

Effectiveness of Tax Regulation Harmonization

I Gusti Agung Prama Yoga¹, Desak Rurik Pradnya Paramitha Nida²,
I Wayan Chandra Adyatma³

¹Faculty of Economics and Business, Warmadewa University

^{2,3}Warmadewa University Vocational School, Bali, Indonesia



ABSTRACT: The tax harmonization law is one of the efforts to maximize state revenues after the pandemic. Effectiveness is assessed from the extent to which the HPP law is able to achieve the expectations it is intended for. This research was conducted in Bali, 2022 using a narrative FGD method involving the DGT, Tax Consultants, and Taxpayers as informants, and involving 50 respondents as samples to strengthen the results of the FGD. The result of this research is that the government's socialization regarding the HPP Law can be conveyed well. The HPP Law is not fully capable of increasing growth and supporting the acceleration of economic recovery, but it is one of the government's efforts by stimulating, subsidizing MSMEs and businesses engaged in the basic needs of the community. State revenues during the pandemic tend to decline in line with the global economic downturn. However, with the HPP Law, the government is able to achieve the target of acceptance, one of which is voluntary disclosure. The HPP Law is also able to realize a tax system that is fair and with legal certainty and can realize the implementation of administrative reforms, consolidated tax policies, and the expansion of the tax base, as well as increasing voluntary compliance. So the harmonization of tax regulations is effective.

KEYWORDS: participation, tax harmonization, tax law, voluntary disclosure, government stimulation, economic recovery

PRELIMINARY

Payment of taxes is a manifestation of state obligations and the participation of taxpayers to directly and jointly carry out tax obligations for state financing and national development. In accordance with the philosophy of tax law, paying taxes is not only an obligation, but is the right of every citizen to participate in the form of participation in state financing and national development (Darma & Saputra, 2021). In Indonesia, this pandemic until the end of 2021 is still the main sentiment of state revenue from taxes. However, the government must continue to carry out two tax functions as budgetair and regular (Mardiasmo, 2018). Pande Putu Oka, as the executor of the Task (Plt) of the Head of the State Revenue Center of the Fiscal Policy Agency said that in tackling the dynamics and support of the national economy, tax policies related to optimizing revenue are focused on six aspects, including:

1. More precise and measurable fiscal incentives.
2. Relaxing procedures to speed up economic recovery
3. Completion of tax regulations
4. Provide incentives for vocational and R&D and protection for the community and protection
5. Optimizing tax revenue through the expansion of the tax base by increasing voluntary compliance, fair law enforcement and supervision, organizational reform, HR, IT, and business process and regulatory databases.
6. Developing digital-based customs and excise services as well as extensifying excisable goods.

After the COVID-19 pandemic, the government implemented policies to stimulate the economy. In addition to policies related to the health sector, the government also makes *Initial Response policies* (initial responses), policies in the social sector, export-import policies, MSMEs (micro, small, and medium enterprises), law, and tax policies, namely fiscal policies and tax incentives (Ministry of Foreign Affairs of the Republic of Indonesia, 2020). The House of Representatives (DPR) has ratified the Draft Law (RUU) on the Harmonization of Tax Regulations (HPP), previously known as the Bill on General Provisions and Tax Procedures (RUU KUP), which regulates a number of new tax regulations as one of the ways the government reforms the tax system. Until finally on October 29, 2021, the President of the Republic of Indonesia ratified the HPP Bill into a Law (Putri & Saputra, 2022). This law consists of nine chapters and has six regulatory scopes, namely General Provisions and Tax Procedures (KUP), Income Tax (PPH), Value Added Tax (PPN), Voluntary Disclosure Program (PPS), Carbon Tax, and Excise (Larasdiputra & Saputra, 2021). The law is aimed at increasing sustainable economic growth and supporting the acceleration of economic recovery, optimizing state revenues to finance national development independently towards a just, prosperous and prosperous Indonesian society, realizing a tax system that is more just and legal with certainty, implementing administrative reforms, tax policies consolidation, and expansion of the tax base, as well as increasing taxpayer compliance (Putri & Saputra, 2022).

