for gender, social and ecological justice

STUDY RESULTS

Gender and Economic Inequality in Indonesia from the Perspective of Taxation and Illicit Financial Flow

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List of Abbreviations

BKPM : *Badan Koordinasi Penanaman Modal* (Capital Investment Coordinating Board)
BLU : *Badan Layanan Umum* (Public Service Agency)
BOK : *Bantuan Operasional Kesehatan* (Health Operational Assistance)
BOS : *Bantuan Operasional Sekolah* (School Operational Assistance)
BOP : *Bantuan Operasional Pendidikan* (Operational Assistance for Education)
CHT : *Cukai Hasil Tembakau* (Tobacco Product Excise)
DAK : *Dana Alokasi Khusus* (Special Allocation Fund)
DAU : *Dana Alokasi Umum* (General Allocation Fund)
DBH : *Dana Bagi Hasil* (Profit Sharing Fund)
DBH SDA : *Dana Bagi Hasil Sumber Daya Alam* (Natural Resources Revenue Sharing Fund)
DID : *Dana Insentif Daerah* (Regional Incentive Fund)
DD : *Dana Desa* (Village Fund)
DJPK : *Direktorat Jenderal Perimbangan Keuangan* (Directorate General of Fiscal)
HKPD : *Hubungan Keuangan Antara Pemerintah Pusat dan Pemerintah Daerah* (Financial Relations between Central Government and Regional Government)
IKG : *Indeks Ketimpangan Gender* (Gender Inequality Index)
JPS : *Jaring Pengaman Sosial* (Social Safety Net)
KPK : *Komisi Pemberantasan Korupsi* (Corruption Eradication Commission)
KEM & PPKF: *Kebijakan Ekonomi Makro dan Pokok-pokok Kebijakan Fiskal* (Macroeconomic Policy and Principles of Fiscal Policy)
Kemendesa : *Kementerian Desa* (Ministry of Villages)
KBI-KTI : *Kawasan Barat Indonesia* (KBI- Western Indonesia Region) and *Kawasan Timur Indonesia* (KTI- Eastern Indonesia Region).
PDTT : *Pembangunan Daerah Tertinggal, dan Transmigrasi* (Development of Underdeveloped Regions and Transmigration)
PDRB : *Produk Domestik Regional Bruto* (Gross Regional Domestic Product)
PEN : *Program Pemulihan ekonomi Nasional* (National Economic Recovery Program)
PKPN : *Pusat Kebijakan Pendapatan Negara* (Center for State Revenue Policy)
PMSE : *Perdagangan Melalui Sistem Elektronik* (Trading Via Electronic Systems)
PNBP-KND : *Penerimaan Negara Bukan Pajak* (Non-tax revenue)
PNSD : *Pegawai Negeri Sipil Daerah* (Regional Civil Servants)
PPN : *Pajak Penambahan Nilai* (Value-Added Tax)
PPh : *Pajak Penghasilan* (Income tax)
PPPK : *Pegawai Pemerintah dengan Perjanjian Kerja* (Government Employees with Employment Agreements)
PPS : *Program Pengungkapan Sukarela* (Voluntary Disclosure Program)
PDRB : *Produk Domestik Regional Bruto* (Gross Regional Domestic Product)
PDTT : *Pembangunan Daerah Tertinggal, dan Transmigrasi* (Development of Underdeveloped Regions and Transmigration)
SDM : *Sumber Daya Manusia* (Human Resources)
TKDD : *Transfer ke Daerah dan Dana Desa* (Transfers to Regions and Village Funds)
TKD : *Transfer ke Daerah* (Transfer to Region)

RKP	: *Rencana Kerja Pemerintah* (Government Work Plan)
RPJMN	: *Rencana Pembangunan Jangka Menengah Nasional* (National Medium Term Development Plan)
RKPD	: *Rencana Kerja Pemerintah Daerah* (Regional Government Work Plan)
SBN	: *Surat Berharga Negara* (Government Securities)
SPT	: *Surat Pemberitahuan Tahunan* (Annual Notification Letter)
TPAK	: *Tingkat partisipasi angkatan kerja* (Labor force participation rate)
TPT	: *Tingkat pengangguran terbuka* (Open unemployment rate)

Overview

Aksi! for gender, social and ecological justice conducted a study on ‘Gender and Economic Inequality in Indonesia from the Perspective of Taxation and Illicit Financial Flow’ by looking at the extent to which fiscal and tax contribute to gender and economic inequality in Indonesia and the fulfilments of women’s rights.

This study explains the problem causes of the lack of state revenue from taxes, especially from companies, how the state revenue modus and distribution, and its impact on women. This study shows that the small amount of state revenue is caused by many sources of income lost due to corruption, money laundering, bribery, tax avoidance and evasion, smuggling, various types of abuse of power by officials, and tax engineering. The KPK findings and the views from many experts regarding cases of tax evasion and even the relations between taxes and corruption and money laundering have often been disclosed to the public. However, the parties with the authority do not take legal action and improve the tax management and institutional.

Small state revenues are never enough to cover state spending. The government creates new debts to cover the budget deficit. The budget intended for the community, especially women and other marginalized groups, is eroded by various unproductive state spending. Meanwhile, programs aimed at them, such as education, health and social protection programs, are unable to lift women out of poverty. This is can be seen with the poverty rate which has never decreased significantly, the unemployment rate remains high, and maternal and child health is deteriorating.

Hopefully this study can make women aware that tax issues are the cause of gender and economic injustice, and therefore are women's issues.

Jakarta, 4 February 2025
Aksi! for gender, social and ecological justice

Introduction

Taxes are the main contributor to state revenue, but tax revenues are never sufficient to cover state spending. As a result, there is a budget deficit in the State Budget (APBN) every year. To cover this deficit, the government continues to borrow both from abroad and domestically. As of March 2022, government debt was IDR 7,776.7 trillion, and as of March 2024, government debt reached IDR 8,262.10 trillion.[1] Payments on debt interest are not small, in 2022 payments amounted to IDR 386.3 trillion[2] or 12.5% of the realization of state spending, and continued to increase, even in 2023 the realization of government debt interest payments amounted to IDR 439.88 trillion.[3]

The tax ratio[4] has not increased, ranging from 9% -10%. In 2017, the OECD stated that Indonesia's tax ratio was still below Latin America and Caribbean (LAC) and African countries with an average achievement of 22% and 18.2%. Indonesia's position is still in 30th place out of 32 countries/groups of countries, precisely below Pakistan and Bangladesh and only above Laos and Bhutan.

State revenue from taxes averages 78.24 percent per year, even though the government has implemented tax amnesty volume I and Volume II, but in the following years the government has still not been able to meet or significantly exceed the APBN target. Even though tax data has been available since the tax amnesty was implemented, there has been no action against those who evade taxes.

The small state revenue is caused by the many sources of state revenue lost due to corruption, money laundering, bribery, tax avoidance and evasion, smuggling, various types of abuse of office, and tax engineering such as tax engineering[5]. There was Gayus Tambunan in 2010-2011 who had fantastic assets of IDR 100 billion, even though he only received a salary of IDR 12.1 million per month - with various scandals, ranging from tax evasion and passport forgery. The case of Rafael Alun Trisambodo with assets of IDR 56 billion (and estimated to exceed IDR 100 billion) which are suspected to be the result of money laundering. Meanwhile, there are still many corruption cases that are also conducted by the state officials.

Between 2004-2013 according to Global Financial Integrity (GFI) in 2015, Indonesia experienced losses due to tax avoidance in the range of US$ 180.71 billion or equivalent to Rp2,100 trillion[6]. This means that Indonesia has lost its revenue of approximately Rp210 trillion. In 2016, GFI again reported that Indonesia had lost tax and royalty revenue of US$ 6.5 billion or equivalent to

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1 https://ekonomi.bisnis.com/read/20240507/9/1763549/utang-pemerintah-maret-2024-turun-ke-rp826210-triliun-setara-3879-terhadap-pdb

2 Badan Pemeriksa Keuangan RI, Report on Results of Central Government Financial Report (LKPP) Year 2022

3 https://nasional.kontan.co.id/news/apbn-2024-terbebani-bunga-utang-pemerintah#google_vignette

4 Tax ratio is a measure of tax revenue performance in a country, although it is not the only measure used to measure tax performance. However, until now the Tax Ratio has been a measure that is considered to provide a general picture of the tax conditions in a country. The definition of the tax ratio is the comparison between total tax revenue and Gross Domestic Product (GDP) in the same period. The higher the tax ratio, the less dependence on debt financing will be.

5 Tax engineering is avoiding taxes in ways such as, for example, entrepreneurs pay themselves small salaries and cover all their needs through company expenses as operational costs.

6 https://vik.kompas.com/tax-amnesty/

Rp62.86 trillion from trade misinvoicing or misuse/falsification of billing data in international trade transactions[7]. Previously, Prakarsa's research results stated that between 2011-2014, the flow of dark/illegal money (illicit financial flows) entering and leaving Indonesia had reached USD 846.3 billion or equivalent to IDR 10,578.75 trillion[8]. Meanwhile, the average annual inflow of money was USD 44.92 billion, and USD 15.52 billion for the outflow of funds. In another report, Prakarsa stated that Indonesia had lost potential tax revenue of USD 11.1 billion or equivalent to IDR 107.34 trillion between 1989-2017. This loss came from the practice of trade misinvoicing on six leading export commodities, namely from palm oil (CPO/crude palm oil), coal, rubber, copper, crustaceans, and coffee. Indonesia also lost potential tax from coal exports of USD 5.32 billion or IDR 51.44 trillion, even losing potential PNBP from coal and copper royalties with a total value of USD 2.96 billion or IDR 28.62 trillion during the period 2000-2017[9]. The Tax Justice Network report entitled The State of Tax Justice 2020: Tax Justice in the time of Covid-19 also stated that Indonesia experienced a loss of US$ 4.86 billion per year due to tax avoidance. Around US$ 4.78 billion or equivalent to Rp 68.7 trillion is the result of corporate tax avoidance. The remaining US$ 78.83 million or equivalent to Rp 1.1 trillion is individual taxpayer avoidance[10].

Likewise, state revenue from Non-Tax State Revenue (PNBP) has not grown healthily and progressively. In 2022, it was only IDR 510.92 trillion. This is only 22.6 percent of tax revenue. In fact, the sources of PNBP are very abundant from 4 categories; (1) PNBP from natural resources originating from the oil, gas, mineral and coal, forestry, and marine sectors, (2) PNBP from separated state assets (KND) originating from BUMN profits, (3) other PNBP originating from 9 groups of revenue sources, and (4) income from public service agencies (BLU), including the levy rates of the Palm Oil Plantation Fund Management Agency (BPD PKS)[11].

Since 2015, the Corruption Eradication Commission (KPK) has warned that natural resource management has high economic potential, as well as high potential for corruption, money laundering, and tax evasion. However, over the past few years, this issue seems to have been untouched by the legal process. In the 2018, the National Natural Resource Rescue Movement (GNP-SDA) Evaluation Synthesis Note Report, the KPK, among other things, stated that state losses due to illegal logging, for example, have reached IDR 35 trillion per year. During the 2003-2014 period, around 77% to 81% of the potential for roundwood production was not recorded at all, so the state has lost between IDR 5.24 trillion and IDR 7.24 trillion per year. The implementation of forest conversion for other sectors through timber utilization permits (IPK) also resulted in potential state losses of between IDR 49.8 trillion and IDR 66.6 trillion per year during the same period. In addition, there was a shortage of mining taxes in forest areas of IDR 15.9 trillion per year on three islands, namely Kalimantan, Sumatra and Papua. The KPK also noted that there was around Rp 28.5 trillion in potential revenue lost due to administrative problems and poor licensing systems as well as weak state revenue control systems.

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7 See Global Financial Integrity Report-Blog Indonesia 27 June 2019

8 At that time the exchange rate was IDR 13,000/USD

9 Revealing the Dark Financial Flows of Indonesia's Leading Export Commodities: The Size and Potential Loss of State Revenue, Perkumpulan Prakarsa, 2019.

10 https://nasional.kontan.co.id/news/dirjen-pajak-angkat-bicara-soal-kerugian-rp-687-triliun-dari-penghindaran-pajak

11 https://databoks.katadata.co.id/datapublish/2021/01/18/realisasi-penerimaan-negara-bukan-pajak-pada-2020-lampaui-target

In addition, the country also experienced losses from the potential GDP of the marine/fisheries sector of IDR 70 trillion per year. Not comparable to the PNBP which at that time was only IDR 230 billion per year. Although the KPK had reminded it, until 2020 the achievement of PNBP in the fisheries sector only increased to IDR 957.10 billion. In the palm oil plantation sector, around IDR 18.13 trillion in potential taxes were also found that were not collected by the government. The potential tax in this sector actually reached IDR 40 trillion, but the government was only able to collect IDR 21.87 trillion. This was due to the low level of compliance of Taxpayers (WP), with the level of compliance of Individual Taxpayers (entrepreneurs/rich people) only 6.3% and Corporate Taxpayers still at 46.3%.

In 2020, for example, the achievement of PNBP could be called a "pseudo increase". Initially, the PNBP target was IDR 367.0 trillion, then it was reduced to IDR 297.75 trillion or down 18.87%[12]. Then on June 25, 2020, the government again lowered the achievement target from IDR 367.0 trillion to IDR 294.14 trillion or down 19.86%[13]. However, in December 2020, the government claimed that PNBP reached IDR 338.5 trillion or equivalent to 115.1% of the APBN target. It was called pseudo because the increase was preceded by two changes to the APBN target.

Until 2022, the government has been ambiguous, even systematically providing hidden incentives or subsidies to various business entities or corporations that not only have problems with taxes, but also with the environment and society. The findings of the Corruption Eradication Committee (KPK) and the views of many experts regarding cases of tax avoidance and even the relationship between taxes and corruption and money laundering have often been disclosed to the public. However, the parties with the authority have not taken legal action and improved tax management and organization. After the first and second tax amnesty, there were no firm actions or legal sanctions against tax crimes. In fact, during the tax amnesty process, the tax authorities were able to map not only new tax bases, but also taxpayers who hid their assets in tax haven countries.

Low state revenues contribute to economical and ineffective state spending, in addition to fiscal policies that favor big business and do not favor women, resulting in low achievements in improving public services that worsen economic, social and gender inequality. This is reflected in the allocation of spending in the fields of Education, Health, and Social Protection which are still low in achievement. In the field of Education; the Human Capital Index (HCI) is still very low as seen from; (i) the ability of a child to survive until school age, (ii) the expected length of school that can be completed by a child up to the age of 18 years which is adjusted to the results of the quality of education, and (iii) health including the issue of stunting. PISA scores that have not increased significantly; the condition of educational facilities and infrastructure is still inadequate and uneven. At the Senior High School (SMA and SMK) level, classrooms are in good condition are less than 60 percent; the high unemployment rate of vocational education graduates; and the competence of teachers in Indonesia which is not optimal to support the creation of a quality education system and practice. According to BPS records (2021), around 16.09% of women aged 15 years and over do not have a diploma, while men are only 11.65%. In addition, as many as 5.35% of women aged 15 years and over are illiterate, while men are only 2.57%. The low level of education on women has an impact on the difficulty of getting decent jobs. In the future, most

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[12] First version changes of Perpres No.54/2020

[13] Perpres No.2 Year 2020 issued on 5 June 2020.

women will work in the informal labor sector; domestic workers (PRT), selling small goods, farm and plantation laborers, food vendors, managing fish catches, online motorcycle taxis, parking attendants, laundry workers, mobile salons, and other similar jobs. Women who work in this sector usually have to work forever to support themselves and their families.

In the Health field; The Maternal Mortality Rate (MMR) in 2019 in Indonesia is quite high, reaching 305 per 100,000 live births. This means that there are around 305 mothers who die in 100,000 births[14]; Cultural practices that put women in second place have an impact on low nutritional quality and increased deaths of women due to childbirth; high rates of stunting or stunted child growth. Around 30% of Indonesian children suffer from stunting (RISKESDAS 2018); access to health in remote areas such as hospitals and medical personnel is very limited. This has an impact on women who are about to give birth and the elderly; the price of medicines in many places is too expensive --- even more expensive than the price of medicines in Southeast Asia[15]; Access to BPJS health (PBI JKN) is not on target so that it is not affordable for some poor people, especially poor women.

In the Social Protection, although the budget allocation is quite large, it has not been able to significantly reduce the rate of poverty, let alone achieve a level of prosperity, and there have been no visible efforts to build a long-term human resources as intended by Perlinsos. The program tends to be trapped in social assistance, although there are productive and empowerment programs such as people's business credit (KUR) but still in a very small portion. In addition, social assistance programs are often misdirected in identifying the poor so that people who are in great need do not have their rights fulfilled. Many women still find it difficult to access social protection programs such as the Family Hope Program (PKH), Smart Indonesia Card (KIP), Non-Cash Food Assistance (BPNT), Human Development Cadres (KPM), and Direct Cash Assistance (BLT).

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[14] Maternal death during and after childbirth, source: https://hellosehat.com/kehamilan/melahirkan/penyebab-utama-kematian-saat-melahirkan/

[15] Tempo.co; This is the Reason Why the Prices for Medicine in Indonesia are More Expensive than Other Countries; Link: https://gaya.tempo.co/read/1187633/ini-penyebab-harga-obat-di-indonesia-lebih-mahal-dari-negara-lain

CHAPTER I
FISCAL POLICY AND FACTORS THAT DECREASE STATE INCOME

1. Learning from the Fiscal History of the Soekarno and Soeharto Eras

1.1. "Economic Nationalism" Hijacked by Global Capitalism

Since the beginning of independence, fiscal policy has experienced ups and downs of change. However, Richard Robison[16] stated that the continuity of economic policy in Indonesia since the transfer of sovereignty was greatly influenced by two ideological factors that were firmly rooted in nationalism and the interests of social justice that grew from the anti-colonial spirit. First, the various cabinets that took turns in government generally accepted the principle that the state has a legitimate economic role and that market forces must always be limited by social goals. Second, foreign ownership and control of the Indonesian economy must be curbed; domestic investment growth must be prioritized; and a national economy with great autonomy is always the basic goal. Currently, the spirit of economic nationalism is no longer the main principle in managing the country's economy. In fact, periodically, governments that emerged from the reform process have actually reduced the portion of state ownership in managing economic resources.

