

TAX AMNESTY ROLE IN DEVELOPING NATIONAL PUBLIC WELFARE

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ABSTRACT

This article was a descriptive qualitative research. The discussion conducted with descriptive analysis. Basic analysis of the study used observation, seminar, and literature review from the web, book, and journal. The study focused on the national development, tax amnesty, and repatriation. It finds that the most important thing for the people, especially under the economic development, is the public welfare and prosperity that are achieved by tax conducted by the government. The making of tax policy, repatriation, and tax amnesty need to be preceded by the academic paper earnestly and profoundly as a basic philosophical, social, and cultural that can be accepted by the people of Indonesia.

Keywords: *tax amnesty, tax policy, repatriation taxes, public welfare.*

INTRODUCTION

Indonesia is a great nation with the population amounted to 254,9 million in 2015. Based on the National Socioeconomic Survey (SUSENAS/Survei Sosial Ekonomi Nasional) of BPS in 2014 and 2015, the male population reaches 128,1 million, and female reaches 126,8 million of peoples. Based on these data, it rises from 2014 that amounted to 254 million. With a large number and a wide area, the government should implement the national development and equitability not only in the capital city of Jakarta, but also to inlands away from the central government, and even to remote areas, outer, and the border. For the national development, the state needs to get and dig sectors that can generate the country's income, one of is the taxation sector. But the target of revenue in 2016 could not recovery the deficit in the State of Budget (APBN/Anggaran Pendapatan dan Belanja Negara), not to mention when it is considering the increasingly high government debt.

Various issues related to national development, including the development of infrastructure projects, is the national areas that required huge funds. These funds are from the state budget, budget changes, budget of province and district government, as well as in many infrastructure projects which received a loan (debt) from outside state. The funds come from the foreign debt that brings a number of the public; and private debt increases sharply. In the era of Susilo Bambang Yudhoyono (Indonesian's former president), foreign debt is quite high compared to the era of the recent president, Joko Widodo. On the other hand, the public infrastructure development increases rapidly.

The implementation of national development makes the budget deficit and foreign debt are increasing. It makes the government is trying hard to boost the internal income, one of which is the expansion sectors of tax and bases of taxation. The government efforts are still considered less than the new efforts by conducting tax amnesty. The tax amnesty is designed, conceived, created framework, and implemented to gain revenue goals as possible, but it has not been thorough until the end of September target that is still difficult to achieve.

If the direct fined and convicted are done, then it can cause the break out of massive money out of the country, and it is difficult to attract the wealth of Indonesian citizens outside the country. Consequently, the country will get a potential loss of revenue from income taxation sector. With such reason, the government has stronger intention to hold a tax amnesty program and proceed with the redemption of tax (repatriation). This news circulates widely on September 15th and 16th that make banks in Singapore refuse this tax amnesty program. They are not only opposing it but also questioning it. That stance is greeted by the Minister of Finance, Sri Mulyani, and does not affect the government's plan to do this program.

The research problems presented in this article is how the implementation of tax amnesty and repatriation program to make people's lives, especially in the middle to low (poor) class, so that they do not suffer and feel live in colonized in their own state. Therefore, the goal of the article is the tax amnesty and repatriation program undertaken by the Joko Widodo government should be directed to the public welfare in Indonesia.

The ideas of tax policy, tax amnesty, and repatriation program in Indonesia are urged by Sri Mulyani Indrawati. Those programs are the new national development policy in taxation during President Joko Widodo era. Theoretically tax policy, tax amnesty and repatriation link with the social security and people welfare. The social security earning test comes from a pure earning tax. As such, this literature does not concern to analyze tax rare responses for older workers. A pure tax policy by retirees depends on the awareness of the future. Early studies of the social security earning in the US finds little evidence of labor supply effects (Laun, 2017).

METHODS

This article uses descriptive qualitative research. In its methods, it is largely limited by the imagination of the researcher. The researcher can be prime and determinant in research and result. The discussion is conducted with descriptive analysis. Basic analysis of the study is using observation, seminar, and literature reviews (web, books, and journals). Analyzed data from the beginning continues to address the problem.

RESULTS AND DISCUSSIONS

National development during President Joko Widodo era cannot be separated from the programs that offered to the people since the presidential election campaign. President Joko Widodo himself in his government program is very different from previous presidents. He is very concerned with infrastructure as a way to improve the welfare and prosperity of the people, promoting health card program (BPJS/JKN), cards Smart and manufacture around 400 reservoirs one of which is already completed, and a reservoir Jati Gede in Purwakarta, Java West.

