policy decisions". According to Beetham (1987), Bureaucracy is "an institution in the State sector that has the characteristics of having obligations, having a relationship with the law and being related to accountability to the public in carrying out its duties.

Bureaucratic institutions are the engine room of the State. Inside it are people (officials) who are paid and employed by the State to provide advice and implement State political policies. Although theoretically the definition of bureaucracy can be understood simply as a state apparatus, bureaucracy occupies a very important position and at the same time becomes the most needed institution (the most important dominant institution) in society. Bureaucracy is often referred to as a government agency/sector, or in English it is called the public sector, or also public service or public administration. This concept includes institutions or people whose income comes directly or indirectly from state or people's money which is usually listed in the State Revenue and Expenditure Budget or Regional Revenue and Expenditure Budget). However, in many countries, there are several groups of professions such as teachers, State Own Enterprises employees, the armed forces, who although their income comes from state money, are not included as part of the government agency or public sector.

Bureaucracy is a form of organization characterized by hierarchy, role specialization, and a high level of competence demonstrated by officials trained to fill the role. (Friedrich, 1963). This concept equates bureaucracy between the structure of government organizations with administrative processes or functions. In relation to good governance, bureaucrats in Indonesia have not been able to show the face of good governance in their services. The characteristics of good governance as stated by UNDP have not been met. (UNDP, 1997). The lack of transparency of information (regarding work procedures and services) and the use of the budget, low accountability, and low levels of participation indicates a failure to achieve good governance. As a result of the failure to achieve good governance, various forms of violations occur that are clearly visible in every public service (fiscal).

Bureaucratic reform is one of the demands that arose in the reform era. In the implementation of state administration, demands for bureaucratic reform do not only arise from the political world, but also from the legal world. Law enforcement officers are of the opinion that law enforcement will be able to run well if there is significant support from bureaucrats. Reform, in fact, must be seen in a broad theoretical and empirical framework, including strengthening civil society, the rule of law, economic development strategies and political development that are interrelated and influence each other. Thus, bureaucratic reform is also an inseparable part of the current efforts to consolidate Indonesian democracy. However, it must be admitted that the transition from an authoritarian system that lasted more than 30 years during the New Order government to a more democratic system today is a very difficult period for the bureaucratic reform process. Moreover, if it is associated with the quality of government bureaucracy and the realization of central autonomy of accountability, as well as the rampant abuse of authority in the government bureaucracy which is estimated to be increasingly systemic and even evenly distributed to the regions.

2.6 SUSTAINABLE FISCAL

Sustainable fiscal conditions mean that government development programs can be realized. This will help spur economic growth. At the same time, investors will assess that the possibility of the government defaulting on its debt obligations, including bond interest, will not be significant. Fiscal sustainability is a long-term concept. Ideally, fiscal sustainability cannot be assessed by simply looking at the budget conditions of one year. However, given the relatively short time horizon of the government and investors, the sustainability of fiscal conditions is generally assessed by analyzing the annual budget (Sadewa, 2008).

2.7 STATED BUDGET

Budget is the core of state finance or public finance. Public Finance is defined by Aronson (1985) as: "The financial activities of government and public authorities, and describes and analyzes government expenditures and the techniques used by the government to finance these expenditures". In general, the general purpose of public finance is to provide information on financial plans to be achieved through the budget.

2.8 AUTONOMY OF THE STATE REVENUE AGENCY

Autonomy is “the power that entities within a State have to be governed by their own regulations and governing bodies.” In other words, autonomy is the degree to which public institutions can operate independently of the current government in terms of legal form and status, financing, budget, personnel policies, and administrative practices (Royal Spanish Academy in Saavedra, 2024)

Tax Administration Autonomy according to Saavedra (2024) refers to several dimensions as follows: a) can prepare and can change the budget, b) independent Human Resource Policy and Management, c) can develop its own strategic planning process. d) can define its own organizational structure. e) subject to strict external accountability mechanisms. f) In some conditions, has a Board of Directors that has the authority to set general policies and strategies. g) strengthening the stability of the position of the Board of Directors at the managerial level.

Autonomy in the context of public sector administration usually refers to the extent to which a government department or agency is able to operate independently of the government, in terms of legal form and status, funding and budget, and financial, human resource, and administrative practices (Crandall, 2010).