When the Sukarno and Soeharto regimes (in the early New Order) were in power, policies with an economic nationalist character were more focused on strengthening the national capital sector and import substitution industries and semi-finished goods industries. The problem then was, this kind of industrialization process had actually given rise to a strong interweaving of the interests of political bureaucrats and the interests of domestic companies that received political protection from the state. Economic strategies had been mixed with dominant political interests, where political bureaucrats who held hegemony had combined political, bureaucratic, and economic power at once[17]. Therefore, the state's power in regulating the economy had developed into a struggle for political bureaucrats around the center of power. Especially to fulfill the interests of allocating export-import licenses, oil drilling, forestry control rights, building contracts, even investment permits while influencing the position of private companies in the market structure.

Since the beginning, this approach received resistance from a number of parties, because it was considered contrary to the interests of foreign capital and the ideological position of economists and international institutions such as the World Bank/IBRD, IMF and WTO which are oriented towards free markets and international division of labor. Therefore, when Indonesia experienced difficulties in capitalizing domestically, in 1958 Prime Minister Ali Sastroamidjojo issued Law No. 78/1958 concerning Foreign Investment. In addition to regulating many restrictions, this law also provided "incentives" in the form of corporate tax relief and avoidance of double taxation to

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16 Richard Robinson in the Politics of Economic Restructuring in Indonesia in the Mid-80s, Tanah Air Magazine No.4 September 1989 Edition.

17 See Richard Robison

developed countries or companies. However, this law was later revoked by Law No. 16/1965 because it was considered to prolong the exploitation of the Indonesian people[18].

However, the spirit of guided economic nationalism – which underlies the economic policy initiated by President Soekarno in 1959 – actually grew stronger when Indonesia had a very large oil production surplus in the early 60s. With excessive production, Indonesia finally joined the Organization of Petroleum Exporting Countries or OPEC in 1962. Entering 1965, oil production had reached 486,000 barrels per day while consumption was only 25%[19]. The increase in oil production and prices not only made oil exports the main source of financing in the APBN and a new business center. In addition to marking the rise of various large state-controlled companies, both state-owned companies (BUMN) such as the National Oil Company (Permina) in 1961[20] and Krakatau Steel and private companies owned by big businessmen such as Dasa'ad [21] and Hasyim Ning[22] grew rapidly thanks to licenses, monopoly rights, and state protection [23].

In fact, since 1961 the country's economy began to experience various fiscal turmoil. Revenue from trade taxes, which had been the country's main source of revenue since the 1950s, began to weaken along with the weakening of the export commodity market and increased smuggling due to the overvalued Rupiah exchange rate. Foreign exchange earnings from the plantation sector, for example, fell in price from UD$442 million in 1958 to UD$330 million in 1966. Between 1962-1965 inflation had even reached above 100% (year-on-year). Indonesia's per capita income also declined significantly, while much-needed foreign aid stopped flowing after President Sukarno rejected aid from the US.[24].

However, the abundant oil production still provides fiscal space for the country to allocate budget spending to dynamize economic growth. In 1961, for example, BPS recorded economic growth was still around 5.74%, the following year it still grew by the same figure. But political instability also worsened the ongoing financial crisis. Every year the national monetary condition worsened, with inflation rates skyrocketing.

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18 https://business-law.binus.ac.id/2017/02/19/investasi-dan-sejarah-perkembangan-investasi-asing-di-indonesia/

19 https://money.kompas.com/read/2022/02/15/063900026/ mengapa-indonesia-keluar-dari-opec-?page=all&_gl=1*qo7ztw*_ga*YW1wLXdVTU9GdXNzZ3RvQ0dQYjlXZlhwWGJKcGU2UV8xd0c3VlRDeU5oLXBZUEs1TFc1S3MtOVNvZ3NoYjVFQURzMFU.*_ga_77DJNQ0227*MTY5NTE4NTc1Ni4xNS4xLjE2OTUxODU3ODkuMC4wLjA.#page2

20 In 1968 it changed to PN Pertamina (National Oil and Gas Mining State Company) after merging with PN Pertambangan Minyak Indonesia in 1968, and became the State Oil and Gas Mining Company in 1972..

21 Agus Musin Dasa'ad is a businessman who is also known as a donor to President Soekarno who played an important role in the early days of independence. Dasa'ad sat on BPUPKI (Preparatory Agency for Preparatory Affairs for Indonesian Independence). Starting his business as a trader of agricultural products, then plunged into the shipping business and importer of manufacturing equipment. Also developed a textile business, shipping business, license holder of several automotive brands from Europe and Japan, then together with Hasyim Ning, Yusuf Muda Dalam and Ir Ciputra founded PT Pembangunan Jaya. Like Hasyim Ning, Dasa'ad was also an old order oligarch who was disliked by President Soeharto.

22 Hasyim Ning was an oligarch during the guided economy era who was known as the "King of Indonesian Cars". Ning managed a vehicle assembly company, Djakarta Motor Company, which represented a number of automotive companies from Europe. He also owned a number of businesses ranging from coal mining, export-import, banking, travel agencies, cosmetics businesses, to engineering consultants.

23 Richard Robison in the Politics of Economic Restructuring in Indonesia in the Mid-80s, Tanah Air Magazine No.4 September 1989 Edition.

24 https://www.indonesia-investments.com/id/budaya/kolom- budaya/sejarah-indonesia-politik-dan-ekonomi-di-bawah-sukarno/item5271?

The government was ultimately unable to suppress the ever-increasing costs, especially for political campaign costs; military operations to liberate West Irian and crush Malaysia; rice imports and food subsidies; and the construction of infrastructure projects such as the Senayan Stadium, Monas[25], Hotel of Indonesia, Semanggi Bridge, Welcome Monument, DPR/MPR Building, and a number of hotel facilities that would be used as venues for several international events. This situation was further exacerbated by the various rebellions in a number of regions that took place since after independence until the late 1950s, following the G30S incident in 1965.

In 1963, economic growth dropped drastically to minus (-) 2.24% and had an impact on the decreasing funding for public welfare. State spending swelled from Rp 305.625 billion to Rp 334.467 billion, consisting of routine spending of Rp 231.161 and development spending of Rp 93.303 billion, where spending for development including public welfare was only 40.23%. Meanwhile, revenue from the initial plan of around Rp 271.030 billion fell significantly to Rp 154.363 billion[26]. The deficit figure also widened to Rp 180.113 billion or around 53.85%. So that the APBN almost lost its function to strengthen welfare's.

From the state revenue side, for example, the revenue in the 1963 APBN was only around Rp 272.030 billion, while financing had reached Rp 305.624 billion, with a budget deficit figure reaching Rp 33.599 billion or 10.99% of the State Budget[27]. In 1964, growth rose again to 3.53%, but the APBN deficit actually increased sharply to 60.23%. State spending had increased up to Rp 421.053 billion, while state revenue had actually dropped to Rp 167.411 billion[28].

During the G30S 1965 incident, economic growth fell to 1.08%, while the budget deficit widened to 63% of the APBN. Entering the end of President Soekarno's reign in 1966, the Indonesian economy grew again by 2.79%. However, state revenue at that time was only Rp 7.750 billion, while state spending had reached Rp 23.300 billion or a deficit of Rp 12.100 billion (62.43%).

With such developments, the development budget only received an allocation of Rp 3.2 billion, while the allocation of funds for regional development was only Rp 100 million or only 0.43% of state spending[29]. There was a series of hyperinflation since 1961, which was in the range of 100% or more. At its peak in 1965, the inflation rate had reached 592%. At the end of 1966, the Ministry of Finance initiated a comprehensive economic stabilization program themed Economic Stabilization and Rehabilitation Policy Package (October 1966 Package)[30]. The goal was to handle the high inflation rate and get the wheels of the Indonesian economy moving again.

25 https://ideas.or.id/2016/05/25/fakta-pengelolaan-awal- apbn-dari-orde-lama-ke-orde-baru/

26 Law No.9 Year 1963 on APBN 1963

27 Law No.35 Year 1963 on the changes in in APBN 1963

28 Law No.11 Year 1963 on APBN 1964 and Law No.35 Year 1964 on the changes in APBN 1963

29 See Law No.22 Year 1965 on APBN 1966 and law No.13 Year 1966 on the changes in APBN 1966.

30 https://www.pajakku.com/read/617a81c14c0e791c3760bbcf/Kilas-Balik-Indonesia-Atasi-Inflasi-500- Persen-di-Tahun-1966.

Indonesia also had to face the burden of debt inherited from the Dutch East Indies government of US$1.13 billion dollars or 4.3 billion guilders[31]. Sukarno then ignored this agreement[32], even though Indonesia had paid 82%[33]. There was also a debt or loan from the International Monetary Fund (IMF) in the period 1964-1965 of US$61.9 which swelled to US$63.5 after Indonesia decided to leave the IMF in August 1965[34]. Previously, in 1959 Indonesia received a loan from the Soviet Union of US$12.5 million to build the Senayan Stadium (Gelora Bung Karno) and US$450 million to purchase equipment for the 1960 Trikora War. In addition to a loan from the US Exim Bank of US$59.4 million, US$6.9 million each was for the construction of the Semen Gresik factory, UD$5 million for the purchase of Lockheed Electra aircraft, and US$47.5 million for the construction of the Pusri fertilizer factory and PLTU in Surabaya[35].

1.2. Fiscal Resources in the Control of Business Sector

The old order government inherited a foreign debt of Rp 794 billion or US$ 2.4 billion or equivalent to 29% of Gross Domestic Product (GDP) at that time. The total debt was Indonesia's foreign debt to developed countries. Its use was more for infrastructure development and fulfilling political agendas than for directly improving people's welfare.

Developments have provided political space and even socio-cultural legitimacy for the New Order political bureaucracy - which supported Soeharto's power after he succeeded in overthrowing the Soekarno regime in 1966 - to consolidate a new economic strategy in a mix of political, bureaucratic and economic power interests at once, as Richard Robison meant. After Soeharto came to power as president on March 27, 1968, economic nationalism began to retreat.

In addition, the severe fiscal crisis and the failure of capital mobilization and national investment followed by the sharpening conflict between the PKI and the middle-class forces and military/army bureaucrats have paved the way for the Soeharto regime to eradicate the nationalist politics and industrialization initiated by Soekarno[36]. Under Soeharto, the state changed its economic orientation again by looking at the power of foreign investment and loans as a source of financing and economic direction after oil prices fell in the early days of the New Order. In the mid-1970s alone or less than two years after Soeharto opened foreign investment through Law No. 1/1967 concerning Foreign Investment (PMA) and Law No. 2/1967 concerning Domestic Investment (PMDN), Richard Robison noted that foreign capital had reached 57% of total investment.

However, since 1973/1974 until the early 80s there was another dramatic strengthening of oil prices. back to the orientation of state-led economic nationalism. Data presented by Richard

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31 This debt was one of four agreements decided at the Round Table Conference (RTC) which took place on 23 August-2 November 1949 in The Hague, Netherlands.

32 Even in 1956, Indonesia through Law No. 13 of 1956 canceled the Indonesia-Netherlands relationship based on the results of the Round Table Conference (RTC) agreement. This cancellation was triggered by the prolonged occupation by the Netherlands of the West Irian (Papua) region..

33 https://www.kompas.com/stori/read/2021/10/04/140000079/utang-luar-negeri-indonesia-di-era-soekarno#page2?lgn_method=google.

34 Indonesia under President Suharto's rule rejoined the IMF in 1967.

35 https://www.kompas.com/stori/read/2021/10/04/140000079/utang-luar-negeri-indonesia-di-era-soekarno#page2?lgn_method=google.

36 See Richard Robison in Tanah Air Magazine Number 4 September 1989 Edition

Robison shows that oil and gas income reached more than 80% of foreign exchange income, so that Indonesia achieved a healthier balance of payments. In 1979/1980 and 1980/1981 the balance of payments surplus reached $2,198 million and $2,931 million, while foreign exchange reserves reached $10 billion in January 1982. In 1975/1976, income tax from the oil and gas sector jumped to Rp 957 billion or 48% of total state revenue, which in 1969 was only around Rp 65.8 billion or 19.7%. Between 1978/1979 and 1981/1982, oil tax revenues had actually soared from Rp 2.308 billion to Rp 8.627 billion, or an increase from 43.5% to 61.7% of total state revenues.

In the midst of changing economic conditions marked by soaring oil prices and political dynamics that were completely under the control of the military bureaucracy, President Soeharto appointed BJ Habibie to strengthen the strategic import substitution industry based on science and technology. Since 1974, BJ. Habibie was asked to establish the Center for Science and Technology Research (Puspiptek) and the Indonesian Aircraft Industry (IPTN), and later became Minister of Research and Technology in 1983 and also led PT Pindad (Indonesian Army Industry) and PT PAL (Navy Training).

The development of this strategic industry marks the return of the orientation of the import substitution industry which is subsidized, protected, and supported by state investment sourced from oil proceeds, as was the case during the regime of President Soekarno. It also marks what Richard Robison calls the battle of interests of monopoly and oligopoly groups formed by the state based on domestic capital[37]. This group hides behind the reasons and claims of economic nationalism interests, fighting with the technocrat group headquartered in Bappenas and oriented towards an open economy or free market policy pushed by the World Bank, IMF, and Inter-Governmental Group on Indonesia (IGGI)[38].

In this phase, Pertamina transformed into a “fiscal center” that was almost completely autonomous and able to compete with official institutions both in terms of role or function and the size of its budget[39]. And, with the support of intelligence operations under General Ali Moertopo, the military bureaucracy also became an important part of the new conglomerate business network, where state-owned companies became the main investors in large projects. Meanwhile, a number of private companies monopolized various business sectors, both in the import substitution industry and the semi-finished goods industry. Starting from the production of food ingredients, beverages, textiles, cement, tires, steel industry, energy, engineering technology, to automotive. Foreign investment began to be limited by the implementation of the “negative list” investment policy and the “priority scale” list for domestic investment.

Like repeating the history of the Sukarno era, the economic nationalism model developed by the Soeharto regime did indeed give rise to a kind of "economic heroism" at first. However, the relatively more closed and centralized economic model under Soeharto became elitist, uncontrolled, and full of corrupt practices, even though basically this industrial program aimed to strengthen self-sufficiency to meet public consumption needs. Including services for rural

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37 Lead by General Ibnu Sutowo as President Director of Pertamina

38 An international organization formed in 1967 to coordinate financial aid for Indonesia. The Dutch-led group provided aid for 25 years, but was eventually dissolved by the Indonesian government in 1992 for political reasons.

39 Richard Robison in Tanah Air Magazine Number 4 September 1989 Edition.

development through irrigation projects, food self-sufficiency, and rural infrastructure to education. The national oligarchs also increasingly strengthened their role in the economy and decision-making, until finally Pertamina as a new "fiscal center" almost collapsed along with the occurrence of corruption cases and the global plunge in oil prices.

2. Fiscal Politics and the Turmoil During the Pandemic Era

2.1. Taxes and PNBP: Great Potential, Moderate Achievement

In terms of state revenue management, the fiscal political situation during 2017-2022 was characterized by fluctuations in revenue achievements, especially after the Covid-19 pandemic which impacted the economic slowdown. This can be seen from the achievement figures in the three main components of state revenue, namely (1) domestic tax revenue which includes Income Tax (PPh), Value Added Tax and Luxury Goods Sales Tax (PPN and PPnBM), Land and Building Tax (PBB), excise, and other tax revenues; (2) international trade tax revenue which includes import tax and export tax; and (3) non-tax state revenue (PNBP) which includes natural resource PNBP, revenue from Separated State Assets (KND), General Service Agency (BLU) revenue, and other PNBP revenue.

During the 2017-2022 period, taxes were the main contributor to revenue with an average contribution of around 78.24% of total state revenue per year. However, from year to year tax revenue never reaches the APBN target or often experiences a shortfall[40]. Only in the 2021 and 2022 fiscal years did revenue exceed the APBN target (see Table 1)[41]. Since 2017, for example, tax revenue has experienced a shortfall of IDR 131.98 trillion or only reached IDR 1,151.02 trillion (85.7%) of the APBN target of IDR 1,283 trillion. The realization of Rp1,151.02 trillion was assisted by the results of the tax amnesty[42] in 2016-2017, which generated revenue of Rp 163.24 trillion[43]. And, despite having obtained data on the tax base through the tax amnesty policy, tax revenues in the following years were still unable to meet the APBN target. In 2018, for example, tax revenue still experienced a shortfall of IDR 302.2 trillion (2018), while in 2019 and 2020 it also experienced a shortfall of IDR 241 trillion and IDR 119.3 respectively (see table 1).