Effectiveness of Tax Regulation Harmonization

The majority of countries in the Southeast Asia Region focus on tax policies related to corporate income tax. In addition, the majority of countries in the Southeast Asia Region issue tax policies that focus on increasing corporate cash flow through the provision of tax incentives in the form of deferral of tax payments during the initial period of the pandemic and tax reductions during the economic recovery period (Priliandani & Saputra, 2019). The business sector which is the main focus of tax policy during the pandemic in the Southeast Asia Region is the largest contributor to gross domestic product and the sector most affected by social restrictions or *lockdowns* (Arham, 2021).

Table 1. Mapping of Tax Policy by Type of Tax

Country	Tax Type					
	PIT	CIT	Property Tax	VAT	Other Consumption Tax	Other
Philippines		V		V		
Indonesia	V	V		V	V	V
Cambodia	V	V	V		V	V
Laos	V	V			V	0
Malaysia	V	V				V
Myanmar	V	V				V
Singapore		V	V			V
Thailand		V		V	V	V
Vietnamese	V	V		V		

*Note: V = do the policy.

Source: Processed from OECD

If seen from the table above, the State of Indonesia is a country in the Southeast Asia region that carries out tax policies in many sectors when compared to other countries. Seeing this, the effectiveness of the implementation of this policy is very important to be reviewed. Are the many policies implemented by the government able to have a positive impact on the global economic recovery in Indonesia?. So with this, this researcher examines how taxation policies are able to have an effect on the economy by examining the opinions of parties and stakeholders related to the effectiveness of the implementation of harmonization of tax regulations, especially in Bali (Gaughan & Javalgi, 2018). Bali is one of the regions in Indonesia that has a large tax potential. However, almost most of Bali's economic lines are in the tourism sector, which is heavily affected by the global covid 19 pandemic (Darma & Saputra, 2021). Many companies have fallen, due to declining company income which has also eroded regional income from taxes. The difficulties experienced by entrepreneurs are not only limited to future tax bills, but entrepreneurs also have difficulty fulfilling past tax obligations due to disruption of the company's cash flow due to various unexpected and inevitable factors (Putri & Saputra, 2022). The harmonization of tax regulations is expected to be able to provide solutions and mediate conflicts between the difficulties experienced by business owners and the government authorities (Velte, 2019). This study will also examine whether each of the applied rules has been socialized to the maximum, to the public as taxpayers, as well as the DGT (Directorate General of Taxes) as a whole from the bottom line to the top as a collector. so, from the presentation that has been delivered, this research raises the topic of the effectiveness of harmonization of tax regulations from the point of view of related parties.

RESEARCH METHODS

This research is an informative narrative qualitative research with descriptive analysis technique through *framing analysis* (Byun et al., 2021). This study uses a narrative *focus group discussion* (FGD) (International Finance Corporation, 2010). FGD is a data collection technique that is generally carried out in qualitative descriptive informative research with the aim of finding the meaning of a theme according to the understanding of a group. FGDs were conducted by involving related parties in this research (Nimri et al., 2017). This technique is used to reveal the meaning of a group based on the results of a discussion centered on a *focus group discussion problem* to avoid the wrong meaning of a researcher to the focus of the problem being studied. Narrative FGD is meant to discuss the results with the narrative of the results of the FGD. Furthermore, researchers will also distribute questionnaires related to research using *purposive sampling method* with several criteria. In addition to the FGD, 50 questionnaires were distributed to respondents with the criteria of a minimum age of 25 years, already having income and having a TIN. The results of the answers to the questionnaire containing statements and opinions strongly disagree, disagree, hesitate, agree and strongly agree. The data will not be processed in a spp basis but as a supporter of the results of the FGD discussions and compared.