President Jokowi government is based on *Nawa Cita* program. *Nawa* is a general term that is absorbed from Sanskrit that once is familiar in the life of society, especially in Java (Solo and Yogyakarta/Mataram Kingdom) and ever familiar under Soekarno. *Nawa Cita* term appears in life, especially before independence; *Nawa* means nine, while *Cita* means hope, agenda, desires, and ideals. Those terms appear in the context of politics in Indonesia ahead of the 2014 election by a presidential candidate Joko Widodo. *Nawa Cita* term refers to the vision and mission that is used by the presidential duo/vice-presidential candidate Joko Widodo/Yusuf Kalla that contain the couple's governance agenda. In the vision-mission agenda are presented nine points to continue the fighting

spirit and the ideals of former President Sukarno. Nine agenda of Joko Widodo/ Yusuf Kalla is known as *Trisakti* that means politically sovereign, independent of the economy, and personality in culture.

Joko Widodo declares the nine priorities program called *Nawa Cita*. The nine priorities are (1) Returning the state to its task of protecting all citizens and providing a safe environment through an active and free foreign policy, national security and the development of reliable national defense *Tri Matra* that integrated based on national interests and strengthened its identity as a maritime nation. (2) Develop clean, effective, trusted, and democratic governance. (3) Build Indonesia by strengthening the areas and villages within the framework of the Unitary Republic of Indonesia (NKRI). (4) Avoid weaker countries by reforming the system and law enforcement corruption-free, dignified, and reliable. (5) Improve the quality of Indonesian human life by improving the quality of education and training with Indonesia Smart (Brilliance/Clever), the 12 years program of free compulsory levies. (6) Increase the people's productivity and competitiveness and it is one of the serious problems in this country. So that Indonesia can move forward and rise with other Asian countries internationally. (7) Promote economic independence by developing domestic strategic sectors continued by the major project to make the Indonesian increasingly independent nation and global competitor. (8) Overhauling the character of the nation or mental revolution. (9) Strengthening the spirit of unity in diversity and social reform. The consequences of *Nawa Cita* program are the importance of many financing for development, particularly for infrastructure, the national health insurance, smart card, hundreds of reservoir development, and others. (Wedhaswary, 2014; Zahid, 2014; Aritonang, 2014).

The implementation of government programs in the national development based on *Nawa Cita* required many national financing. Sources of National Development funding are mostly expected at this time of the income tax sector. A draft law on State Budget 2016 and its financial note together with the government and the parliament discuss it intensively and then ratified in a plenary session of the House of Representatives on October 30th, 2015. Ratification is carried out by accommodating various inputs, views, opinions, and suggestions of various fractions, and the parliamentary commission also considers the various constraints that exist, from both internal factors and external. The dynamics of the discussion in the House of Representatives is very transparent, shows a common desire, and a genuine will to realize the will of the people.

Bill plan and expenditure year 2016 compile since the beginning of the planning cycle. Target and objectives of the planned development are the embodiment of the vision and mission of the President, *Nawa Cita*, for the greater welfare and prosperity of the Indonesian. Draft Budget 2016 is planned to be realistic, both in terms of basic macroeconomic assumptions, the revenue target countries, as well as the government spending. Based on the results of discussions between the government and the parliament, basic macroeconomic assumptions in Budget 2016 is established and agreed upon as follows economic growth, inflation rate, the rupiahs exchange average, Indonesia crude oil price, and average lifting.

Basic macroeconomic assumptions are determined by considering the latest developments, the economic outlook, and challenges in 2015 and 2016, both from within the country and abroad. On the basis of the current condition and the steps that will be carried forward, the state budget in 2016 is more able to support the achievement of national development targets in 2016 that is more effective and efficient. On the external side, there are challenges and risks among others due to the uncertainty of the world economy (global), monetary policy and developed countries, as well as the economic slowdown in China. In terms of domestic sources of economic growth will be supported by the expected continuation of infrastructure development that will drive the performance of Gross Fixed Capital Formation (GFCF). In addition, the level of consumption remains strong and stable and also economic growth that is supported by sustained inflation and purchasing power. Web based Treasury Department also mentions that the government together with the Parliament are committed to actualize a better quality of economic growth among others by targeted several indicators such as (a) the open

unemployment rate of 5,2% -5,5%, (b) poverty 9, 0% -10%, (c) Gini index ratio of 0,39, and (d) human development index of 70,1.