What is certain is that the shortfall in tax revenue between 2017-2020 is a repetition of the achievement of tax revenue since 2009, which has never reached the APBN target. In 2009, for example, tax revenue experienced a shortfall of IDR 32 trillion; 2010 IDR 34 trillion; and 2011 amounting to IDR 21 trillion. However, since 2012 the shortfall figure has increased significantly to IDR 49 trillion; 2013 to IDR 74 trillion; and 2014 to IDR 87 trillion. In 2015, the government was also unable to achieve the tax revenue target. Realization only reached IDR 1,055 trillion or 81.5% of the target of IDR 1,294 trillion or a shortfall of IDR 239 trillion. While in 2016, the realization of tax revenue was only IDR 1,283 trillion or 83.4% of the target of IDR 1,539 trillion

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40 Shortfall is a condition when the realization is lower compared to the target set in the APBN or Revised APBN. See:https://money.kompas.com/read/2016/06/22/124148026/mengetahui.shortfall.pajak.dan.bahayanya.untuk.indonesia?page=all

41 At the time this report writing, 2023 tax revenues were also on track to increase.

42 Tax amnesty is the elimination of taxes that should be paid by disclosing assets and paying a ransom. This means that taxpayers only need to disclose assets and then pay a tax ransom as an amnesty tax on assets that have never been reported..

43 http://indoprogress.com/2016/08/tax-amnesty-dari-utang-luar-negeri-ke-utang-publik/#¾

(a shortfall of IDR 256 trillion). This situation also affected the tax ratio figure, where Indonesia's tax ratio in 2016 was only 9.2%[44].

Amidst the situation of tax revenue not reaching the target, the government implemented tax amnesty volume I from June 2016-March 2017[45]. This tax amnesty had 965,983 participants, with the amount of assets declared reaching IDR 4,866 trillion. Consisting of domestic asset declaration of IDR 3,676 trillion, overseas asset declaration of IDR 1,031 trillion, and repatriation commitment of IDR 147 trillion[46]. Among the tax amnesty participants, 640,488 people are individual taxpayers, consisting of 265,864 UMKMs and 374,624 non-UMKM. As for corporate taxpayers, participants reached 192,143 units, consisting of 80,962 UMKM and 111,181 non-UMKM[47].

Tax Amnesty volume I successfully agreed on repatriation funds of IDR 147 trillion[48] (88.5% of the target of IDR 165 trillion). Meanwhile, the amount of redemption funds reached Rp130 trillion, which came from non-UMKM personal taxpayers amounting to Rp 90.36 trillion; UMKM personal taxpayers of Rp 7.56 trillion; non-UMKM corporate taxpayers of Rp 4.31 trillion; and UMKM corporate taxpayers of Rp 0.62 trillion[49]. Taxpayers who do not report tax returns are still around 196,786, while taxpayers who report tax returns reach 635,845, and taxpayers who do not pay taxes are 16,709. However, until the tax amnesty volume I deadline ends, the realization of funds that have been successfully repatriated is only IDR 122.3 trillion, and even then, there is still IDR 24.7 trillion left that has not entered the country[50].

A year after the government implemented the tax amnesty policy volume I (2016/2017), tax revenue rose to IDR1,315.9 trillion or 92.4% of the state budget target. In 2019, tax realization rose again to IDR1,546.14 trillion, but the percentage of achievement was only 86.55% of the APBN target. A year later, the economic slowdown due to the Covid-19 pandemic has led to a contraction in tax revenue growth of 19.6%. The realization of tax revenue in December 2020 also plunged freely to IDR 1,285.2 trillion. Tax revenue only began to creep up in 2021, with total revenue reaching IDR1,547.8 trillion or 107.15% of the target in the APBN.

Higher revenue occurred in 2022, with revenue realization of IDR 2,034.5 trillion or 114% of the target of IDR 1,784 trillion[51]. This time, the increase in tax revenue was strongly influenced by

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44 https://www.cnbcindonesia.com/news/20210318131044-4-231105/sejak-10-tahun-lalu-begini-gambaran-penerimaan-pajak-ri#

45 Tax amnesty is a tax amnesty based on Law No. 11 of 2016 concerning Tax Amnesty. According to this law, tax amnesty is the elimination of taxes owed by issuing or declaring assets and paying Ransom without any sanctions in the form of tax administration fines and criminal sanctions. The types of taxes that receive tax amnesty or tax amnesty are VAT (Value Added Tax) tax obligations, income tax, and sales tax on valuable/luxury goods. (https://www.ocbcnisp.com/id/article/2021/06/21/amnesti-pajak-adalah).

46 https://www.cnnindonesia.com/ekonomi/20170401055730-78-204216/ada-wp-bayar-uang-tebusan-rp1-t-di-detik-terakhir-tax-amnesty

47 https://finance.detik.com/berita-ekonomi-bisnis/d-3459230/uang-tebusan-dari-tax-amnesty-capai-rp-110-t

48 https://ekonomi.bisnis.com/read/20170401/9/641841/sri-mulyani-rp247-triliun-dana-repatriasi-belum-masuk-indonesia.

49 https://setkab.go.id/realisasi-tax-amnesty-menkeu-tebusan-rp130-triliun-deklarasi-rp4-8134-triliun-dan-repatriasi-rp146-triliun/

50 https://ekonomi.bisnis.com/read/20170401/9/641841/sri-mulyani-rp247-triliun-dana-repatriasi-belum-masuk-indonesia

51 Processed from various sources: Ministry of Finance data through various official reports and press releases as well as data from media publications.

revenue from the Voluntary Disclosure Program (PPS), aka tax amnesty volume II, which reached IDR 61.01 trillion. The government claims that PPS[52] has a positive impact on revenue, especially the final income tax (PPh). However, the realization of final income tax at the end of 2022 only reached 81.4%.[53].

The tax amnesty volume II is implemented in two policy categories. First, taxpayers are subject to Final Income Tax ranging from 6% to 11% with details: (1) 6% for repatriated overseas assets and domestic assets invested in Government Securities (SBN) as well as downstream Natural Resources (SDA) and renewable energy, (2) 8% for repatriated overseas assets and domestic assets, and (3) 11% for overseas assets that are not repatriated to the country. Second, taxpayers who have never reported the assets acquired in the interval 2016-2020 and have not been reported during the 2020 SPT, are given the opportunity with the following Final Income Tax rates: (1) 12% for repatriated overseas assets and domestic assets invested in SBN and downstream natural resources and renewable energy, (2) 14% for repatriated overseas assets and domestic assets, and (3) 18% for overseas assets that are not repatriated to the country[54].

Tax amnesty volume II has been participated by 247,918 taxpayers (WP) with 308,059 certificates[55]. he net asset value from domestic declarations reached IDR 498.88 trillion. Meanwhile, the results of overseas declarations only amounted to IDR 59.91 trillion, with investment commitments amounting to IDR 22.34 trillion. However, the net assets that were successfully repatriated only amounted to IDR 13.70 trillion. Meanwhile, the final income tax pocketed by the state only amounted to IDR 61.01 trillion, dominated by the results of policy category I amounting to IDR 32.91 trillion, and the results of policy category II amounting to IDR 28.10 trillion. In addition, among the tax amnesty volume II participants, there are 38,780 taxpayers with assets below IDR 10 million[56].

Certainly, the tax amnesty volumes I and II did not show remarkable results, despite being considered one of the most successful practices in the world. Even several years later, the achievement of tax revenue, including the level of taxpayer compliance and Indonesia's tax ratio, has not improved significantly (see Table 1).

Table 1: Tax Revenue Target and Realization for 2017-2022
(in Trillions of Rupiah)

Tax Year	APBN Target	APBNP 1	APBNP 2	Realization of Tax Revenue	Percentage of State Revenue	Shortfall Figures	Tax to GDP Ratio [57]
2017	1.283	-	-	1.151,02	85,7%	131,98	9,89%

52 Based on Law No.7/2021 regarding Harmonization of Tax Regulations (HPP), and takes place from January to June 2022.
53 https://nasional.kontan.co.id/news/tax-amnesty-jilid-ii-berdampak-positif-pada-penerimaan-pajak-semester-i-2022
54 https://www.online-pajak.com/seputar-pph-final/tax-amnesty-jilid-2
55 Ibid
56 https://nasional.kontan.co.id/news/menkeu-apresiasi-38780-wp-dengan-harta-di-bawah-rp-10-juta-ikut-tax-amnesty-jilid-ii
57 https://www.cnbcindonesia.com/news/20230103160129-4-402471/lebih-tinggi-dari-2019-tax-ratio-ri-sentuh-104-di-2022#:

2018	1.618,1	-	-	1.315,9	81,32%	302,2	10,24%
2019	1.786,37	-	-	1.545,37	86,51%	241	9,76%.
2020	1.865,70	1.462,62	1.404,50	1.072,1	76,3%	128,8	8,33%
2021	1.444,54	-	-	1.547,8	107,15%	-	9,11%
2022	1.510,00	1.783,98	-	2.034,5	114%	-	10,4%

Source: Processed from various sources: Ministry of Finance data through various official reports and press releases as well as data from media publications

The data in Table 1 shows that over the past six years, the proportion of tax revenue achievement has averaged only 78.24% per year. There is no significant jump compared to the growth of registered taxpayers each year (see table 6). Since 2005, the realization of tax revenue has actually never reached the target[58]. Entering 2009 until 2020, the realization of tax revenue also never exceeded the APBN target. In fact, since 2015, the government claims to be focusing on infrastructure development and social protection, which require increasingly large financing from year to year.

So far, the government claims to have made a lot of progress, at least when seen from the increase in tax revenue from a number of sectors, especially Income Tax (PPh) and Value Added Tax (VAT), two components of taxation that have become the largest sources of tax revenue since the new order. In 2017, the realization of Income Tax reached IDR 646.79 trillion, after which it decreased during the pandemic (see Table 2)[59]. In second place is Value Added Tax & Sales Tax on Luxury Goods (PPN & PPnBM), which is a levy imposed on the sale and purchase of goods and services carried out by personal taxpayers or corporate taxpayers who have become Taxable Entrepreneurs (PKP)[60]. Since 2012, the realization of VAT & STLG has experienced fluctuations that are not always the same in line with the level of economic growth. During the 2017-2022 period, the VAT & STLG achievement figures did not show a very significant increase, except in 2021 (see Table 2).

Since 2019, the government has expanded the taxation base by enacting Government Regulation (PP) No.80/2019 on trade through electronic systems (e-commerce or PMSE)[61] to replace Minister

58 https://www.cnbcindonesia.com/news/20210707145402-4-259021/kritik-darmin-sejak-2005-target-pajak-tak-pernah-tercapai

59 Include PPh Article 21, 22, 23, 24, 25, 26, 29, and PPh Article 4 paragraph 2

60 In this provision, those who are obliged to collect, deposit and report VAT are Traders/Sellers. However, the party who is obliged to pay VAT is the End Consumer. See https://www.online-pajak.com/tentang-ppn-efaktur/pajak-pertambahan-nilai-ppn

61 Based on Article 66 of Law No. 7/2Ol4 concerning Trade and then adjusted to Law No. 7/2021 concerning Harmonization of Tax Regulations. Also technically regulated in the Regulation of the Minister of Finance (PMK) No. 60/PMK.03/2022 (replacing the Regulation of the Minister of Finance No. 48/PMK.03/2020 concerning Procedures for Appointing Collectors, Collection, and Deposit, as well as Reporting of Value Added Tax on the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside the Customs Area within the Customs Area Through Electronic Trading). Including Regulation

of Finance Regulation No.48/PMK/2020 which previously only regulated the technical implementation of e-commerce transaction. PP No.80/2019 does not only focus on e-commerce transaction activities, but has included regulations regarding the buying process, delivery mechanisms, payments, advertisements, electronic contracts, and even the realm of personal data protection[62].

With this change, the scope of income tax and VAT collection on PMSE includes intangible taxable goods or digital content which includes: (1) the use of copyrights, scientific works, patents, designs, brands, intellectual property rights and other similar rights, (2) the use of industrial, commercial or scientific equipment, (3) the use of scientific, technical, industrial or commercial knowledge or information, (4) the use of recordings of images, sound or both, for distribution to the public via satellite, cable, optical fiber or other technology or for radio and television, and (5) the use of film or video tape for television and radio broadcasts. Later, the Minister of Finance issued Permenkeu No./PMK.03/2022 which regulates VAT and Income Tax on Crypto Asset Trading and Permenkeu No.69/PMK.03/2022 which regulates income tax and VAT on the implementation of financial technology (Fintech). Thus, the overall regulation of the implementation of PMSE also includes the trading of Crypto assets and the implementation of fintech.

As of December 2022, the government has received IDR10.141 trillion in PMSE tax revenue. This revenue is a VAT tax deposit at a rate of 11% on foreign products sold in Indonesia, as referred to in PMK-60/PMK.03/2022. This revenue is the result of tax deposits originating from 138 business actors who have been appointed as PSME VAT collectors. Consisting of VAT deposits for 2020 amounting to IDR 731.4 billion, 2021 deposits amounting to IDR 3.90 trillion, and 2022 deposits amounting to IDR 5.51 trillion[63].

Looking at the trend and potential of a stronger PMSE, it is possible that income tax and VAT-BM from information technology-based trade ---including of course fintech--- will become a significant source of revenue. OECD countries and G20 member countries at the G20 Summit in Bali 2022 have also agreed to reform the international tax architecture through a “two-pillar” solution. This reform is carried out in the form of allocating taxation rights to countries that are markets for digital goods and services (market countries), known as Pillar 1. In addition to ensuring that all multinational enterprises (MNEs) pay a minimum tax of 15% in all places where the company operates, known as Pillar 2. These two pillars are expected to ensure fairer taxation rights and tax bases globally. Although, the signing of the Pillar 1 Multilateral Convention (MLC) has been delayed to mid-2023 and is targeted to enter into force in 2024[64].

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of the Minister of Finance No. 69/PMK.03/2022 concerning Income Tax and VAT on the Implementation of Financial Technology or often referred to as fintech.

62 Prior to the issuance of PP No.80/2020, the draft document of Law No.27/2022 concerning Personal Data Protection was in the drafting stage and had not been discussed in the DPR.

63 Process from: https://www.pajak.com/pajak/tambah-9-pemungut-ppn-pmse-berjumlah-143/ dan https://www.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/Jumlah-Pemungut-Bertambah,-PPN-PMSE.

64 https://www.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/G20-Sepakat-Dukung-Implementasi-Solusi-Dua-Pilar

Table 2: Target and Realization of Income Tax and PPN & PPnBM Revenue for 2017-2022
(in Trillions of Rupiah)

Year	Income Tax (PPh)				Value Added Tax and Sales Tax on Luxury Goods (PPnBM)			
	APBN	APBNP I/ APBNP II	Realization	Percentage	APBN	APBNP I/ PBNP II	Realization	Percentage
2017	783,9	-	646,79	82,50%	475,48	-	480,72	106%
2018	894,44	-	749,97	83,84%	655,39	-	537,26	81,97%
2019	894,44	-	772,26	86,34%	655,39	-	531,57	81,10%
2020	929,80	703,3	594,03	84,47%	685,87	529.65	450,32	88,4%
	-	670,38	-	-	-	507,52	-	-
2021	683,77	-	696,67	98,14%	518,54	-	551,90	106,53%
2022	680,87	813,67	895,10	90,9%	554,38	638.99	680,74	93,9

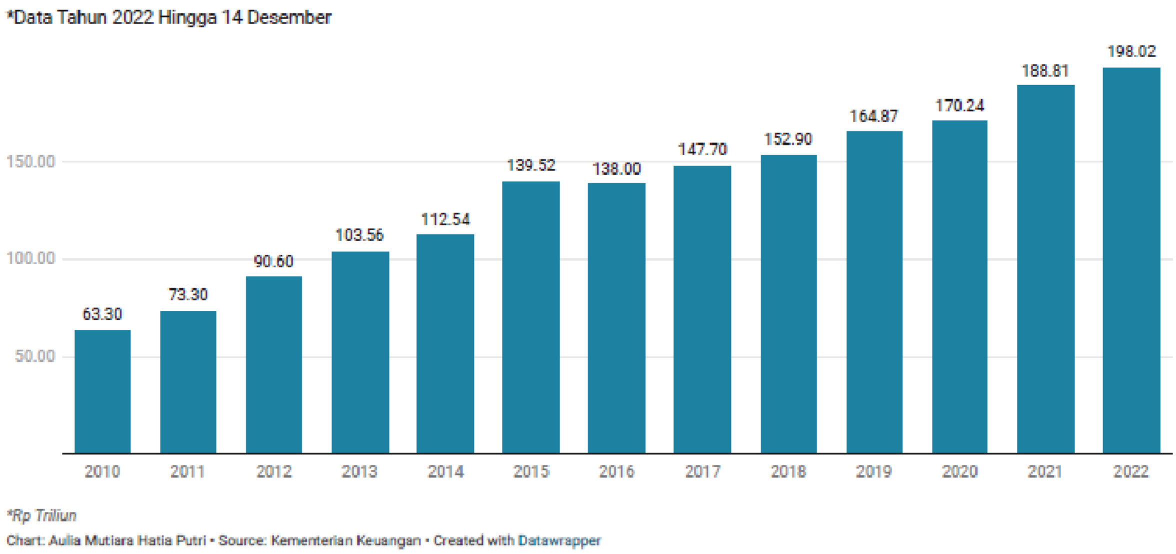
Source: process from 2017-2022 APBN document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports

In third place is excise tax, which includes excise tax on tobacco products (CHT), excise tax on ethyl alcohol (ET), excise tax on beverages containing ethyl alcohol, and finally excise tax on plastics. Of the four excise tax categories, excise tax on tobacco products (CHT) is the only tax revenue component that has increased from year to year, even when the economic situation has slowed down due to the Covid-19 pandemic (see Table 3). This increase occurred because the government periodically increased the tobacco excise tax. Based on data from MUC Tax Research, in the last 5 years the government has increased cigarette excise tax rates by 50%, 8.72% in 2015, 11.19% in 2016, and 10.54% and 10.04% in 2017 and 2018, respectively. In 2019, the government did not increase the cigarette excise tax[65], but in 2020, the government increased it by 23% or more than doubled it. The following two years, cigarette excise tax experienced lower increases, only 12.5% in 2021 and 12% in 2022[66]. The increase in CHT over time from 2010-2022 can be seen in diagram 1.