As the principal government agency responsible for revenue collection in nearly every economy, national revenue agencies play a critical role in providing the funding needed for government programs and services, and in supporting the stable functioning of the economy and society in general. The scale and complexity of a revenue agency’s mandate cannot be overstated. Taxes are inherently complex and, particularly in relation to major taxes, their administration often touches a large number of citizens and/or businesses. These challenges are compounded in developing countries where tax literacy tends to be low, poverty is high, and revenue agencies often have to carry out their work with limited resources. In addition to the challenges associated with encouraging high levels of voluntary compliance, revenue agencies must be responsive to their governments’ decisions regarding the implementation of new and changing tax policies, while also remaining vigilant and responsive to their rapidly changing environment, in particular, the challenges and risks arising from globalization and the increasing mobility of the tax base and taxpayers.

Therefore, to achieve high standards of performance, revenue agencies must be equipped with adequate powers and autonomy, as well as adequate skilled staff and other

resources necessary to carry out their mandates. At the same time, as part of the wider public sector, revenue agencies are subject to government laws and regulations, checks and balances, and codes of conduct, and must be seen to operate fairly and impartially, while also demonstrating an appropriate level of accountability for their performance. These considerations raise many important issues and questions, in particular: (i) What are the appropriate institutional and organizational design arrangements for a national tax administration? (ii) What are the essential features of the governance arrangements that must be in place for an effective and efficient revenue administration?

3 METHODOLOGY

This research is a Qualitative Descriptive method with a Phenomenology study approach. According to Creswell (2018), Descriptive Qualitative research is a research design where the researcher surveys the people to describe the attitudes, opinions, behaviors, or characteristics that concerns with the problem exist recently. Descriptive research is "research that seeks to describe a symptom, event, event that is happening at the present time" (Sudjana et al. 2004). And Sekaran et al (2016) stated that descriptive study is research that describe the variables in a situation of interest to the researcher. Phenomenological research tries to explain/reveal the meaning of concepts or phenomena of experience based on the awareness that occurs in several people/apparatus. It is carried out in a natural situation so that there are no limitations in understanding the phenomena being studied. Husserl in Widianingsih (2018) argues that human phenomena cannot be explained through pure scientific methods. This is because humans do not only react to external stimuli, but also to their internal interpretation of something. In this study, there are two measures of research quality applied, namely validity and reliability. As for the quality measurement criteria, this study refers to the concept of Lincoln and Guba (1989), that the criteria include; credibility, transferability (applicability or transferability), dependability (Dependability or consistency) and Confirmability (confirmability).

In conducting this research, researchers used primary data and secondary data. Primary data by conduct in-depth interviewing several executive officials at the Directorate General of Taxes to find common themes among the experiences. While secondary data was obtained from the Annual Report, Performance Report and Financial Report of the Directorate General of Taxes during 2016 - 2023, scientific articles, books, information from the mass media or organizations (OECD, IMF, Asian Development Bank) and other relevant sources of

information. Researcher focus on the concept of establishing a state revenue agency that is directly responsible to the president as an effort to increase Indonesia's tax ratio which has not reached the ideal tax ratio level.

Data collection activities in this study were carried out by researchers after determining the main informants and data collection which relied on data triangulation resulting from three methods, namely observation, interviews, documentation. The data taken is in the form of mindset, perceptions and experiences of informant and other relevant supporting data to complete and to increase the possibility that this research phenomenon is understood from several perspectives (points of view). Researcher uses a questionnaire to informant who take part to determine their opinion of current DGT as a state revenue agency and followed by in-depth interviews. Then researcher analyze the practice of business process bureaucracy in DGT. The tax ratio analyzed by a quantitative analysis. Furthermore, a comprehensive analysis was carried out to analyze the important of a state revenue agency outside the Ministry of Finance and directly report to the President.

4 RESULT AND DISCUSSION

Increasing tax revenue for Indonesia, which is currently seeking a solution to get out of the fiscal crisis, is one of the major challenges faced in efforts to maintain a sustainable fiscal policy and create fiscal stimulus for the sake of moving the community's economic activities. From the tax ratio indicator, it has not provided hope, which is also a challenge to achieving independence in financing development and governance in the future. In order to respond to the very rapid changes both at the national and international levels, it is necessary to make adjustments and improvements to the Tax Law.