Based on the basic macro-economic assumptions, development targets and some fiscal policies that will be taken by the government is the budget deficit target in the state budget in 2016 that is set to be Rp273,2 trillion. It equates to a government proposal in the draft budget in 2016 or the equivalent of 2,15% of GDP. The deficit policy besides fiscal consolidation is also geared to strengthen the fiscal stimulus, through the allocation of a budget for productive activities, increasing the capacity of the economy, strengthening competitiveness, and maintaining macro-economic balance policies have been enforced since 2015. The government is targeting revenues in the State Budget 2016 set at Rp1.822,5 trillion or Rp25,6 trillion, lower than that proposed in RAPBN 2016. Most of the targets are sourced from the State Revenue Tax amounted Rp1.546,7 trillion, and Non-Tax Revenue amounted Rp273,8 trillion (the ratio of revenue to GDP or tax ratio in 2016 amounted to 13,11%). Steps to achieve the target of taxation based on several policies are through (1) taxation policy in order to optimize tax revenue without disrupting the investment climate and the business world. (2) The policy of tax revenue that is directed to maintain the stability of the national economy and maintain people's purchasing power. (3) The policy of tax revenue that is directed to improve competitiveness and added value of national industrial. (4) And the policy of tax that is aimed at controlling the consumption of goods subject to excise.

Prichard (2015) has said that the final subject of the initial round of research has been the relationship between taxation and growth. Existing literature has, again, focused on a relatively straightforward prediction that all else equal. Growth will be slower in countries that are more reliant on taxes that are expected to be comparatively economically distorting to corporate income taxes, personal income taxes, and trade taxes. The broad proposition that marginal increases in these taxes are bad for growth. It has found relatively consistent support in a series of existing cross-country econometric studies. More strikingly, it has come to be widely viewed as policy orthodoxy, reflected in international support, led by the IMF and the World Bank, for reductions in income and corporate tax rates in developing countries, and for replacing trade taxes with value-added taxes (IMF, 2011).

Non Tax Revenue is set at Rp273,8 trillion or 6,4 trillion. It is smaller than proposed in the draft budget 2016. The changes this year is caused by the decline in oil prices (ICP) than those proposed in the draft budget 2015 for \$ 60/barrel to USD50/barrel, decreases in cost recovery to US \$ 11,0 billion that is lower than the 2016 draft budget of US \$ 16,5 billion, increase in the income share of profits of state enterprises. Other non-tax revenues decline as a result of the reduction in income Domestic Market Obligation (DMO) and decrease in non-tax revenues Police and the Ministry of law and human rights. The grant receipt is set equal to the 2016 draft budget amounting to Rp2,0 trillion.

According to data from the Directorate General of Taxation Ministry of Finance/DJPPR (2016), there are five financial institutions and Indonesian state owned enterprises (BUMN) that provide the largest loan. They are the Islamic Development Bank (IDB) with Rp9 trillion that up from Rp8,75 trillion on the previous month, Germany that reaches Rp21,71 trillion, France reaches Rp25,53 trillion, The Asian Development Bank/ADB per April 2016 reaches Rp118,68 trillion that down from Rp121,01 trillion in the previous month, and The World Bank until the end of April 2016 reaches Rp218,66 trillion that down from Rp221,43 trillion in the previous month.

Financing National Development Policy requires not less. In considering the provisions of Law No.11 2016, it also emphasizes the need for tax amnesty in the framework of the national development and strengthening national income that becomes important. Tax policy amnesty itself originally gets pros and cons, especially related to the term of taxes remission (tax amnesty) and tax redemption (repatriation tax). Many issues and questions including possibility why not convicted but the government can convince and continue implementing the program, because it is associated with an attempt to get state revenue in the context of national development. To make it easier, there is a basic

law and the exit of Law No.11, 2016 about the tax amnesty (UU no.11 2016 on tax amnesty). It is a crucial momentum for improving the state sector of taxation income. Verification Act No.11 year 2016 about the tax amnesty then be the basis for Indonesian citizen to declare its property right, both for the property are in the country and abroad (Briyan, 2016).