65 https://www.cnbcindonesia.com/news/20190916080406-4-99614/catat-5-tahun-jokowi-sudah-naikkan-cukai-rokok-di-atas-50#

66 https://www.kompas.id/baca/riset/2022/11/06/memahami-alasan-kenaikan-cukai-rokok

Diagram 1 : Realization of Tobacco Excise Revenue (CHT 2010-2022)[67]



With regard to excise tax on tobacco products, the government has been using a double standard policy. Any increase in excise rates is always mentioned as an effort to reduce the number of smokers who are considered a burden on the state. However, various facts show that efforts to increase cigarette excise have actually increased the amount of state revenue, but cannot significantly reduce the number of smokers. The government is even very happy with the increase in cigarette excise tax in 2022[68], which is close to Rp 200 trillion, but in other situations complains that smokers are a burden on the state in terms of the health budget.

In 2021, for example, the government disbursed a subsidy for the National Health Insurance (JKN) program of IDR 48.8 trillion. Among them, around 20% to 30% or around IDR 10.5 trillion to IDR 15.6 trillion are costs incurred by the Social Security Organizing Agency (BPJS) for health care caused by smoking[69]. This figure, of course, does not include the cost of handling the reproductive health problems of pregnant women and fetuses or babies exposed to cigarette smoke.

The controversy about CHT has always surfaced every year. The Ministry of Health in 2021, for example, also released the results of a global survey of tobacco use in adulthood (Global Adult Tobacco Survey - GATS) which was conducted in 2011 and repeated in 2021. The 2021 survey involved 9,156 respondents, the results showed that over the past 10 years there has been a significant increase in the number of adult smokers by 8.8 million people, from 60.3 million in 2011 to 69.1 million smokers in 2021. The GATS survey results also show a 10-fold increase in the prevalence of electronic smokers, from 0.3% (2011) to 3% (2021). Meanwhile, the prevalence

67 https://www.cnbcindonesia.com/research/20221222080741-128-399084/sri-mulyani-happy-pendapatan-cukai-rokok-nyaris-rp-200-t

68 https://www.cnbcindonesia.com/research/20221222080741-128-399084/sri-mulyani-happy-pendapatan-cukai-rokok-nyaris-rp-200-t

69 https://katadata.co.id/agustiyanti/finansial/61b7f9fe08b21/sri-mulyani-perokok-jadi-beban-negara-habiskan-anggaran-bpjs-rp-15-t

of passive smoking was also recorded to rise to 120 million people[70]. Meanwhile, the survey results of the Central Statistics Agency (BPS) show that 24.36% or 16 million Indonesian youth are smokers, 22.04% of whom are active smokers every day. Youth in West Sulawesi Province are the heaviest smokers in Indonesia with an average consumption of 16.93 cigarettes per day[71]. The problem then is that the adverse effects of smoking, as shown by the results of such surveys, seem to be masked by the increase in CHT revenue from year to year.

The fourth largest income is international trade tax or tax that has a Double Impact Agreement (P3B)[72] dimension. International tax aims to promote international trade and increase investment in each country and minimize taxes that hinder the flow of trade and investment. International tax in Indonesia consists of (1) export duty imposed on the flow of export goods, and (2) import tax imposed on the flow of import goods. The achievement of international tax revenue during the period 2017-2022 shows the figures as in Table 3.

Table 3: Target and Realization of International Trade Taxes for 2017-2022
(in Trillions of Rupiah)

Year	Import Duty			Export Tax			
	APBN Target (P I and II)	Realization	Percentage	APBN Target (P I and II)	Realization	Percentage	Total Revenue from BM and PE
2017	33,28 33,28	35,07	105,37%	2,70 2,70	4,15	153,70%	39,22
2018	35,70 38,90	39,12	100,56%	3,00 4,42	6,77	225,67%	45,89
2019	38,90	37,53	96,47%	4,42	3,53	79,86%	41,06
2020	40,00 33,88 40,00	32,44	81,1%	2,60 1,75 2,60	4,28	164,62%	36,72
2021	33,17	39,12	117,94%	1,79	34,57	1,931%	73,69
2022	35,16 42,34	43,70	103,21%	5,92 36,69	48,91	133,31%	92,61

70 https://sehatnegeriku.kemkes.go.id/baca/umum/20220601/4440021/temuan-survei-gats-perokok-dewasa-di-indonesia-naik-10-tahun-terakhir/
71 https://www.cnbcindonesia.com/lifestyle/20230103112614-33-402351/16-juta-pemuda-ri-perokok-provinsi-ini-paling-doyan-ngebul
72 Referring to the Vienna Convention of 23 May 1969.

Source: process from 2017-2022 APBN document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports

As can be seen in Table 3, international trade taxes have indeed increased from year to year. However, the potential for international taxes is actually much greater than the realization of the amount of tax obtained each year. In addition, international taxes are also greatly influenced by the price of export commodities – such as palm oil, rubber, coal, tin, and crab – which have so far been the main source of export duties. The findings of a number of groups also show that international tax management has not been able to stop the high practice of illicit financial flows (IFF) or the flow of dark money through trade misinvoicing practices and various other modes of financial crime that are cross-border.

The fifth tax component that has a significant value is Land and Building Tax (PBB). Since 2015, PBB realization has tended to fluctuate, even though tax objects have increased from year to year. According to BPS data, at that time PBB revenue realization reached IDR 29.25 trillion, but in 2016 it dropped to IDR 19.44 trillion. The following year it fell again to IDR 16.77 trillion, then rose again to IDR 19.44 trillion (2018), IDR 21.15 trillion (2019), and IDR 20.95 trillion (2020). However, when all tax components started to rise again after the peak of the Covid-19 pandemic, PBB realization actually fell again to IDR 18.92 trillion. Realization only improved again after entering 2022 with an achievement of IDR 20.90 trillion. There is no official government data or explanation as to why the PBB achievement value tends to fluctuate after the government granted tax amnesty.

The sixth tax component is other taxes. Consisting of stamp duty, PPh collection interest, PPN (VAT) collection interest, PPnBM collection interest and revenue from the sale of stamped objects. The largest component of other tax revenue comes from stamp duty revenue, namely tax on documents subject to stamp duty[73]. According to records from the Central Bureau of Statistics (BPS), other tax revenues have increased from year to year, except in 2020. Since 2017, other tax revenues have been around IDR 6.74 trillion, followed by IDR 6.63 trillion (2018), IDR 7.68 trillion (2019), and IDR 6.68 trillion (2020). Then it rose drastically to IDR 11.13 trillion in 2021 and IDR 11.38 trillion in 2022.

In addition to taxes, the component of non-tax state revenue (PNBP) is the second largest revenue in the state revenue structure. The development of PNBP is greatly influenced by fluctuations in the value of revenue from the management of natural resources, especially oil and gas, minerals and coal, fisheries, and forestry. Including royalties and dividends from State-Owned Enterprises and income from Public Service Agencies (BLU). One of the largest components of revenue from BLU is of course the levies obtained from the management of the palm oil industry through the Palm Oil Plantation Fund Management Agency (DPB-PKS)[74].

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73 https://anggaran.kemenkeu.go.id/in/post/perbandingan-komponen-dan-struktur-pajak-oecd-dan-government-finance-statistic-manual-dan-pengaruhnya-atas-pendefinisiantax-ratio-di-indonesia

74 BPD-PKS was established based on Article 93 of Law No. 39 of 2014 concerning Plantations, with the aim of collecting funds from plantation business actors or better known as the CPO Supporting Fund (CSF) which will be used to support the sustainable palm oil development program. BPDPKS was officially designated as a Public Service Agency (BLU) through the Regulation of the Minister of Finance No. 113/PMK.01/2015 dated June 10, 2015. The sustainable palm oil development program has several objectives: encouraging research and development, business promotion; improving infrastructure for industrial development; biodiesel development, replanting, increasing the number of business partners and the amount of

Table 4: Target and Realization of PNBP for 2017-2022
(In Trillions of Rupiah)

APBN Cycle	PNBP Realization					
	2017	2018	2019	2020	2021	2022
Initial APBN	260,24	275,42	378,3	367,0	298,20	335,6
APBNP I	250,03	-	-	297,75	-	481,63
APBNP II	-	-	-	294,14	-	-
Realization	311,21	409,3	405	343,81	458,49	510,92
Percentage of APBN	118,5%	181%	107,1%	116,89%	151,6%	122,2%

Source: process from 2017-2022 APBN document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports

If we look at the data in table 4, it appears that the achievement of PNBP actually does not show a very significant increase. This is because the percentage increase since 2019 which exceeded the APBN target or exceeded 100% was more influenced by the decrease in the APBN target first rather than because of the absolute increase. With the change (decrease) in the target first, even minimal achievement results will always appear to exceed the existing target or exceed the achievements in the previous year's APBN.

The realization of PNBP revenue in 2020 of Rp343.81 for example, was obtained from: (1) PNBP natural resources (SDA) of Rp97.8 trillion from the target in Presidential Regulation No.2/2020 of Rp79.08 trillion, (2) PNBP-KND from Rp65.0 trillion to Rp66.1 trillion, (3) other PNBP from Rp100.05 trillion to Rp110.4 trillion, and (4) BLU income from Rp50.0 trillion to Rp64.2 trillion[75]. Initially, the PNBP target was Rp367.0 trillion, then it was reduced to Rp297.75 trillion or down 18.87%[76]. Then on June 25, 2020, the government again reduced the achievement target to Rp294.14 trillion or down 19.86%[77]. If we compare the initial revenue target with the realization of PNBP achievement of IDR 343.81 at the end of 2020 – after two target reductions – then what actually happened was a "pseudo increase" of minus (-) IDR 28.5 trillion. It is called so because the increase value is smaller than the decrease value of two times from the APBN target. This pseudo increases ultimately resulted in the budget deficit widening to IDR 1,039.2 trillion or

distribution in the form of exports; and educating community resources about palm oil plantations (see: https://www.bpdp.or.id/sekilas-badan-pengelola-dana-perkebunan-kelapa-sawit).

75 https://databoks.katadata.co.id/datapublish/2021/01/18/realisasi-penerimaan-negara-bukan-pajak-pada-2020-lampaui-target

76 Perubahan pertama versi Perpres No.54/2020

77 Perpres No.2 Tahun 2020 diterbitkan pada 5 Juni 2020.

6.34% of PBD (GDP). Whereas previously the government estimated that the 2020 budget deficit would only be in the range of IDR 307.2 trillion or 1.76% of GDP[78].

If it is associated with the environmental impact on the natural resource industry sector, for example, the achievement of PNBP cannot cover the environmental and natural resource depreciation factors that occur due to oil and gas (migas), mineral and coal (minerba), forestry, and exploitation or destructive fishing and illegal fishing. Even between 2020-2022, the cost for the environmental sector at the Ministry of Environment and Forestry (Kemen LHK) was only below 1% of the total APBN. In 2020, for example, the budget allocated by the APBN was only IDR 18.4 trillion, and when state revenues began to improve in 2021, the allocation for the Ministry of LHK actually fell to IDR 16.7 trillion (0.9%). Then it dropped again to 0.7% with funds of IDR 17.3 trillion in 2022.

2.2. Low Tax Compliance Rate

The realization of tax revenues and PNBP that are not optimal in turn greatly affects the achievement of the tax ratio to GDP. In 2014, the tax ratio was at 9.4% or down 0.8% from 2013 which was recorded at 10.2%. While in 2015, for example, the tax ratio did fall again to 9.2%. The following two years it only rose to 9.89% (2017) and 10.24% (2018). When the economy slowed down, the tax ratio fell again to 9.76% (2019) and 8.33% (2020). It only rose again to 9.11% (2021) and stuck at 10.4% in 2022 (see the tax ratio column in Table 1).

According to the Indonesian tax authorities, even though commodity prices will start to boom in 2022, the 2022 tax ratio will only reach 10.4%. This is still quite low compared to the commodity boom in the 2000s. In 2008, for example, Indonesia's tax ratio in the narrow sense and in the broad sense was recorded at 13.31% and 18.59% respectively. However, in the following years, the tax ratio began to experience a downward trend. In 2017, the tax ratio was only recorded at 9.89%, aka single digits. It rose to 10.24% in 2018, then fell again to 9.76% in 2019 and 8.33% in 2020. A year later, the government stated that the tax ratio had improved again to 9.11%, and reached double digits again in 2022, namely 10.4%[79].

In 2017, for example, the OECD assessed that Indonesia's tax ratio was not only the lowest in the Asia Pacific region, but also still below the OECD average which had reached around 34.2%. Indonesia's tax ratio achievement figure was also still below the average achievement of Latin America and Caribbean (LAC) and African countries with an average achievement of 22% and 18.2%. Indonesia's position was still in 30th place out of 32 countries/groups of countries, precisely below Pakistan and Bangladesh and only above Laos and Bhutan[80], as shown in diagram 2 below:

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78 Information from 2020 APBN

79 https://www.cnbcindonesia.com/news/20230103160129-4-402471/lebih-tinggi-dari-2019-tax-ratio-ri-sentuh-104-di-2022#:~:t,l,;,l,lkkmm>ext=Jakarta%2C

80 https://news.ddtc.co.id/oecd-catat-rasio-pajak-indonesia-hanya-unggul-dari-bhutan-dan-laos-40783

Diagram 2. Indonesia Tax Ratio Position

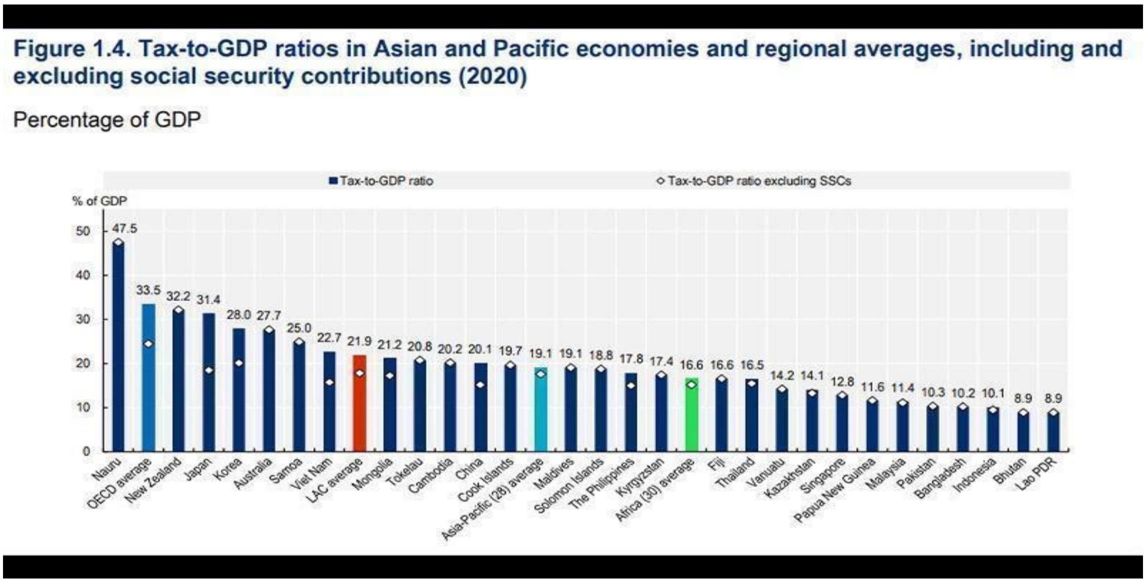

Figure 1.4. Tax-to-GDP ratios in Asian and Pacific economies and regional averages, including and excluding social security contributions (2020)

Percentage of GDP

Source: https://news.ddtc.co.id/oecd-catat-rasio-pajak-indonesia-hanya-unggul-dari-bhutan-dan-laos-40783

The Directorate General of Taxes (DGT) has its own reasons to answer the question of why the tax ratio has not been raised or more often does not reach the APBN target. In the DJP Strategic Plan (Renstra) for 2020-2024, for example, there are three main factors that are considered to burden Indonesia's tax ratio, namely (1) economic conditions, (2) tax policies, and (3) administrative positions. Dependence on natural resource commodities to drive Indonesia's economic activity makes the economy sensitive to fluctuations in commodity prices on the international market. When commodity prices have a negative impact on the economy, tax revenues will also decrease.

In terms of tax policy, there are three things that are considered to limit the increase in tax revenue, namely: (1) the limit on non-taxable income (PTKP) of IDR 54 million, where Indonesia's PTKP is 108% of the average income of the population per year, (2) the limit on taxable entrepreneur (PKP) turnover of IDR 4.8 billion which results in many deliveries of goods and services in Indonesia not being subject to VAT, and (3) the UMKM Final Income Tax scheme has dropped from 1% to 0.5%, thus reducing the potential for income tax revenue in the short term. Meanwhile, in terms of administration, the government claims that there are limitations in the organization, human resources, business processes, and tax regulations.

In contrast to the DJP's reasons, the OECD has a different assessment. According to the OECD, there are a number of reasons why Indonesia's tax ratio is very low: (1) relatively large contributions from agriculture and the informal sector, (2) tax avoidance, (3) low tax base, (4) low tax compliance, (5) weak law enforcement, and (6) dependence on oil and gas[81]. However, the OECD stated that the Indonesian government has currently carried out reforms by strengthening tax administration.

Regarding the low compliance, for example, in June 2019 the Directorate General of Taxes (DGT) had announced a difference in compliance between employee taxpayers and corporate taxpayers.