RESULTS AND DISCUSSION

The results of this study are data in the form of opinions from informants regarding the effectiveness of tax harmonization. This study examines the effectiveness of the law on harmonization of tax regulations. Effectiveness can be interpreted as a measure of

Effectiveness of Tax Regulation Harmonization

success or failure in achieving goals. If the goal is successful, it can be assessed as effective. (Ulum, 2010). The effectiveness in this research is measured by the success or failure of the tax harmonization law as a tool to achieve the goal. Respondents in this study amounted to 10 people, 2 people are employees of the DGT, and 3 tax professionals (consulting services) and 5 entrepreneurs, private employees who already have a TIN, are registered with the DGT. The results of the answers from the informants were discussed in the FGD forum and conclusions were drawn. In addition, 50 questionnaires were distributed containing statements related to opinions regarding the effectiveness of tax harmonization. The results of the answers from the respondents through the questionnaire will be compared with the results of the FGD. The following is the conclusion of the FGD:

QUESTION 1:

Do you know and clearly the contents of the tax harmonization Act?

Only 1 in 10 informants did not know the contents of the tax harmonization law. This value is also supported by a questionnaire distributed with the same question. 80% of respondents already know the contents of the HPP Law, while 10% do not know the HPP Law and 10% are still unsure. Broadly speaking, the public already knows the HPP Law. Especially people who have expertise in the field of taxation, entrepreneurs who have consultants, or entrepreneurs and employees who have access and interest in the tax law. Only a small number are not aware of the HPP Law. This proves that the socialization carried out by the DGT has been effective, so that the information and contents of the HPP Law can be conveyed properly to the public.

QUESTION 2:

In your opinion, can the HPP Law increase growth and support the acceleration of economic recovery?

Not all parties believe that the HPP Law will have a real impact on accelerating economic recovery. However, they confirmed that the HPP Law was one of the government's efforts in accelerating economic recovery. Opinion of this discussion is also supported by the results of the questionnaire, the results of which are almost in line. Whereas 58% of respondents agreed that the HPP Law could increase growth and support the acceleration of economic recovery, only 8% answered no and the rest were in doubt. The HPP Law is not directly felt by the wider community. However, in terms of data, the HPP Law was able to succeed in the government's efforts to increase growth and support the acceleration of economic recovery (Şerbu, 2014).

QUESTION 3:

In your opinion, can the HPP Law optimize state revenues?

During the WP pandemic, it was very difficult to get a source of income, due to declining income, even layoffs. The decrease in income will be in line with the decrease in tax obligations that must be paid. So in general, the main income of the state also decreased. The HPP Law is the government's effort to maximize state revenues. From the table below, it can be seen that the tax ratio has increased with the enactment of the HPP Law. This opinion is also supported by 84% of respondents who believe that the law will be able to maximize state revenues. Quoted from the tax magazine, the Directorate General of Taxes (DGT) of the Ministry of Finance of the Republic of Indonesia seeks to meet the tax revenue target in the 2022 State Revenue and Expenditure Budget (APBN) of IDR 1,265 trillion by taking advantage of the momentum of the sustainability of tax reform. Director General of Taxes Suryo Utomo highlighted several provisions in Law (UU) Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP) which came into effect this year. Several provisions in the law are expected to improve tax administration and maximize tax revenue. The achievement of revenue realization in 2021 is due to the increase in the achievement of each type of tax due to several factors. First, the income of PPh 21 increased in line with the improvement in labor utilization. Second, import PPh 22 revenue grew high in line with increased imports and reduced incentives for import PPh 22 for certain Classifications of Business Fields since the third quarter. Third, corporate income tax has shown improvement in line with the economic recovery and the expiration of incentives for reducing installments in most sectors. Fourth, PPh 26 increased due to an increase in dividend and interest payments. Fifth, the final income tax contracted due to a decrease in the tax rate on bond interest and a decrease in interest rates. And sixth, Domestic VAT grew high due to the recovery in economic activity and increased government spending (Larasdiputra & Saputra, 2021)

QUESTION 4:

Do you think that the HPP Law can create a tax system that is just and with legal certainty?