All of kinds of governments have frequently and increasingly turned to tax amnesties as part of their fiscal programs. An amnesty typically allows individuals or firms to pay delinquent taxes without being subject to some or all of the financial and criminal penalties that the discovery of tax evasion normally brings. Tax amnesties are a controversial revenue-raising tool. Advocates emphasize the immediate and short-run revenue impact and often argue that future tax revenues may increase if the amnesty induces individuals or corporations not on the tax rolls to participate. It will be better if the amnesty is accompanied by more extensive taxpayer services, better education on taxpayer responsibilities, and stricter post-amnesty penalties for evaders and greater expenditures for enforcement. Critics contend that the actual experiences of many countries indicate that the immediate impact on revenues is almost always quite small. They also question the long-run revenue impact of a tax amnesty, especially if honest taxpayers resent the special treatment of tax evaders and if individuals come to believe that the amnesty is not simply a one-time opportunity (Alm, Vazquez, and Wallace, 2009). In addition to the state budget deficit in 2016 and Indonesia debt problems, the Ministry of Finance of the Republic of Indonesia expands (*ekstensifikasi*) state income sectors that one of which is tax amnesty and repatriation Taxes. To achieve its purpose, the government expects the state revenue in this program.

Based on data from Directorate General of Taxation of Ministry of Finance that returned to Indonesia Fund (repatriation) after the application of a tax amnesty policy or a tax amnesty continues to rise ahead of the end of August. Compared to the beginning of the week, the fund repatriation observes crawling up from Rp1,4 trillion to Rp7,66 trillion. Even so, the fund is still far from the target repatriation tax amnesty that reaches Rp1.000 trillion to 31 March 2017. It means that it is only 0,76% of the target. Meanwhile, funds that have been declared only reaches Rp95,2 trillion from the government's target of Rp4.000 trillion. In details, Rp14,1 trillion foreign declarations and Rp81,1 trillion declarations in the country. While the ransom of Rp2,14 trillion from the target of Rp165 trillion. Total number of Statement of Assets (SPH) reaches 15.894.

On the other hand, the first half of the tax revenue stands at Rp458,2 trillion. The figure is only 33,8% of the tax revenue target this year as the Ministry of Finance estimation. With the economic slowdown, tax revenues until the end of the year will deviate from the target of Rp219 trillion to Rp1,355 trillion. To anticipate it, the Ministry of Finance also proposes to cut the State Budget Amendment 2016 of Rp133,8 trillion. In details, the spending of ministries and agencies are minus Rp65 trillion and Rp68,8 trillion is trimmed from shopping areas. Strong determination of the tax amnesty program is also confirmed by the Director General of Taxes, Ministry of Finance believes that the tax revenue target of this program can be achieved to Rp165 trillion in APBN-P 2016. He confirms that he would be liable if the target of the tax amnesty program set by the government is not achieved (Tomohito & Timothy, 2015).

With the deficit Budget (APBN) and the increase of Indonesian government's debt, the expansion bases of taxation data are very important for the future. It is also important to think about it and look for other sectors that could sustain national development in order to run maximally. Before making the standard of quality of live program involving many people, the government needs to create the regulatory legislation in order to produce the more mature academic studies. Academic studies need to be done on college campuses and among academic intellectual widely that support in making policies and laws. With the academic studies, the government has a clear grand design with strong roots in the midst of society and of course has the basis of philosophy, rational, modern, and in line with the wishes of the people. Otherwise, it could be included in the law making policy that far from the goals, vision, and mission of Joko Widodo/Jusuf Kalla government that is called *Nawa Cita*.

CONCLUSIONS

Nawa Cita and tax amnesty policy need to be aligned. Joko Widodo and Jusuf Kalla government need to emphasize that the primary program, *Nawa Cita*, is the main direction, vision, and mission of the government. Policy-making that is not in line with *Nawa Cita* will be able to lead to the anxiety, grief, and suffering of the people in their own country. The implementation of the program based on *Nawa Cita* makes the national development financing requires great. It relies on the government's national development sector revenue through taxation and foreign debt. There is no problem yet that is found by the government and also by Indonesian people at this time about the increase Indonesian state debt and budget deficit. To reduce the deficit of budget, the government makes tax amnesty program and repatriation taxes. The program gets the pros and cons, but in the end, it is still performed.

In the implementation of the tax amnesty, the thing about withdrawal and the expansion of the tax sector related to the life of the people needs to be formulated very carefully. Ideally, the government is not only think about taxes but also needs to examine how to build the economy of this country and how the lives of the people grow and develop into a more prosperous economic growth. The economic life of the people increases the government's new thinking about how to attract and broaden in the tax bases. When the policy comes from the extensive withdrawal of tax whereas most people are in hard life and poverty, so that this policy will cause the bad thing in the lives of the people themselves. Tax amnesty policy ideally makes prior academic texts in universities. The universities need to be involved extensively and seriously. Making academic paper with the right process will be able to anticipate problems that might be. The good academic studies with the tax amnesty policy will have philosophy foundation, social foundation, and may be made the better public.

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