[81] https://news.ddtc.co.id/oecd-catat-rasio-pajak-indonesia-hanya-unggul-dari-bhutan-dan-laos-40783

Formal compliance of employee taxpayers reached 10.17 million or 73.65%, far above corporate compliance of only 57.28% and compliance of individual taxpayers (WP-OP) or wealthy people of only 42.75%. In addition, employee taxpayers also have a fairly large contribution to tax revenue. Until semester I/2019, for example, the realization of employee income tax or PPh 21 reached IDR 78.08 trillion or almost 13% of total tax revenue. Meanwhile, individual taxpayers (wealthy people) during the same period only paid income tax of IDR 7.9 trillion or 1.3% of the realization of tax revenue in semester I/2019[82].

At the end of 2019, the number of individual taxpayers who reported their SPT was only 11.1 million or 31.44% of the approximately 35.3 million registered WP-OP. Meanwhile, for corporate taxpayers, only 0.77 million WP or 24.84% reported their SPT from approximately 3.1 million registered WP[83]. The overall compliance rate in 2019 was only 73.06%. This achievement shows that the level of compliance of Corporate Taxpayers is still low, even though the government implemented a tax amnesty in 2016-2017. Through the tax amnesty, the state has not only identified potential tax values and tax expansion bases, but has also identified tax evaders who park their money abroad.

In 2022, for example, the Ministry of Finance again reported that the PPh[84] taxpayer compliance ratio only reached 83.2%. This figure is certainly lower compared to the tax compliance rate in 2021 which reached 84.07%. Referring to table 5, during the period 2017-2022, the average compliance rate per year was only 77.02%, even in 2018 it only reached 63.9%. The realization in 2021 has indeed exceeded the target of 80% set in the 2021 APBN[85], but this shows that there has been no better progress after the tax amnesty I which took place from June 28, 2016 to March 31, 2017 and the tax amnesty II which took place from January to June 2022. The percentage of annual tax realization from 2019 to 2022 (as presented in table 7), at first glance shows a better trend, but when compared to the number of registered taxpayers and the potential tax figures claimed by the government, the achievements in the last three years have been far from expectations.

Table 5: Tax Compliance Rate 2017-2022

Year	Registered Taxpayers	Taxpayer SPT	Annual Tax Return Realization	Difference between Taxpayer-SPT and Tax Return Realization	Compliance Level
2017	36.510.000	16.598.887	12.057.400	4.541.478	72,58%
2018	38.651.881	17.653.963	10.589.648	7.064.315	71,1%

82 https://m.bisnis.com/ekonomi-bisnis/read/20190807/259/1133523/rasa-keadilan-pajak-yang-terkoyak

83 https://jimfeb.ub.ac.id

84 As measured by the level of taxpayer compliance in submitting annual tax returns (SPT).

85 https://www.cnbcindonesia.com/news/20230103173438-4-402504/duh-tingkat-kepatuhan-lapor-spt-2022-tak-sampai-90

2019	42.510.000	18.330.000	13.390.000	4.940.000	73,06%
2020	46.830.000	19.000.000	14,760.000	4.240.000	77.63%
2021	49.820.000	19.000.000	15.900.000	3.100.000	84,07%
2022	61.500.000	19.080.000	15,870.000	3.210.000	83,2%

Source: process from 2017-2022 APBN document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports

In addition, from a gender perspective, there is also an imbalance between the compliance of male and female taxpayers. One of the results of the Indikator Politik survey in June 2022, for example, showed that the level of compliance of female taxpayers was higher than that of male taxpayers. Female taxpayers who have a Taxpayer Identification Number (NPWP) are more obedient in submitting Annual Tax Returns (SPT) and paying taxes than men. It was recorded that 55.4% of female respondents admitted to reporting SPT, while male respondents were only 50.1%.

This finding also shows that 70.5% of female respondents pay taxes, while men only 56.7%. In addition, the results of this survey also found that 31% of male respondents admitted to having a NPWP. This percentage is higher than female respondents who are only 23.9%. In addition, it was recorded that 55.4% of female respondents admitted to reporting SPT, while men were only 50.1%. Then, as many as 70.5% of female respondents pay taxes, while men only around 56.7%[86]. However, this survey does not explain why and how the difference in compliance can occur.

Another development related to low tax compliance is the high arrears in motor vehicle tax (PKB). Between 2016-2021, the arrears were still around IDR 100 trillion. In fact, the number of motor vehicles recorded at the National Police Traffic Corps until early 2022 reached 146,046,000 units. Consisting of 22,434,401 passenger cars, 211,675 buses, 5,737,594 goods vehicles, 117,580,815 motorcycles, and 82,181 special vehicles. However, only around 39% or around 56.9 million vehicles have paid off their PKB[87]. Such large arrears can occur for years without any proper resolution or firm law enforcement action.

Low tax compliance is still apparent after Law No. 7/2021 concerning Harmonization of Tax Regulations (HPP) was enacted. In fact, through this law, the government has implemented tax amnesty volume II or a voluntary tax disclosure program (PPS). Also set a new cluster and rate of progressive income tax of 35% for individuals with income above IDR 5 billion. This new cluster is also known as high-net-worth individuals (HNWI), with the criteria of taxpayers who have assets of USD 1 million. The number of HNWIs recorded reached 82,012 people or 0.1% of the total taxpayers in 2022. The number is indeed small, but the accumulation of wealth from this

86 https://databoks.katadata.co.id/index.php/datapublish/2022/08/01/survei-perempuan-lebih-patuh-bayar-pajak-ketimbang-laki-laki

87 https://ekonomi.bisnis.com/read/20220722/259/1558174/tunggakan-pajak-kendaraan-rp100-trilun-ini-data-jumlah-mobil-dan-motor-di-ri

cluster, which generally consists of entrepreneurs, is considered very large and is projected to continue to increase by around 60% in the next 5 years.

However, HNWI taxpayers in 2022 were only able to contribute 0.96% of total tax revenue. In fact, individual taxpayers (employees) were able to contribute up to 11% of PPh. This shows that in addition to tax arrears, most of them are in the largest taxpayer layer, but the tax burden is still borne more by employees than entrepreneurs. Thus, the dimension of tax justice has not been implemented properly. This condition can be directly proportional to the World Bank's records which state that economic growth is only enjoyed by 20% of the Indonesian people, while the remaining 80% feel left behind. The 2022 World Inequality Report data even states that 10% of Indonesians have an income equivalent to 48% of the total income of the entire Indonesian population in a year[88].

With the conditions of taxation and PNBP revenues as well as social construction as described above, it is not surprising that state revenues from the taxation sector and PNBP between 2017-2022 (see table 6) are very volatile, and more profitable for high-income groups. In addition, tax revenues are also not in accordance with the increase in tax potential as shown by the increase in the number of taxpayers as seen in the following table.

Table 6: Realization of State Revenue in the 2017-2022 State Budget
(in Trillions of Rupiah)

Sources of State Revenue	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Tax Revenue	1.343.529,80	1.518.141,90	1.546.141,90	1.404.507,50	1.547.841,10	1.924.937,50
PNBP	311.216,30	409.320,20	408.994,30	294.141,00	458.493,00	510.929,60
Grants	11.629,80	15.564,80	5.497,30	1.300,00	5.013,00	1.010.00
Total	**1.666.375,90**	**1.943.674,90**	**1.960.633,50**	**1.699.948,50**	**2.011.347,10**	**2.439.877,80**

Source: process from 2017-2022 APBN document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports

In addition to failing to meet the APBN target, the Ministry of Finance was also criticized by the Supreme Audit Agency (BPK) for not having a long-term fiscal sustainability strategy[89]. The BPK found a tendency for additional debt and interest costs to exceed gross domestic product (GDP) growth and state revenues. This situation has raised concerns about the government's declining ability to pay debt and interest on debt. In addition, the government's fiscal risk management has not taken into account the fiscal burden related to long-term pension program obligations, obligations from legally binding decisions, social security obligations, contingency obligations

88 https://www.pajak.com/komunitas/opini-pajak/eksisten si-pajak-orang-kaya-di-indonesia/

89 It was only in 2020 that the Ministry of Finance created a long-term fiscal sustainability analysis document for 2020 or long-term fiscal sustainability report. (LTFS)

from BUMN, and the risk of government and business entity cooperation (KPBU) in infrastructure development.[90].

2.3. Tax Evasion, Dark Money Flows, Corruption and Money Laundering that Eroding the State Budget

2.3.1. Tax Evasion and Dark Money Flows

2.3.1.1. Correlation between Exports and Illicit Money Flows

In terms of tax avoidance, there are results of a study by Perkumpulan Prakarsa (2019) that can confirm what the OECD has indicated. The results of this study can even reveal traces of illicit financial flows (IFF)[91] or dark money flows in tax management practices in Indonesia, especially those related to a number of commodities. During the period 1989-2017, Indonesia is estimated to have lost potential tax revenue of USD 11.1 billion or equivalent to IDR 107.34 trillion. This loss comes from trade misinvoicing practices in six leading export commodities, namely from palm oil (CPO/crude palm oil), coal, rubber, copper, crustaceans, and coffee. The potential loss of tax revenue from coal exports alone, for example, has reached USD 5.32 billion or IDR 51.44 trillion. Indonesia even lost non-tax state revenue (PNBP) from coal and copper royalties with a total value of USD 2.96 billion or IDR 28.62 trillion during the period 2000-2017. In addition to experiencing a loss of royalty revenues equivalent to almost 4 percent of the export value of the two commodities[92].

According to Prakarsa's findings, between 2011-2014, the cumulative illicit financial inflow to Indonesia reached USD 628.97 billion or equivalent to IDR 538.96 trillion.[93] Meanwhile, the illicit money outflow from Indonesia to several countries was only USD 217.33 billion or equivalent to IDR 201.76 trillion. The cumulative total inflow and outflow during the same period was USD 846.3 billion. Meanwhile, the average annual inflow was USD 44.92 billion, and USD 15.52 billion for the outflow. The total annual illicit money outflow was equivalent to 10 percent of Indonesia's annual State Budget (APBN) reaching IDR 2,039.55 trillion, while the inflow was equivalent to 29 percent of the annual APBN.[94]

This report also shows a significant increase in the flow of black money from Indonesia to several countries. In 2010, for example, the flow of black money out reached USD 15 billion or equivalent to IDR 133.75 trillion[95]. This figure in 2011 rose to USD 24 billion or equivalent to IDR 205.44

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[90] Ssstt… Ketua BPK Ingatkan Pemerintah, Soal Apa? - WARTA DIGITAL

[91] In the international community, the term illicit financial has evolved into the concept of Illicit Financial Flows (IFF) or dark/illegal money flows, which began to be widely known in the 1990s. IFF is also understood as a "binding" term for various issues related to dark money flows that were previously unrelated. Initially it was only associated with the concept of capital flight. However, then --- referring to Raymond Baker's definition (2005) in his book Capitalism's Achilles Heel: Dirty Money and How to Renew the Free-Market System quoted by Matthew Collin in Illicit Financial Flows: Concepts, Measurement, and Evidence --- IFF is generally defined as "the movement of dark money transferred or used across national borders". This view is based on Baker's experience, who believes that commercial tax avoidance is actually much greater than the flow of money related to corruption or bribery and money laundering by public officials. Then Global Financial Integrity (GFI), an independent organization founded by Raymond Baker, reiterated that IFF is funds obtained, transferred, or used illegally across jurisdictional borders.

[92] Revealing the Dark Financial Flows of Indonesia's Leading Export Commodities: The Amount and Potential Loss of State Revenue, Perkumpulan Prakarsa, 2019.

[93] At that time the exchange rate was Rp. 13.000/USD

[94] The 2016 Initiative Association Report with title: *Calculating Illicit Financial Flows to and from Indonesia: a Trade Data Analysis*, 2001-2014

[95] The exchange rate is assumed to be Rp 8.917,20/USD.

trillion[96]. However, in 2014, there was a five-fold increase in black money inflow. This increase was influenced by the price of CPO and coal commodities which boomed between 2010-2014, and reached its highest figure in 2014. This report concludes that there is a correlation between the increase in exports and the IFF figure. If the export value is higher, the IFF trend will also be high, and vice versa[97]. Thus, an increase in the export value of natural resources, such as coal, CPO, and other minerals, will always be followed by an increase in illicit financial flow. Also followed by an increase in the value of corruption and money laundering based on national legal standards.

The flow of black money globally and from and to Indonesia began to be widely questioned in the 90s. It's just that the handling is not as big as the handling of corruption or money laundering cases. In addition to the concept, rules, and institutional handling factors, there are also methodological differences. What is certain is that the global IFF situation actually shows an increasing trend. Minister of Finance Sri Mulyani Indrawati herself admitted that currently the global black money circulation figure has reached around IDR 13,122 trillion. The largest illicit financing comes from narcotics crimes which reach US$ 344 billion or equivalent to IDR 4,944 trillion[98]. In second place is from the production and trade of counterfeit goods. The value of the black money turnover from this crime reaches US$ 288 billion or IDR 4,139 trillion. In third place are crimes in the environmental sector amounting to US$ 281 billion or IDR 4,039 trillion, generally originating from illegal or destructive activities in the mining, logging and plantation and fisheries sectors[99]. However, until now the Minister of Finance has never announced the value of the black money circulation in Indonesia.

In addition to the Prakarsa study data, there is no official data published by the government regarding illegal financial flows with the mode of trade misinvoicing or through various other forms of financial crimes. However, in 2013, a book entitled "Key Witness" was published[100]. The book by Tempo journalist (at that time), Metta Dharmasaputra, tells the story of the PT Asian Agri tax scandal which cost the state Rp 1.3 trillion[101]. Asian Agri committed tax evasion in the form of creating fictitious costs, price manipulation practices through transfer pricing schemes and fictitious hedging transactions carried out by 14 companies under the Asian Agri group. The Supreme Court surprisingly sentenced this company to pay taxes owed of 2 x Rp 259,977,695,652 or a total of Rp 2.5 trillion. This case is the only largest tax case ever brought to court in the history of law and justice in Indonesia.

96 The exchange rate is assumed to be Rp 8.560/USD

97 See Calculating Illicit Financial Flows to and from Indonesia: a Trade Data Analysis, 2001-2014

98 The US Dollar rate at that time is Rp Rp 14.374 per dolar AS.

99 Delivered by Ministry of Finance, Sri Mulyani Indarwati, in the PPATK 3rd Legal Forum, Thursday (31/3), https://www.cnnindonesia.com/ekonomi/20220331122330-532-778364/sri-mulyani-bongkar-3-sumber-uang-gelap-rp13112-t-di-dunia/amp

100 See book with tittle “Saksi Kunci”, The true story of the hunt for Vincent, the leaker of Asian Agri Group's tax secrets, Metta Dharmasaputra, published by Tempo, 2013.

101 See Supreme Court Decision No. 03 PK/PID.SUS/2010 dated September 1, 2012 in the name of Vincentius Amin Sutanto alias Victor Setiawan alias Victor Susanto.

2.3.1.2. Suspicious Transactions That Were Stopped

In addition to the findings of the Initiative and the presentation in Metta Dharmasaputra's book, the Transaction Reports and Analysis Center (PPATK) or the Indonesian Financial Transaction Reports and Analysis Center (INTRAC) also mentioned findings related to tax crimes. In 2020, for example, there were 523 PPATK analysis results showing that there were 457 information units and 25 examination results related to a number of suspicious transactions. PPATK even examined 26,125 suspicious transaction reports, including 1,602 transactions related to taxation. Then in January 2021, it received 2,081 reports, including 133 (6.4%) suspicious reports related to taxation[102]. n June 2022, PPATK again stated that there were 23.9% of reports indicating tax crimes from around 3,680 suspected money flows that were suspicious.[103].

In fact, the issue of tax avoidance as part of illicit financial flows in Indonesia began to become a public concern along with the strengthening of businesses in the family and cronies of President Soeharto in the 90s. However, not many people questioned this openly. It developed more as a rumor than a disclosure of facts. Only after Soeharto fell, many findings began to emerge related to the transfer of profits or tax avoidance stored by his family in a number of places in offshore jurisdictions or tax haven countries[104].

The sensational report is of course the publication of leaked data from a number of tax haven countries by the Consortium of Investigative Journalism (ICIJ). From 2013 to 2021, ICIJ has released at least five leaked data bases related to thousands of companies from various countries in the world - including companies from Indonesia and several countries in Southeast Asia - registered in various offshore jurisdictions or often referred to as tax havens[105]. A number of names known to the public are recorded as having various 'shell companies'[106] based in Panama, British Virgin Island (BVI), Cayman Island, Aruba, Bahamas, Barbados, Nevis, to Hong Kong, Macau, Singapore, and others. In June 2013, ICIJ published leaked databases from several offshore corporate entities including Portcullis TrustNet (now Portcullis) and Commonwealth Trust Limited, two corporate trust service providers in tax haven countries.[107]

The leaked documents are known as "Offshore Leaks" or "Leaks Leaks". The contents include mentioning a number of companies that since the early 90s were registered in the names of people associated with the Suharto regime, even the Suharto family itself. In addition, nine of the 11 richest families in Indonesia at that time were recorded as having received protection and holding ownership of more than 190 corporate trusts in this region. According to the ICIJ, they are wealthy families who dominate Indonesia's political and economic life and control wealth of around $ 36 billion.

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[102] Anti-Money Laundering and Countering the Financing of Terrorism Statistics Volume 131/Thn X/2020, Januari 2021

[103] Anti-Money Laundering and Countering the Financing of Terrorism Statistics Volume 131/Thn X/2020, Januari 2021

[104] https://www.bbc.com/indonesia/dunia-41880990

[105] A place where some types of taxes are levied at low rates or not levied at all. Features of companies in tax havens or offshore territories include: (1) low or even zero corporate taxes, (2) business secrecy, (3) minimal reporting, (4) minimal document requirements, and (5) no residency required for directors and shareholders.