The HPP Law was made as an effort to create justice and legal clarity for taxpayers, this was confirmed by 7 informants, one and three others answered doubtfully, the results were equally exciting as indicated by the results of the answers to the questionnaire respondents showing that 64% of respondents agreed, 10% of respondents were doubtful, and the rest disagree. In order to create a fair and healthy APBN, it is necessary to optimize state revenues while maintaining sustainable economic growth. The non-taxable limit and tariff policies have been adjusted in the HPP Bill in accordance with current conditions. MSME business actors in the form of domestic entities will still be given an incentive to reduce tariffs by 50% as stipulated in Article 31E (Putri & Saputra, 2022). For individual taxpayers with a certain gross turnover, an exemption from the imposition of tax on gross turnover of up to

Effectiveness of Tax Regulation Harmonization

Rp500 million is granted. Therefore, in accordance with one of the objectives of the HPP Bill to optimize state revenues by considering the principle of justice, the Government needs to maintain the corporate income tax rate starting from the 2022 Fiscal Year at 22%. The HPP Law which shows efforts to improve justice and legal certainty include:

1. VAT exemption facilities are provided for basic necessities, health services, education services, social services, and several other types of services. Middle and small income people still do not have to pay VAT on consumption of basic needs, education services, health services, and social services.
2. Reductions in VAT exemptions and facilities are provided in order to better reflect fairness and be on target, while maintaining the interests of the community and the business world.
3. This arrangement is intended to expand the VAT base while still taking into account the principles of justice, the principle of expediency, especially in advancing the general welfare and the principle of the national interest. The purpose of this policy is to optimize state revenues while still realizing a tax system that is just and with legal certainty.

QUESTION 5:

In your opinion, is the HPP Law able to realize the implementation of administrative reforms, consolidated tax policies, and broaden the tax base?

More respondents think that the HPP Law can bring about tax reform, both administratively, consolidated, and wants to expand the tax base. The impact of the enactment of the HPP Law has changed taxes from an administrative perspective, the contents of the HPP Law are also able to accommodate the interests of the parties, and become a middle ground for tax solutions between collectors and taxpayers. And the HPP Law is considered to expand the tax base because it has clearly explained various important points in tax regulations that were not discussed clearly before (Larasdiputra & Saputra, 2021). The conclusion from the discussion on this question, there are 2 informants who still doubt that the HPP Law is able to realize the implementation of administrative reforms, consolidated tax policies, and broaden the tax base. while it is different with the answers from the respondents to the questionnaire. More doubt and will this statement, which is 30% but 70% agree. Thus, the HPP Law is considered capable of realizing the implementation of administrative reform, a consolidated tax policy, and an expansion of the tax base, although there are some who doubt it.

QUESTION 6:

In your opinion, does the HPP Law increase taxpayer voluntary compliance?

Broadly speaking, the informants agreed that the HPP Law increased tax awareness voluntarily, as well as the results of the answers to the questionnaire respondents also showed similar results, namely 84% of respondents agreed that the HPP Law was able to increase taxpayer compliance. This opinion may occur because with the enactment of new rules in the HPP Law, the government has increased the socialization of taxation. this is proven to be able to educate taxpayers, thereby increasing taxpayer compliance (Priliandani & Saputra, 2019).

The plan for the next stage is to conduct a more in-depth analysis of the effectiveness of the HPP Law by comparing the DGT's financial statements from the year before the HPP Law was enacted with the DGT's financial statements after the HPP Law was enacted. This is because the HPP Law has not yet reached one accounting cycle, so the data needed to compare financial statements is not yet available. The results of this study, in the future, will be used as additional teaching materials in introductory taxation courses and tax deductions and levies. This material is very necessary because there are many tariff adjustments and rules that students need to know (Iqbal & Sholihin, 2019).