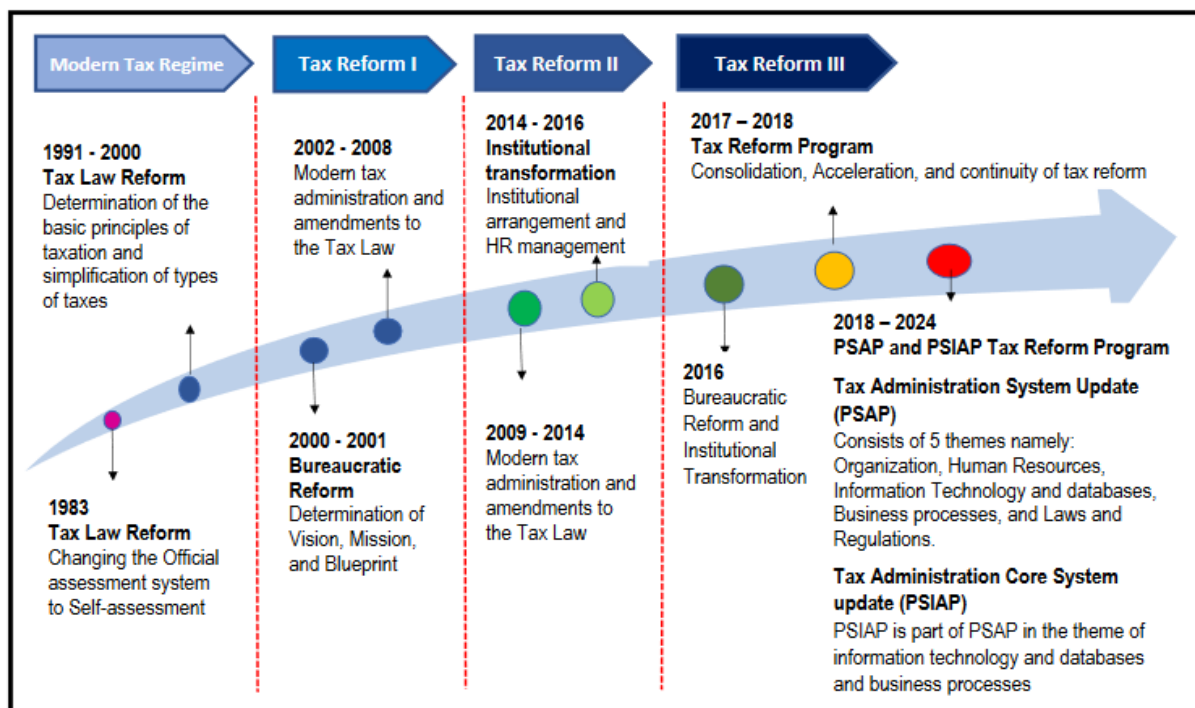
Researcher realizes that the concepts of fiscal and taxation techniques developed in developing countries will not automatically provide the same results in societies with different structures. This difference in structure causes the assumptions behind these concepts not to always apply. For example, the ineffectiveness of the tax audit system for tax payers, in the researcher's opinion, is mainly due to the system being implemented in a condition where the assumptions that are usually behind it, are not actually all there. Therefore, in applying these concepts and techniques, socio-cultural factors and socio-psychological factors that exist in the society concerned must be included. It is regrettable that these issues (organizational patterns,

eladership patterns, superior-subordinate relationships, motivation and morals/ethics, public perception of certain habits, and so on) have not yet been studied carefully in Indonesia.

In economics, there is a tax ratio indicator that compares tax revenues with gross domestic product to show the government's ability to collect tax revenues. Taxes are the main factor in filling state revenues in the APBN. Every year the tax target always increases along with the increase in Indonesia's economic growth. Although the spike in tax revenues over the past 10 years has been quite significant, many parties consider that optimization of the tax sector needs to be improved. In economics, there is a tax ratio indicator that compares tax revenues with gross domestic product to show the government's ability to collect tax revenues.

Figure 1

DGT's Reform Journey



Source: DGT's Annual Report (2022).

4.1 INDONESIA'S TAX RATIO

The main factor of Indonesia's low tax ratio is ineffective tax collection, followed by economic structure factors, economic policies, tax collection effectiveness, taxpayer compliance, and stakeholder support. The higher the tax ratio, the greater the role of taxes in a country's economy.

Figure 2*Fluctuation Indonesia Tax Ratio*

Based on Figure 1 of Indonesia's tax ratio above, it can be seen that the of Indonesia's tax ratio in the last ten years has fluctuated between 8 – 13 percent, where this condition is one of the lowest achievements in the ASEAN region. Indonesia's tax ratio has fluctuated and tended to decline to decline in the last 10 years, this figure is very slow when compared to neighboring ASEAN countries such as Malaysia and Vietnam. Especially when compared to the tax ratio of developed countries.

The average tax ratio in developed countries is more than 30%, for example in Sweden, the average tax ratio is above 50%. According to the Organization for Economic Co-operation and Development (OECD) (2023), stated that the tax ratio in Indonesia is still below the average for countries in the Asia Pacific region, which is 20%. Indonesia's tax ratio in 2021 was only 9.11%, the lowest tax ratio among the G20 and ASEAN countries (OECD, 2023). According to data from the Ministry of Finance (2022), the pure tax ratio is only 7.52%, without customs and excise.