[106] A company that is registered in a particular country but without active business operations or significant assets.

[107] https://www.opensanctions.org/datasets/offshoreleaks/

In May 2016, ICIJ released a second report called "Panama Papers (2016)". The leak, which came from the law firm Mossack Fonseca, stated that there were at least 71 Indonesian shell companies; there were 3,544 individuals from Indonesia who owned shell companies or were related to shell companies; there were 530 intermediary companies; and there were 3,223 addresses in Indonesia mentioned in the documents[108]. The documents also specifically mentioned the names of the 20 largest companies in Indonesia. Including 800 names of Indonesian businessmen and politicians known to the public, some of whom are still serving as ministers in President Jokowi's Cabinet[109].

In December 2021, ICIJ again published the names of businessmen and politicians or companies from Indonesia in the "Pandora Papers" documents, including the names of the Soeharto family, the Habibie family, Luhut Binsar Panjaitan, Sandiaga Uno and Erlangga Hartatro[110].

However, so far no government authority has responded openly and confirmed whether the people mentioned in the ICIJ documents can be categorized as financial criminals or not. There has also never been a publication of the results of the investigation into the possibility of tax evasion. In fact, no authority has confirmed whether the findings can be categorized as a legitimate trade process and result or not. Indonesia itself does not have trade relations with a number of offshore territories where shell companies are registered. Therefore, it is difficult to track the data using the trade misinvoicing approach.

In 2015, Global Financial Integrity (GFI) stated that the funds of Indonesian citizens recorded abroad were around IDR 3,000 trillion. GFI also stated that in the period 2004-2013 Indonesia experienced losses due to tax avoidance through outflows of money in the range of US$ 180.71 billion, equivalent to IDR 2,100 trillion[111]. This means that every year Indonesia loses approximately IDR 210 trillion in income. In 2016, GFI again reported that Indonesia lost US$ 6.5 billion in tax and royalty revenues or equivalent to IDR 62.86 trillion from trade misinvoicing or misuse/falsification of billing data in international trade transactions[112]. President Jokowi in the same year even stated that the amount of Indonesian citizens' money stored in various countries was actually not small, namely more than IDR 11,000 trillion[113]. However, President Jokowi did not mention whether these funds included the figure for tax avoidance with the trade misinvoicing scheme.

2.3.1.3. Tax Abuse by Big Companies

In addition, in the Tax Justice Network report entitled The State of Tax Justice 2020: Tax Justice in the time of Covid-19, it is also stated that Indonesia is estimated to experience losses of up to US$ 4.86 billion per year due to tax avoidance. Of that figure, US$ 4.78 billion or equivalent to Rp 68.7 trillion is the result of corporate tax avoidance. While the remaining US$ 78.83 million or around Rp 1.1 trillion comes from individual taxpayers[114].

108 Tempo Magazine, 2 October 2021
109 https://amp.kontan.co.id/news/siapa-saja-orang-indonesia-di-panama-papers?page=1
110 https://www.opensanctions.org/datasets/offshoreleaks/
111 https://vik.kompas.com/tax-amnesty/
112 See The Global Financial Integrity Report-Indonesia Blog June 27, 2019
113 https://setkab.go.id/datanya-sudah-ada-presiden-jokowi-uang-kita-yang-disimpan-di-luar-negeri-rp-11-000-triliun/
114 https://nasional.kontan.co.id/news/dirjen-pajak-angkat-bicara-soal-kerugian-rp-687-triliun-dari-penghindaran-pajak

According to this report, multinational companies in practice still shift their profits to tax haven countries. The goal is to avoid identifying the true value of profits generated in the country where they do business. In this way, multinational corporations end up paying less tax than they should. Meanwhile, individual taxpayers who are classified as wealthy can hide assets and income abroad that are outside the reach of national law for the same purpose.

The high tax avoidance and low tax compliance amidst the economic slowdown provide reasons for the government and a number of countries that are members of the OECD and G-20 and a number of other countries to track the assets of their citizens stored in tax haven countries. Indonesia together with these countries formed a data exchange system or financial information between participating countries called the Automatic Exchange of Information (AEoI)[115]. Indonesia has even signed the Multilateral Competent Authority Agreement (MCAA) or Multilateral Agreement Between Authorized Officials on AEoI since June 3, 2015, where Indonesia agreed to start the automatic exchange of financial information to start AEoI in September 2018[116].

Through the agreement between the countries, taxpayer information regarding various types of income such as dividends, interest, royalties, salaries, and pensions can be exchanged. The information exchanged will be collected in the country of origin on a regular basis through transaction reporting by the payer, namely financial institutions, employers, and others. Thus, AEoI allows the tax authorities of the country where the taxpayer is registered as a resident to examine the taxpayer's tax report (SPT) to verify the accuracy of the income from abroad that has been reported.[117].

This agreement was finally ratified by Indonesia through Law No. 9/2017 concerning Access to Financial Information for Tax Purposes on May 8, 2017. With this law, the government can ignore the implementation of the principles and guarantees of confidentiality regulations inherent in every financial service product, such as banks, insurance, capital markets, commodity futures traders, and others. Therefore, this law was challenged in the Constitutional Court by a citizen. The reason is because this law does not mention the criteria for tax avoidance and evasion, as mandated by the Convention on Mutual Administrative Assistance in Tax Matters which was signed by the Indonesian government on November 3, 2011 in Cannes, France.[118].

In addition, this law is also considered to have the potential to reveal the confidentiality of someone who has not necessarily committed a tax crime. It is even considered to be in conflict with Article 35 paragraph (2) of Law No. 6/1983 concerning General Provisions and Tax

115 IBFD or International Tax Glossary (2015) states that AEoI is an exchange of information involving the systematic and periodic transmission of taxpayer information carried out in 'mass' by the country of origin to the country where the taxpayer is registered as a tax resident. The taxpayer information concerns various types of income such as dividends, interest, royalties, salaries, and pensions. The information exchanged automatically is usually collected in the country of origin on a routine basis through transaction reporting by the payer, namely financial institutions, employers, and others (see: https://pertapsi.or.id/apa-itu-automatic-exchange-of-information).

116 The commitment to initiate automatic exchange of information is included in the *Appendix* F AeoI.

117 https://pertapsi.or.id/apa-itu-automatic-exchange-of-information

118 This Convention has been ratified through Presidential Regulation Number 159 of 2014.

Procedures (UU KUP), which among other things requires the state to keep confidential information about customers or taxpayers owned by Indonesian citizens[119]. However, many people consider Law No. 9/2017 to be very important to balance the implementation of the taxation system that uses the self-assessment model which is considered too often provide opportunities for the emergence of various cases of "collusion" between taxpayers and tax officials. This law is expected to provide a basis for monitoring taxpayer financial data. Because so far, the tax authorities themselves have had difficulty finding information regarding financial transactions of corporate or individual taxpayers[120].

At the international level, for example, before the implementation of AEoI ---based on the OECD report in 2015 quoted by Indonesian Corruption Watch (ICW)---a number of countries had already entered into exchange of information (EoI) agreements between countries to combat tax evasion. Sweden, for example, in the period 2010-2014, Sweden made 396 exchange of information (EOI) requests with a total amount of tax revenue that could be collected (tax effect) reaching 330 million euros. Australia also did the same thing, submitting 400 EOI requests in 2013, and the tax that was successfully saved (tax recovered) reached 326 million euros (OECD, 2015). The data shows that the exchange of information between countries through the implementation of AEoI is very effective in boosting state tax revenues[121].

However, Indonesia itself until early 2018 was still one of 12 countries that had not met the requirements to implement AEoI according to the Common Reporting Standard (CRS) prepared by the OECD in 2014. There were a number of regulations at that time that still had to be revised in order to support the implementation of AEOI. Among others are the General Tax Provisions Law (KUP), Banking Law, Sharia Banking Law, and Capital Market Law[122].

Before ratifying the Convention on Mutual Administrative Assistance in Tax Matter, Indonesia had actually taken a "compromise path" with tax evaders or delinquents through the tax amnesty program volume I based on Law No. 11 of 2016 concerning Tax Amnesty. Article 1 number 1 of Law No. 11/2016 states that tax amnesty is the elimination of taxes that should be owed, not subject to tax administration sanctions and criminal sanctions in the field of taxation, by disclosing assets and paying ransom[123].

However, as previously stated, of the approximately Rp4,866 trillion of funds declared in tax amnesty I, only Rp130 trillion of redemption money was obtained by the state. Even then, until the tax amnesty deadline, the amount of funds received by the government was only Rp122.3 trillion of the Rp147 trillion of funds agreed to be repatriated. Meanwhile, in tax amnesty volume II or PPS (Voluntary Disclosure Program), only Rp13.70 trillion of net assets were successfully

119 See the reasons for the request for material review in the Constitutional Court Decision Number 102/PUU-XV/2017.

120 https://nasional.kontan.co.id/news/perppu-aeoi-pakar-beda-pandangan

121 https://antikorupsi.org/id/article/urgensi-perppu-informasi-pajak

122 https://antikorupsi.org/id/article/urgensi-perppu-informasi-pajak

123 The technical arrangements for the implementation of this tax amnesty are based on the Regulation of the Minister of Finance (PMK) No. 118/PMK 03/2016 concerning the Implementation of Law Number 11 of 2016 concerning Tax Amnesty, PMK No. 119/PMK.03/2016 concerning the Determination of Perception Banks acting as recipients of ransom money in the context of implementing tax amnesty, Regulation of the Director General of Taxes No. PER 07/PJ/2016, and Circular Letter of the Director General of Taxes No. SE30/PJ/2016.

repatriated from the Rp558.79 trillion of funds declared domestically and abroad. Meanwhile, the final income tax that the state managed to obtain only reached Rp61.01 trillion.

Tax amnesty I and II prove that tax avoidance to various tax countries is real. This can be proven by the existence of data showing the large value of taxpayer asset declarations stored in these countries. Asset declarations in Singapore, for example, reached Rp 751.19 trillion. Followed by the Virgin Islands Rp 76.92 trillion, Hong Kong Rp 56.27 trillion, Cayman Islands Rp 52.86 trillion, and Australia Rp 41.15 trillion. Likewise, the amount of repatriation funds, the most came from savings in Singapore amounting to Rp 84.52 trillion, then the Cayman Islands Rp 16.51 trillion, Hong Kong Rp 16.28 trillion, Virgin Islands Rp 6.58 trillion, and China Rp 3.65 trillion[124].

Meanwhile, declarations and repatriations in PPS or tax amnesty volume II, are still dominated by taxpayers who keep wealth in Singapore. There are around 7,997 taxpayers in Singapore who participated in the tax amnesty, with the value of repatriated wealth amounting to IDR 56.96 trillion, and the redemption value of IDR 7.29 trillion. In second place is Virgin Great Britain with a reported net asset value of IDR 4.97 trillion from only 50 taxpayers. Income tax (PPh) successfully obtained from this country reached IDR 601.9 billion. Following Hong Kong, Australia, China, Malaysia, the United States, and India with a declaration value reaching IDR 10.7 trillion, and PPh revenue of IDR 934.41 billion[125].

This development also proves that tax amnesty volume I and II did not show effective results in increasing tax compliance, instead increasing the tax ratio and tax revenue in the current year. The government itself seems to be trapped in the process of tax amnesty volume I and II. The problem is, tax amnesty participants seem to know very well that non-compliance with the tax amnesty program or voluntary disclosure program (PPS) does not have serious legal consequences. As promoted by the government, taxpayers will not be subject to administrative tax sanctions in the form of a 200% increase in unpaid or underpaid income tax[126].

In addition, taxpayers involved in this PPS will be exempted from criminal charges. All information regarding taxpayers sourced from the asset disclosure letter or its attachments cannot be used as a basis for investigations, inquiries, and/or criminal prosecution of taxpayers (except for criminal acts outside of taxation). Data related to tax crimes can only be used by law enforcement if it is related to criminal acts outside of taxation related to cases of human trafficking, drugs, and terrorism. Even then, law enforcement cannot use the tax amnesty results database but rather the results of investigations obtained by law enforcement officers themselves[127].

Tax avoidance practices have resulted in injustice and enormous losses for low-income countries compared to high-income countries. Low-income countries lose the equivalent of 5.5% of total tax revenue collected, while high-income countries only lose 1.3 percent[128]. f the estimated 5.5%

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124 https://finance.detik.com/berita-ekonomi-bisnis/d-3459236/hasil-tax-amnesty-paling-banyak-berasal-dari-negara-ini.

125 https://www.cnnindonesia.com/ekonomi/20220701203839-532-816260/deklarasi-harta-tax-amnesty-jilid-ii-paling-banyak-dari-singapura

126 As referred to in Article 18 paragraph (3) of Law No. 11/2016 concerning Tax Amnesty

127 https://finance.detik.com/berita-ekonomi-bisnis/d-3264718/data-tax-amnesty-tak-boleh-diusut-kecuali-terkait-3-hal-ini.

128 https://nasional.kontan.co.id/news/dirjen-pajak-angkat-bicara-soal-kerugian-rp-687-triliun-dari-penghindaran-pajak.

tax avoidance is calculated with the tax revenue target in the 2021 State Budget of IDR 1,285.2, then the total tax avoidance in 2021 will reach IDR 64.26 trillion. This amount of tax avoidance will be able to cover 67.5% of the total 2020 health budget of IDR 97.26 trillion. This figure is almost the same as the sectoral stimulus budget of ministries/institutions and local governments in the 2020 PEN program, which is around IDR 65.97 trillion. It is even much higher than the stimulus budget for corporations related to Covid-19 in 2020 of IDR 62.22 trillion or the special physical allocation funds for 2021 and 2022 which were only around IDR 65.24 trillion and IDR 60.87 trillion.

The State of Tax Justice 2020 reports that the world loses more than $427 billion in taxes a year due to international tax abuse. About $245 billion is lost due to the operations of multinational companies that shift profits to tax havens. The remaining $182 billion is lost due to the actions of wealthy individuals who hide assets and income offshore and outside the reach of the law. Meanwhile, high-income countries lose a large amount of tax, namely $382.7 billion, compared to low-income countries which only lose $45 billion. But on the other hand, if calculated proportionally, the tax losses of low-income countries are actually greater compared to the tax revenues they usually collect. Low-income countries lose 5.8% of their tax revenues, while high-income countries only lose 2.5%.

The sharp comparison is more visible in health spending. Low-income countries, for example, on average lose taxes equivalent to almost 52% of their health budgets. Meanwhile, higher-income countries lose the equivalent of 8.4%. There is no data or information that can provide a clear picture of how this compares to the health budget in Indonesia. However, this report states that every year Indonesia loses revenue due to corporate tax misuse of USD 4.79 billion or equivalent to IDR 70.98 trillion. This figure is higher than the village funds in the 2022 State Budget allocated to 74,961 villages in 434 districts/cities throughout Indonesia, which reached IDR 68 trillion. Or slightly less than the village funds in the 2021 State Budget which reached IDR 72 trillion. Indonesia is only below India which lost taxes of USD 10.12 billion, but above China which only lost USD 3.73 billion, Japan USD 4.31 billion, South Korea USD 3.42, and Singapore which only lost USD 2.79[129].

2.3.2. Corruption and Money Laundry

PPATK has issued 300 analysis and audit reports on transactions since 2009-2023. The value of odd transactions is IDR 349 trillion. Of that amount, there are several groups of transactions. *First*, transactions worth IDR 189 trillion related to the duties and functions of the Directorate General of Customs and Excise (DJBC) and the Directorate General of Taxes (DJP). *Second*, there are suspicious transactions worth IDR 253 trillion that are not related to Ministry of Finance employees. *Third*, debit credit transactions related to Ministry of Finance (Kemenkeu) employees with a value of IDR 22 trillion. Where IDR 3.3 trillion are transactions of Ministry of Finance employees. While the other IDR 18.7 trillion is an accumulation of debit credit transactions related to corporate and individual operations, which have nothing to do with Ministry of Finance employees[130]

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129 See The State of Tax Justice 2020: Tax Justice in the time of COVID-19, November 2020

130 https://www.cnbcindonesia.com/news/20230413153400-4-429675/nih-cerita-lengkap-sri-mulyani-soal-transaksi-janggal-rp349-t

For the above findings, a joint task force is planned to be formed for follow-up. The task force will involve the Financial Transaction Reports and Analysis Center (PPATK) - the anti-money laundering agency, the tax and customs directorate, the police, the prosecutor's office, the financial services authority, the national intelligence agency, and their agencies. Until now, there has been no information on the development of the task force that the government is planning to form.

Data from Indonesia Corruption Watch (ICW) states that state losses due to corruption cases have reached IDR 238.14 trillion over the past 10 years (2013-2022). ICW recorded this data based on corruption decisions issued by the first-level courts to the cassation courts[131].

This figure includes various forms of corruption and tax evasion, which often involve money laundering practices.

Some recorded corruption and money laundering cases include the Asian Agri case, one of which is considered to be the largest tax evasion in Indonesia. The Supreme Court in 2012 found Asian Agri guilty of tax evasion of Rp 1.9 trillion. Another equally shocking scandal was the Gayus Tambunan scandal in 2010-2011, when an employee of the Directorate General of Taxes used his position to help companies avoid paying taxes and received bribes for tax manipulation, estimated at around Rp 25 billion (around USD 2.8 million). In addition, he was also known to have an account with a suspicious amount of funds of around Rp 74 billion (around USD 8.3 million) which allegedly came from illegal activities[132].

Even during his detention, Gayus Tambunan had time to gamble in Macau and Kuala Lumpur and watch tennis in Bali.