CONCLUSIONS AND SUGGESTIONS

The conclusion of this research is that according to the opinion of the parties related to taxation, both from the side of the collector and the taxpayer, they consider that the HPP Law is effective. The effectiveness referred to in this study is how the HPP Law can assist the organization (DGT) in achieving the expected or pre-arranged goals in enacting the HPP Law. Meanwhile, according to public opinion (related parties), the HPP Law is able to fulfill the following points:

1. The socialization carried out by the DGT has been effective, so that the information and contents of the HPP Law can be conveyed properly to the public.
2. The HPP Law was able to succeed in the government's efforts to increase growth and support the acceleration of economic recovery.
3. The HPP Law is able to maximize state revenues, due to the increase in income from PPh 21 in line with the improvement in labor utilization, the increase in PPh 22 imports in line with the increase in imports and the reduction in the provision of incentives for PPh 22 imports for certain Classifications of Business Fields since the third quarter, the increase in Corporate Income Tax is in line with the recovery. the end of the period for providing incentives to reduce installments in most sectors, the increase in PPh 26 in line with the increase in dividend and interest payments, the increase in final income tax

Effectiveness of Tax Regulation Harmonization

contracted in line with the decrease in tax rates on bond interest and a decrease in interest rates, as well as an increase in Domestic VAT in line with the recovery economic activity and increased government spending.

4. The HPP Law is able to create justice and legal clarity for taxpayers by optimizing state revenues while maintaining sustainable economic growth. Efforts to improve justice and legal certainty include, firstly, VAT exemptions are given to basic goods, health services, educational services, social services, and several other types of services. Middle and small income people still do not have to pay VAT on consumption of basic needs, education services, health services, and social services. Second, the reduction of VAT exemptions and facilities is given to better reflect fairness and target, while maintaining the interests of the community and the business world. As well as expanding the VAT base by considering the principle of justice, the principle of expediency, especially in advancing the general welfare and the principle of the national interest.

SUGGESTION

1. The government is expected to continue to carry out socialization that can educate the public by taking an active and creative approach that has been done before. This method is very effective in raising public awareness. So that people get the right picture of why they have to pay taxes, what happens if they renege on their obligations, and how to allocate tax funds that have been received by the government from the community? Although it cannot accommodate all parties, simple and transparent rules will make it easier for the public to understand and increase their tax awareness.
2. For taxpayers, taxes are mandatory contributions that are forced. There is no other option but to fulfill tax obligations. Because the tax is from you and for you. The public must also actively participate in accepting and finding out the applicable tax provisions, because taxes are dynamic and always changing, so education on tax updates is very important to understand.
3. For other writers, similar research can be done by developing and modifying the way of processing data to draw conclusions. Among them can use a comparison of financial statements or DGT reports that have not been published until this writing is completed.