Substantially increasing government revenue levels in a sustainable manner is crucial for Indonesia to finance the additional spending that is essential for the economic growth and development. With a general government tax revenue to GDP ratio of just over 11 percent, Indonesia is the lowest among the Group of Twenty (G20) countries and lags behind other emerging market economies. According to Moij (2018), empirical evidence suggests that countries beyond this critical point because they constrain opportunities for productive government spending. Therefore, adopting a medium-term approach to raising revenues will be critical to achieve the revenue level changes that Indonesia needs.

By understanding the causes of Indonesia's low tax ratio in relation to optimizing state revenue, institutional innovations such as the establishment of a state revenue agency that is directly responsible to the president can create a more effective and efficient mechanism to mobilize other potential state revenues. We can see the Establishment of a Tax Revenue Agency that is directly responsible to the president with a semi-autonomous revenue authority model has been implemented by many countries such as the United States, China, and New Zealand.

4.2 INDONESIA'S TAX REVENUE

Tax is a major factor in filling state revenue in the Stated Budget. Every year the tax target always increases along with the increase in Indonesia's economic growth. Although the spike in tax revenue over the past 10 years has been quite significant, many parties see that optimization of the tax sector needs to be improved.

Table 1

Percentage of Tax Revenue to State Revenue 2018 to 2023 (in trillion Rupiah)

Description	2018	2019	2020	2021	2022	APBN 2023	Perpres 75/2023
Tax Revenue	1313.3	1332.7	1072.1	1278.6	1608.1	1718	1818.2
Customs and Excise	205.5	213.5	213	269.2	316.8	303.2	300.1
Non-Tax State Revenue	409.3	409	343.8	458.5	510.9	441.4	515.8
Grants	15.6	5.5	18.8	5	1	0.4	0.4
Total State Revenue	1943.7	1960.6	647.8	2011.3	2436.9	2463.0	2634.5

Source: Compilation data from DGT's Performance Report (2020, 2021, 2022, 2023).

From the display of Table 2, it can be seen that every year the contribution of tax revenue in the APBN continues to increase, although in 2020 tax revenue experienced a fairly sharp decline of 16.9% from the previous year's achievement due to the Covid-19 pandemic. However, along with the national economic recovery, tax revenue has gradually increased, even surpassing the achievement of tax revenue before the pandemic in 2019 of 1,547.8 T in 2021 vs 1546.1 T in 2019.

Tax reform in Indonesia accompanied by the separation of the Directorate General of Taxes from the Ministry of Finance in the good governance scheme requires strategies and action programs that are directed at the process of change and achievement of targets which in principle include: (a) actualization of values, which underlie and become a reference for the behavior of

the state administration and bureaucratic system and process, which are directed at achieving the goals of the nation and state, (b) structure - in the form of fiscal and community institutional arrangements in each territorial unit, (c) management processes in all their functions, in the dynamics of public and private activities and entities (business and society), and (d) human resources in the structure with certain positions, rights, obligations, and responsibilities. All of this is developed in order to carry out the struggle of the State Revenue Agency to realize the ideals and goals of the Republic of Indonesia, the realization of good, efficient and effective, clean, responsible and free from corruption, collusion and nepotism governance.

5 CONCLUSIONS

The function of tax is not only to collect state revenue (budgetary function). However, there are also other objectives of implementing tax policies, namely to encourage economic growth and equality (regularend function). The outcome of the policy regulation is expected to be able to realize the achievement of welfare and justice according to the mandate of the opening of the 1945 Constitution of the Republic of Indonesia

The establishment of a state revenue agency that is directly responsible to the president is a form of reform to the organizational structure, organizational procedures, organizational strategies and organizational culture that will greatly influence the orientation and governance of state revenues, both from taxes and non-taxes. This is in line with the vision and mission of realizing the achievement of prosperity and justice for all Indonesian people. So far, the idea of separating the DJP from the Ministry of Finance has not been implemented, only as a discourse. Indonesia's performance tax ratio over the past 10 years has fluctuated and tended to be low, it seems difficult to climb to reach the ideal tax ratio level of 15%.

Now is the right momentum to realize the formation of a state revenue agency that is directly responsible to the president, where in October 2024 there will be a transition of government. The realization of a State Revenue Agency that is directly responsible to the President has the potential to increase state revenue. And increasing state revenue will have an impact on increasing the tax ratio which will have a significant impact on the Indonesian government, there will be social and economic benefits from this. And it can be a new milestone for Indonesia in order to increase the ability to mobilize state revenue sources and increase the state's ability to realize Indonesia's future development

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