The case of Rafael Alun Trisambodo, a former official of the Directorate General of Taxes at the Ministry of Finance received gratification of Rp18.9 billion in stages from 2002-2013. In addition, he also received Rp47.7 billion, 2 million Singapore dollars, 937.9 thousand US dollars, and 9,800 Euros. Not only gratification, the prosecutor believes that Rafael Alun committed TPPU through the purchase of a number of assets in the form of land, buildings, and cars. Sentenced to 14 years in prison and a fine of Rp500 million, subsidiary to 3 months in prison in the case of alleged gratification and money laundering (TPPU).

The Panama Papers case, in 2016, the leak of documents known as the Panama Papers revealed that several Indonesian individuals and companies used shell companies in tax haven jurisdictions to avoid taxes. While not all of the activities exposed in the Panama Papers were illegal, many of them show tax avoidance practices that were detrimental to state revenues.

The case of Rajawali Corpora, a large conglomerate in Indonesia, was also involved in a tax avoidance scandal. The company was accused of avoiding taxes through transactions involving

[131] https://aclc.kpk.go.id/aksi-informasi/Eksplorasi/20240229-korupsi-dan-kerugian-keuangan-negara-yang-ditimbulkannya

[132] https://nasional.kompas.com/read/2022/04/12/06030041/kisah-gayus-tambunan-rekening-fantastis-dan-kenangan-rambut-palsu?page=all

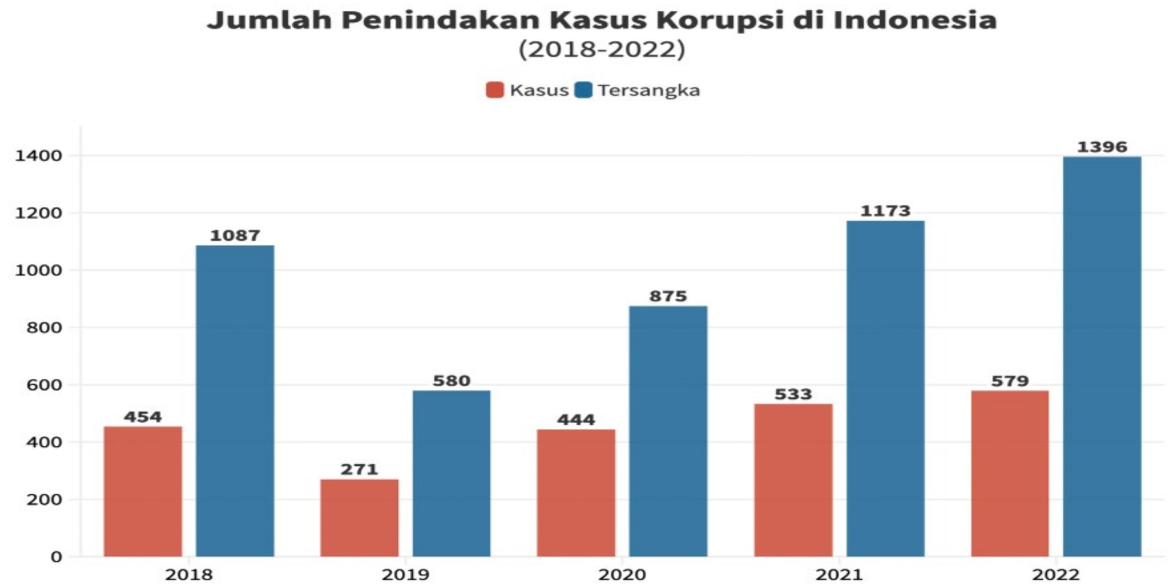
transfer pricing[133] and the use of offshore shell companies. The case highlighted how large companies use complex corporate structures to reduce their tax liabilities.

Level of satisfaction with corruption legal action

The level of satisfaction of the Indonesian people with the prosecution of corruption cases, including tax corruption, is still very low. According to Transparency International Indonesia (TII), Indonesia's Corruption Perception Index (CPI) score in 2023 stagnated at 34 out of 100, indicating that efforts to eradicate corruption are still slow and ineffective[134]. Although there was an increase in the level of tax reporting compliance in 2024, which showed an increase of 7.15% compared to the previous year, this was not enough to increase positive perceptions of tax corruption prosecution.

The number of corruption cases in Indonesia since 2018-2022 has fluctuated. In 2018, the number of corruption cases was 454 cases, while the number of suspects was 1087, decreased in 2019 by 271 cases and 580 suspects, and continued to increase in 2020-2022 from 444 cases to 579 cases, and suspects from 875 people to 1396 people.

Diagram 3 : Number of Corruption Cases Prosecuted in Indonesia from 2018-2022



Source: https://dataindonesia.id/varia/detail/icw-penindakan-kasus-korupsi-meningkat-pada-2022

Based on data from Indonesia Corruption Watch (ICW), there were 579 corruption cases that were prosecuted in Indonesia throughout 2022. This number increased by 8.63% compared to the previous year which was 533 cases. Of these cases, 1,396 people were named corruption suspects domestically. The number also increased by 19.01% compared to 2021 which was 1,173 suspects. In detail, the Attorney General's Office (AGO) was the law enforcement agency that handled the

[133] Transfer pricing is a policy set by a company to determine the transfer price for a transaction, whether the price of goods, services, intangible assets, or financial transactions carried out by the company. Transfer pricing can also be interpreted as the amount of price charged by individual business units to multi-unit companies for transactions that occur between them. It can be done in a company in one country (domestic transfer pricing), or with different countries (international transfer pricing). Source: https://www.online-pajak.com/tentang-efiling/transfer-pricing

[134] https://ti.or.id/corruption-perceptions-index-2023/

most corruption in 2022, namely 405 cases. The AGO also named 909 people as corruption suspects last year. A total of 138 corruption cases with 307 suspects were handled by the Police. Meanwhile, only 36 cases with 150 suspects were handled by the Corruption Eradication Commission (KPK). Meanwhile, the most corruption occurred in the village sector in 2022, namely 155 cases. That number is equivalent to 26.77% of the total corruption cases handled by law enforcement in 2022. In addition to villages, corruption occurred a lot in the utilities sector in 2022, namely 88 cases. After that, there was the government sector with 54 corruption cases throughout last year. A total of 40 corruption cases occurred in the education sector in 2022. Then, corruption that occurred in the natural resources and banking sectors was the same, as many as 35 cases, including the case of corruption of mining business permits in East Kalimantan.[135]

Since 2004, Indonesia Corruption Watch (ICW) has consistently issued reports on the results of monitoring corruption trends in Indonesia. This monitoring is carried out to see the level of corruption that occurs from year to year and to identify more deeply a number of variables such as modus operandi, sectors, regions suspected of being vulnerable to corruption, to mapping the professional background of each person named as a suspect by law enforcement officers.

Corruption cases have consistently increased from year to year, both in terms of the number of cases, suspects, and the amount of potential state financial losses, indicating that the corruption eradication agenda is still not a top priority for the government.[136]

2.4. Selling Tax Incentives to Save Investment

Since 2019, the government has emphasized the five Presidential Work Priorities for 2019-2024, which include: (1) acceleration and sustainability of infrastructure development and strengthening infrastructure interconnection with regions, small industries, special economic zones, tourism, rice fields, plantations and fisheries; (2) development of Human Resources (HR), especially ensuring the health of pregnant women and school-age children and improving the quality of education and talent management; (3) increasing investment as widely as possible to open up employment opportunities, especially by reducing investment barriers; (4) carrying out bureaucratic reform, especially by increasing the speed of service and granting permits; and (5) management of the APBN that is focused and on target, has economic benefits and can improve people's welfare[137].

In the context of fiscal policy, since 2019 the government has formulated a document on Long-Term Fiscal Sustainability Analysis (LTFS). The document published by the Fiscal Policy Agency (BKF) of the Ministry of Finance presents several optimistic scenarios regarding fiscal policy reform. In the long term, the government is strengthening fiscal policy through a consistent, reliable and healthy fiscal reform process, with the target that by 2045 Indonesia is expected to become one of the world's major economic powers characterized by a number of indicators as follows: (1) the APBN deficit is maintained within safe limits; (2) the debt to GDP ratio is decreasing; (3), and (4) the tax ratio is increasing along with the utilization of the demographic bonus, reform, and increased tax compliance.

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[135] https://dataindonesia.id/varia/detail/icw-penindakan-kasus-korupsi-meningkat-pada-2022

[136] https://antikorupsi.org/id/tren-penindakan-kasus-korupsi-tahun-2023

[137] https://www.menpan.go.id/site/tentang-kami/tentang-kami/5-prioritas-kerja-presiden-2019-2024.

Since entering the second term of President Jokowi's administration, the government has gone all out to boost investment to offset the weakening economic situation caused by the global pandemic. In addition to using the tax incentive scheme, as an instrument that has been classically used in various countries and in Indonesia since the New Order, the government has also developed a number of strategies[138], namely: (1) (1) implementing the omnibus law concept through Law No. 11/2020 concerning Job Creation to simplify licensing and investment procedures, (2) using the online single submission risk based approach (OSS-RBA) or a business licensing system that is based on the level of risk and the scale of business activities, (3) implementing an investment priority list (DPI)[139] in three categories, namely businesses with low risk, medium risk, and high risk, and (4) establishing a sovereign wealth fund (SWF), namely the Indonesian Investment Management Institution (LPI) or the Indonesia Investment Authority (INA).

In the context of the 2020 APBN, the government outlined fiscal policy in the form of six strategic policies:[140]

- Provision of tax incentives in the form of super deductions for vocational & R&D activities; mini tax holidays for investments below IDR 500 billion; and investment allowances for labor-intensive industries.
- Improving the quality of human resources and social protection through: Smart Indonesia College Card, Basic Food Card, and Pre-Employment Card.
- Accelerating the completion of 5 super priority tourism destinations (Lake Toba, Borobudur, Labuan Bajo, Mandalika, and Likupang tourism)
- Strengthening Transfers to Regions and Village Funds (strengthening physical DAK in the social and maritime transportation sectors, allocating Additional DAU to equalize the fixed income of Village Heads and Village Apparatus and supporting the salaries of government employees with Work Agreements (PPPK)
- Strengthening the current account balance (supporting the reduction of the current account deficit in the long and short term)
- Endowment Fund for Human Resources and Culture (cultural endowment fund, university endowment fund, and significant addition of research endowment fund).

However, the threat of the Covid-19 pandemic has begun to have a serious impact on the economy. Several commodities such as coal and crude palm oil (CPO) palm oil. The reference coal price (HBA) fell to US$70 per ton compared to the 2019 price of US$78 per ton. Coal production also decreased from 616 million tons to 424 million tons in 2020. In fact, these two commodities contributed greatly to APBN revenues. Therefore, since early 2020, the government has begun to make many changes to its priorities in fiscal management. Entering April 2020, for example, the government declared the Covid-19 pandemic a national disaster[141]. This determination was then followed by a number of adjustments to economic policies to respond to the trend of global economic weakness which had serious implications for the national economy. In response to the

138 https://www.bkpm.go.id/id/publikasi/detail/berita/4-strategi-pemerintah-untuk-menarik-investor-berinvestasi-di-indonesia

139 Regulated in the Presidential Regulation (Perpres) No.10/2021

140 Information from 2020 APBN – Ministry of Finance

141 Regulated through Presidential Decree No. 12 April 2020 concerning the Determination of the Non-Natural Disaster of the Spread of Corona Virus Disease 2019 (COVID-19) as a National Disaster

weakening export of palm oil commodities, for example, the government eliminated levies on palm oil exports. Therefore, in 2020 there was no realization of revenue from the public service agency (BLU) that manages palm oil levies[142], namely from the Palm Oil Plantation Fund Management Agency (BPD-PKS)[143].

On June 10, 2020, the government passed Law No. 3/2020 which amended Law No. 4/2009 on mineral and coal mining. This ratification itself seemed to "quell" the conflict over the management power between the Ministry of BUMN and 7 giant coal mining companies holding coal mining work agreements (PKP2B) whose permits would soon expire. Each of PT Atrium Indonesia (as of November 1, 2020), PT Kendilo Coal Indonesia (as of September 13, 2021), PT Kaltim Prima Coal (as of December 31, 2021), PT Multi Harapan Utama (as of April 1, 2022), PT Adaro Indonesia (as of October 1, 2022), PT Kideco Yaja Agung (as of March 13, 2023, and PT Berau Coal (as of April 26, 2025)[144]. The Ministry of BUMN wants what is done is a revision of PP No. 23/2010 concerning the implementation of mineral and coal mining business activities (Minerba) which is based on Law No. 4/2009. This revision will later need to include a clause that SOEs as an extension of the state are given a greater role as a form of state control over natural resource wealth after the PKP2B of the seven companies ends[145].

The position of the Ministry of SOEs at that time was actually in accordance with the contents of the letter from the Chairman of the Corruption Eradication Commission (KPK) to the DPR and President Joko Widodo, which essentially requested that the revision of PP No. 23/2010 must follow the provisions in Law No. 4/2009. This KPK letter was a follow-up to a study/analysis that dissected the weaknesses of the laws and regulations related to the management of minerals and coal.

However, both the President and the DPR-RI preferred to support the extension of the permits of coal mining companies owned by tycoons by enacting Law No. 3 of 2020. This law changes the status of PKP2B to a Mining Business License for Production Operations (IUPK OP) with the same validity period as PKP2B, namely a maximum of 7 years (for exploration permits) and 20 years for IUPK OP, with two extension periods, each 10 years or a maximum of 20 years. Based on the provisions of Law No. 4/2009, before there is an extension, it is necessary to consider the possibility of granting rights to BUMN to manage coal mining.

On November 2, 2020, the President enacted Law No. 11/2020 concerning Job Creation. This law amends and integrates many provisions of the law, including a number of provisions related to taxation and management of mineral and coal mining, namely Law No. 2/2020 and Law No. 3/2020. In terms of taxation, Law No. 11/2020 provides relaxation in the form of exemption from

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142 Book II Financial Notes and State Revenue and Expenditure Budget 2020.

143 BPDPKS is a Public Service Agency (BLU) under the Ministry of Finance which was established based on Article 93 of Law No.39/2014 concerning Plantations. Its task is to collect funds from plantation business actors, or better known as the CPO Supporting Fund (CSF), which will be used to support sustainable palm oil development programs. The service rates imposed by BPDPKS consist of Plantation Fund Levy Rates on Palm Oil Exports, crude palm oil, and/or derivative products, and Palm Oil Plantation Actors Contribution Rates.

144 https://www.cnbcindonesia.com/market/20191128173930-17-118836/nasib-7-tambang-pkp2b-baru-1-perusahaan-perpanjang-kontrak

145 https://www.pajakku.com/read/5fd30ea92ef363407e21ebad/Batu-Bara-Resmi-Dijadikan-Barang-Kena-Pajak-dengan-PPN-10-Persen

PPh on dividends. It also regulates the exemption of PPh on dividends for individual taxpayers and domestic corporate taxpayers of at least 30%, as long as the dividends are invested in the territory of the Republic of Indonesia.

In addition, Article 112 of Law No. 11/2020 states the status of coal as taxable goods (BKP)[146], in this case value added tax (PPN). However, in Article 4A of Law Number 42/2009 concerning Value Added Tax (PPN), coal is not included in taxable goods. With the enactment of the provisions in Article 112 of Law No. 11/2020, every delivery of coal by a taxable entrepreneur (PKP) will be subject to VAT with a tax payable status of 10%, but the VAT is actually imposed on the user[147]. The problem then is the 10% VAT which came into effect on November 10, 2020 has actually become a burden on BUMN, namely the State Electricity Company (PLN) as the user/buyer of domestic coal for power plants[148].

In addition, Law No. 11/2020 also provides a zero percent coal royalty incentive (freeing from payment obligations) to mining companies that carry out downstreaming and exporting coal products. On the one hand, this policy is considered to be more pro-interest for a number of coal mining companies owned by a number of tycoons who are close to a number of politicians and members of President Jokowi's cabinet. On the other hand, it will actually burden PLN because around 62% of the primary energy for its power plants still uses coal. PLN is even considered to be able to go bankrupt because it has to fulfill this provision in a financial condition that is currently in decline[149]. It is even considered counterproductive when associated with the government's attitude which wants to contribute to reducing carbon emissions globally.

In addition to making pro-business policy changes, the government must also change the APBN posture to adjust the reduced income with the budget needs that have actually increased sharply. The pressure of the Covid-19 pandemic has ultimately overwhelmed the government and forced it to cut the budget for a number of expenditure items, including for economic recovery. Since February 2020 or two months before declaring the Covid-19 pandemic a national disaster, the government has disbursed ***Stimulus Package I*** of IDR 8.5 trillion which is intended to strengthen the domestic economy which is threatened by the transmission of the global economic downturn. The stimulus includes accelerated spending and policies to encourage labor-intensive work by strengthening health policies, refocusing and reallocating the budget[150].

However, this stimulus did little to curb the economic downturn. In the first quarter of 2020, economic growth plummeted to a total of 2.77%, whereas in 2018 and 2019 it still grew by 5.17% and 5.02%[151]. Economic growth finally slumped to minus (-) 5.3% in the second quarter of

146 The determination of coal's status as taxable goods (BKP) subject to 10% and 11% VAT in 2022, is reinforced by the enactment of Law No. 7/2021 concerning Harmonization of Tax Regulations which was ratified by the president on October 29, 2021.