REFERENCES

- 1) Halim, Abdul. Icku Ranga Bawono., and Amin Dara. (2016). *Taxation. Application Concepts, Examples and Case Studies*. Edition 2. Salemba Empat. Jakarta.
- 2) Byun, J., Ellis, D., & Leopkey, B. (2021). The pursuit of legitimacy through strategic alliances: the examination of international joint sport event bidding. *European Sport Management Quarterly*, 21(4), 544–563. <https://doi.org/10.1080/16184742.2020.1759668>
- 3) Darma, I. K., & Saputra, K. A. K. (2021). Analysis Of The Potential Of Motor Vehicle Taxes And The Level Of Risk During The Covid-19 Pandemic To Increase Regional Income In Bali Province. *Palarch's Journal Of Archaeology Of Egypt/Egyptology*, 18(7), 872–882.
- 4) Fitriantica, Agnes. (2019). Harmonization of Legislation in Indonesia through the concept of the Omnibus Law. *Justice Echo Journal*. Volume 6 issue 3.
- 5) Gaughan, P. H., & Javalgi, R. (Raj) G. (2018). A framework for analyzing international business and legal ethical standards. *Business Horizons*, 61(6), 813–822. <https://doi.org/10.1016/j.bushor.2018.07.003>
- 6) Indonesia, Ministry of Finance. (2021). Measuring Tax Revenue in a Pandemic Year. Articles and digital opinions downloaded on November 20, 2020.
- 7) Indonesia, Republic. (2010). Law no. 6 of 1983 concerning General Provisions and Tax Procedures as amended by Law no. 16 of 2009 (KUP Law).
- 8) Indonesia, Republic of . (2016). Law No. 16 of 2016 concerning Tax Amnesty (*Tax Amnesty*).
- 9) Indonesia, Republic. (2020). Law no. 11 of 2020 concerning Job Creation.
- 10) Indonesia, Republic. (2021). Law no. 07 of 2021 concerning Harmonization of Tax Regulations.
- 11) International Finance Corporation. (2010). Mobile Banking in Indonesia: Assessing the Market Potential for Mobile Technology to Extend Banking to the Unbanked and Underbanked - Final Report. In *International Finance Corporation* (pp. 1–54).
- 12) Iqbal, S., & Sholihin, M. (2019). The role of cognitive moral development in tax compliance decision making: An analysis of the synergistic and antagonistic tax climates. *International Journal of Ethics and Systems*, 35(2), 227–241. <https://doi.org/10.1108/IJOES-10-2018-0152>
- 13) Larasdiputra, G. D., & Saputra, K. A. K. (2021). The Effect Of Tax Amnesty , Compliance Fees , And Tax Sanctions On Individual Taxpayer Compliance. *South East Asia Journal of Contemporary Business, Economics and Law*, 24(2), 84–89.
- 14) Nimri, R., Patiar, A., & Kensbock, S. (2017). A green step forward: Eliciting consumers' purchasing decisions regarding green hotel accommodation in Australia. *Journal of Hospitality and Tourism Management*, 33, 43–50.

Effectiveness of Tax Regulation Harmonization

<https://doi.org/10.1016/j.jhtm.2017.09.006>

- 15) Padyanoor, Aswin. (2020). Indonesia's tax policy responds to the covid 19 crisis. *E Journal of Accounting Universitas Airlangga*. Vol.30, No 9. September 2020.
- 16) Priliandani, N. M. I., & Saputra, K. A. K. (2019). Pengaruh Norma Subjektif Dan Sosialisasi Perpajakan Terhadap Kepatuhan Wajib Pajak Hotel Dan Restoran. *Krisna: Kumpulan Riset Akuntansi*, 11(1), 13–25.
- 17) Putri, P. Y. A., & Saputra, K. A. K. (2022). Use of the E-Filing System by MSME Actors during the COVID-19 Pandemic. *Journal of Economics, Finance and Management Studies*, 5(7), 1975–1982.
<https://doi.org/10.47191/jefms/v5-i7-16>
- 18) Santoso, Yusuf Imam. (2021). *this is the tax policy in 2021 while the Covid-19 pandemic has not subsided*. Digital article downloaded on November 20, 2020.
- 19) Şerbu, R. S. (2014). An Interdisciplinary Approach to the Significance of Digital Economy for Competitiveness in Romanian Rural Area Through E-agriculture. *Procedia Economics and Finance*, 16(May), 13–17.
[https://doi.org/10.1016/s2212-5671\(14\)00768-0](https://doi.org/10.1016/s2212-5671(14)00768-0)
- 20) Velte, P. (2019). What do we know about meta-analyses in accounting, auditing, and corporate governance? *Meditari Accountancy Research*, 17–43. <https://doi.org/10.1108/MEDAR-03-2018-0317>



There is an Open Access article, distributed under the term of the Creative Commons Attribution–Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.