147 VAT on Coal Delivery in the Job Creation Law (Assessing the Potential Increase or Decrease in State Revenue) by Nabila Adriyani Putri STAN State Finance Polytechnic Imam Muhasan STAN State Finance Polytechnic

148 https://www.pajakku.com/read/5fd30ea92ef363407e21ebad/Batu-Bara-Resmi-Dijadikan-Barang-Kena-Pajak-dengan-PPN-10-Persen

149 https://www.dunia-energi.com/batu-bara-jadi-barang-kena-pajak-pln-bisa-bangkrut/

150 This policy is stated in Presidential Instruction Number 4/2020 dated March 20, 2020, which asks Ministers/Heads of Institutions to prioritize the use of existing budgets for activities that support the acceleration of handling Covid-19.

151 https://www.bps.go.id/pressrelease/2020/02/05/1755/ekonomi-indonesia-2019-tumbuh-5-02-persen.html#:~:

2020[152]. The global economic downturn as a result of the pressure of the pandemic became increasingly unbearable. Growth only started to pick up again in the fourth quarter, but only by 2.07%[153]. On May 31, inflation was at 2.19% (yoy), the 3-month SPN interest rate was 3.2%, and the rupiah exchange rate was Rp14,684 per US$. The average oil price from January to May 31, 2020 was 41 US$/barrel, oil and gas lifting were still below the 2020 assumptions, namely 710,000 barrels/day and 1,025,000 barrels, respectively.

In a critical situation, on March 13, 2020, the government again launched ***Stimulus Package II*** of IDR 22.5 trillion with the aim of maintaining people's purchasing power. Also, as support for the affected business world and industry through export and import facilities. This package consists of fiscal stimulus in the form of tax incentives, monetary stimulus, and credit relaxation policies for UMKM[154]. To provide a legal basis for a number of efforts to respond to the development of Covid-19, on March 31, 2020, the government issued Regulation in Lieu of Law (Perpu) No. 1/2020 which regulates the rescue of national health and the economy, with a focus on support for health spending, social safety nets, and economic recovery including for the affected business world and society[155].

Perpu No.1/2020 was finally approved by the Indonesian House of Representatives (DPR-RI) to become Law No. 2/2020 concerning State Financial Policy and Financial System Stability for Handling the Covid-19 Pandemic. Law No.2/2020 also mandates the government to change the APBN posture by using a Presidential Regulation without having to obtain prior approval from the DPR. In addition, this law is the basis for the government in providing tax incentives in the form of relaxation of the reduction in corporate income tax (PPh) from 25% to 22% for the 2020 and 2021 tax years, and reduced again to 20% starting in 2022. Meanwhile, companies that trade their shares on the Indonesia Stock Exchange (IDX) get an extra PPh discount of 3%[156].

On April 3, 2020, the APBN posture was finally changed by lowering the state revenue target from IDR 2,233.19 trillion[157] to IDR 1,760.9 trillion[158]. On the other hand, state spending, which was originally only IDR 2,540.4 trillion, was increased to IDR 2,613.8 trillion. The decrease in the state revenue target is based on the assumption that: (1) the tax revenue target will be around IDR 1,462 trillion, (2) PNBP sourced from PNBP for natural resource management[159], PNBP for Public Service Agencies (BLU)[160], other PNBP[161], and separated state assets (KND) will be

[152] See 2021 APBN Advertorial

[153] https://www.bps.go.id/pressreleas Rincian APBN 2020e/2022/02/07/1911/ekonomi-indonesia-triwulan-iv-2021-tumbuh-5-02-persen--y-on-y-.html

[154] View the National Economic Recovery Program (PEN) document at https://pen.kemenkeu.go.id/in/post/mengapa-program-pen

[155] Perpu No.1/2020 this was then stipulated as law No.2/2020.

[156] Kontan.co in https://www.ssas.co.id/apa-saja-reformasi-pajak-yang-diatur-dalam-uu-2-2020-dan-uu-cipta-kerja

[157] Based on Presidential Decree No. 78/2019 Details of the 2020 State Budget.

[158] Based on Presidential Decree No. 54/2020 Changes to the 2020 State Budget Posture (First Amendment)

[159] PNBP SDA includes: (1) petroleum revenue, (2) gas revenue, (3) mining, mineral and coal revenue, (4) forestry revenue, (5) fisheries revenue, and (6) geothermal mining revenue.

[160] The PNBP of Public Service Agencies (BLU) includes 4 groups of income: (1) income from public service fees, (2) income from BLU grants, (3) income from APBN allocations, and (4) other BLU income.

[161] Other PNBP is non-PNBP SDA, KND, and BNPB BLU revenues which include 9 revenue groups, namely: (1) revenue from sales, BUMN management, and Business Entity Contributions, (2) administration and law enforcement revenues, (3)

around IDR 297.75 trillion[162], and (3) grant receipts amounting to IDR 498.74 billion[163]. In addition to the global economic situation, the decline in the revenue target is also specifically related to adjustments to the limitations of tax revenue after the government continued the fiscal stimulus policy (tax super deduction, mini tax holiday, and investment allowance) which was given in February (first) and March 2020 (second) amounting to IDR 40 trillion[164].

Meanwhile, the increase in state spending to IDR2,613.8 trillion includes the central government spending budget (ABPP) of IDR1,851.10 trillion; additional budget for handling Covid-19 and economic recovery (***third stimulus package***) of IDR405.1 trillion; and the Transfer to Regions (TKD) budget of IDR762.71 trillion (in Presidential Decree No.78/2019 it is still IDR856.94 trillion). The third stimulus package in handling Covid-19 is known as the National Economic Recovery Program (PEN) which was launched by the government on May 9, 2020. PEN funds of IDR 405.1 trillion[165]; d and the Transfer to Regions (TKD) budget of IDR762.71 trillion (in Presidential Decree No.78/2019 it is still IDR856.94 trillion[166]). The third stimulus package in handling Covid-19 is known as the National Economic Recovery Program (PEN) which was launched by the government on May 9, 2020[167]. PEN funds of IDR 405.1 trillion are allocated for: (1) spending in the health sector of IDR 75 trillion, (2) tax incentives and people's business credit stimulus of IDR 70.1 trillion, (3) social protection of IDR 110 trillion, (4) national economic recovery programs including credit restructuring and guarantees and financing of the business world/UMKMs of IDR 150 trillion, and (5) the remaining IDR 25 trillion to meet basic needs and market and logistics operations[168]. This changes itself have the consequence of widening the budget deficit to IDR 852.9 trillion or 5.07 percent of PBD[169]. Then the government changed the budget financing post from originally only IDR 307.22 trillion or 1.76% of PBD[170] to IDR 852.93 trillion [171]. Whereas the original budget deficit estimate was only set at IDR 307.2 trillion.

Under such conditions, in May 2020 the realization of state revenue only reached IDR 664.3 trillion or 37.7% of the target of Presidential Regulation No. 54/2020. Most of the revenue came

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health, social protection, and religious revenues, (4) education, culture and research and technology revenues, (5) revenue from transportation, communication and informatics services, (6) other service revenues, (7) interest revenues, bank account management and financial management, (8) fine revenues, and (9) other revenues.

162 Revenue from separated state assets (KND) include: (1) the government's share of BUMN profits, (2) the share of BUMN profits under the Ministry of BUMN, (3) the share of BUMN banking profits under the Ministry of BUMN, (4) the share of BUMN non-banking profits under BUMN, (5) the share of BUMN/financial institution profits under the Ministry of Finance, (6) the share of BUMN/non-financial institution profits under the Ministry of Finance.

163 Perpres No.54 /2020 Appendix to the 2020 State Budget Change Posture

164 https://pen.kemenkeu.go.id/in/post/mengapa-program-pen

165 https://www.aa.com.tr/id/ekonomi/kemenkeu-apbn-2020-dua-kali-berubah-karena-covid-19/1864540 dan https://pen.kemenkeu.go.id/in/post/mengapa-program-pen

166 Perpres No.54/2020, Appendix of Budget Details for Transfers to Regions and Village Funds 2020

167 Based on Government Regulation No. 23/2020 concerning the Implementation of the National Economic Recovery Program in order to support state financial policies for handling the Covid-19 Pandemic and/or facing threats that endanger the national economy and/or the stability of the financial system and saving the national economy.

168 https://nasional.kompas.com/read/2020/03/31/18253871/jokowi-gelontorkan-rp-4051-triliun-untuk-atasi-covid-19-ini-rinciannya.

169 The first stage of budget posture changes was stipulated through Law No. 2/2020 which mandates the government to change the APBN posture through a Presidential Regulation. In April 2020, the government issued Presidential Regulation No. 54/2020 concerning changes to the 2020 APBN posture (First Amendment).

170 It is stipulated in Law No. 19/2019 concerning the 2020 State Budget and explained through Presidential Decree No. 78/2019 concerning the 2020 State Budget Posture.

171 Perpres No.54/2020 Appendix of Changes in Posture and Details of the 2020 State Budget

from tax revenues of IDR 526.2 trillion or only 36% of the target of Presidential Regulation 54/2020. Almost all types of main taxes experienced contraction as a result of the economic slowdown due to Covid-19, in addition to the government itself having to provide large fiscal incentives to entrepreneurs in the context of national economic recovery. Meanwhile, in terms of state spending, the realization of state spending in May 2020 alone had reached IDR 843.9 trillion or 32.3% of Presidential Regulation No. 54/2020. Consisting of central government spending of IDR 537.3 trillion and Transfers to Regions and Village Funds (TKDD) of IDR 306.6 trillion or 40.2% of Presidential Regulation 54/2020[172].

Therefore, on June 24, 2020, the government made a second change to the 2020 State Budget posture[173]. The only reason for the change was the increasing budget needs for handling Covid-19 and economic recovery. This time, the government lowered the budget revenue target from IDR1,865.7 trillion (first change) to IDR1,699.9 trillion[174]. The target for tax revenue was also lowered from IDR1,865.70 trillion to IDR1,404.50 trillion; PNBP from IDR367.0 trillion to IDR294.1 trillion; and grant revenue from IDR498.74 billion was increased to IDR1.3 trillion. However, in the midst of an economic situation marked by a slowdown and a decline in sources of income from taxation and PNBP, the government changed the 2020 State Budget posture for the second time and increased the budget allocation for handling Covid-19 and economic recovery to IDR695.2 trillion[175] (up 67% or equivalent to IDR290.1 trillion). This increase is an adjustment to the increase in financing needs for the six components of the PEN program, namely: (1) PEN-Health, (2) PEN-Social Protection, (3) PEN-Business Incentives, (4) PEN-UMKM Support, (5) PEN-Corporate Financing, and (6) PEN-Regional Government & Sectoral Ministries and Institutions[176].

PEN funds amounting to IDR 695.2 trillion are allocated in 6 state budget spending groups[177], are as follows:

- Funds amounting to IDR 87.55 trillion are allocated for the health sector in the form of spending on handling Covid-19, medical personnel, death benefits, contribution assistance for national health insurance, task force financing, and tax incentives in the health sector.
- Funds amounting to IDR 203.9 trillion for social protection in the form of financing for the Family Hope Program (PKH), basic food assistance, social assistance (Bansos) for people affected by Covid-19.
- Funds amounting to IDR 123.46 trillion for micro, small, and medium enterprises (UMKMs) affected by Covid-19 in the form of interest subsidies, placement of funds for restructuring, and supporting working capital for UMKMs with loans of up to IDR 10 billion, as well as spending on guarantees for emergency working capital loans.

172 https://fiskal.kemenkeu.go.id/baca/2020/06/17/192553271384005-ini-kondisi-apbn-hingga-mei-2020-belanja-bansos-melonjak-tinggi

173 The Second Amendment to the 2020 State Budget posture was stipulated through Presidential Decree No. 72/2020 concerning Amendments to Presidential Decree No. 54/2020 (as of June 24, 2020).

174 Perpres No. 72/2020 Appendix I. concerning the 2020 State Budget Posture.

175 Press Release of the Coordinating Ministry for Economic Affairs No.HM.4.6/358/SET.M.EKON.3/10/2021

176 National Economic Recovery Program (PEN) Document, Ministry of Finance of the Republic of Indonesia, 2020.

177 https://nasional.kompas.com/read/2020/06/04/05010011/anggaran-penanganan-covid-19-membengkak-jadi-rp-677-2-triliun-ini-rinciannya

- Funds of Rp120.61 trillion for business incentives so that they can survive by relaxing taxation and other stimuli.
- Funds of Rp44.57 trillion for corporate funding consisting of BUMN and labor-intensive corporations.
- Funds of Rp97.11 trillion for costs at the ministry and agency level and the Regional Government.

As claimed by the government, tax incentives and special support for corporations and UMKM are to prevent bankruptcy; avoid layoffs; and encourage economic activity to continue. Tax incentives for the business world receive a large budget allocation, around IDR 120.61 trillion[178]. Meanwhile, support for UMKM through the PEN program is IDR 123.46 trillion, which is given in the form of: (1) government-borne tax incentives (PDP) for UMKM final income tax, (2) relaxation of installment payments and interest subsidies for ultra micro and UMKM in the form of postponement of principal installments reaching IDR 285.09 trillion with a total interest subsidy of IDR 35.28 trillion, and (3) restructuring of UMKM credit in the form of placing funds in banks amounting to IDR 78.78 trillion[179]. In addition, the government also provides a stimulus program in the form of guarantee fee spending (IJP) for UMKM, guarantees for working capital (stop loss), and investment financing to cooperatives through the Micro, Small and Medium Enterprises Cooperative Revolving Fund Management Institution (LPDB-KUMKM).

Financing assistance to BUMN was used to finance five companies whose businesses were directly exposed to the pandemic situation, namely PT Perusahaan Listrik Negara (PLN), PT Garuda Indonesia, PT Kereta Api Indonesia, Pertamina, and Indonesia Tourism Development Corporation (ITDC). No half measures, these five companies received funds of IDR 25.5 trillion in the form of State Capital Participation (PMN), and investment advances for working capital of IDR 29.65 trillion[180].

However, at the end of 2020, the realization of the State Budget actually showed a disproportionate comparison between the amount of State Budget support funds for UMKM and large corporations that received incentives or state support. The corporate sector, for example, received funding support of IDR 165.18 trillion. Meanwhile, UMKM, which numbered 64.19 million businesses, only received support of IDR 123.46 trillion. According to data from the Ministry of Finance (2020), there are 64.19 million UMKM in Indonesia, 64.13 million of which are UMKM that are still in the informal sector. Until December 2020, only 11.7 million UMKM had been digitally onboarded through the National Movement Program Proud of Indonesian Products (Gernas BBI)[181]. In fact, when viewed from the aspect of impact, the results of the KataData Insight Center (KIC) release, the Covid-19 pandemic has had a serious impact on the majority of UMKM (82.9%), and only a small portion (5.9%) have experienced good growth.[182].

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178 The tax incentive policy is based on Law No. 2/2020 and. Since mid-July, PMK86/PMK.03/2020 which was issued since June 2020 as a reference in providing tax incentives for taxpayers affected by Covid-19, see https://pen.kemenkeu.go.id/in/post/mengapa-program-pen

179 This scheme is regulated in PP No. 43/2020 which is a revision of PP No. 23/2020 and the Regulation of the Minister of Finance (PMK) Number 104/PMK.05/2020

180 https://pen.kemenkeu.go.id/in/post/mengapa-program-pen

181 https://www.ekon.go.id/publikasi/detail/2939/dukungan-pemerintah-bagi-umkm-agar-pulih-di-masa-pandemi

182 https://www.ekon.go.id/publikasi/detail/2939/dukungan-pemerintah-bagi-umkm-agar-pulih-di-masa-pandemi.

To balance the state budget and support the business world, the government instead increased the amount of the state budget from IDR 2,540.42 trillion to IDR 2,739.16 trillion. As a result, the 2020 state budget deficit rose sharply from IDR 307.22 trillion to IDR 1,039.21 trillion or 6.34% of PBD[183]. However, to meet budget financing needs, the government no longer relies on foreign loans but explores domestic funding potential through the sale of government securities. This process is carried out using four burden sharing schemes between the government and Bank Indonesia (BI), namely:

(1) The need for financing public goods or those concerning the livelihoods of many people amounting to Rp397.56 trillion for health Rp87.55 trillion, social protection Rp203.9 trillion and sectoral costs of ministries/institutions and regional governments Rp106.11 trillion, will be fully borne by BI through the purchase of SBN with a private placement mechanism, with coupons based on the BI reverse repo rate.
(2) The need for financing non-public goods amounting to Rp177.03 trillion to support UMKM Rp123.46 trillion and support non-MSME corporations Rp53.57 trillion, will be borne by the government through the sale of SBN to the market. BI only contributes the difference between the market rate and the 3-month BI reverse repo rate minus 1%.
(3) The need for funding spending for other non-public goods amounting to Rp328.87 trillion, will be borne entirely by the Government through the sale of SBN with coupons based on the market rate.
(4) Fulfillment of the total financing of non-public goods amounting to IDR 505.90 trillion which is more related to efforts to restore the economy and the business world, is carried out through market mechanisms, where BI will continue to act as the last resort, in accordance with the SKB dated April 16 2020.

The government is trying its best to overcome the situation. However, the economic development report until 2020 shows that the implementation of the APBN is faced with a difficult situation that is beyond the government's own predictions. Economic growth, for example, has plummeted to 2.70%. Whereas in 2019 growth was still in the range of 5.02%, and in 2018 it was still at 5.17%[184]. GDP achievement also plummeted to IDR 15,434.2 trillion[185], with GDP per capita achievement of only IDR 56.9 million or 3,911.7 US dollars. This figure is much lower compared to GDP per capita growth in 2019 which was around IDR 59.3 million[186]. Meanwhile, the realization of state revenue only reached IDR 1,633.6 trillion or IDR 66.3 trillion [187] ower than the revenue target based on Presidential Decree No. 72/2020 (second amendment) of IDR 1,699.9 trillion[188]. The realization of this revenue includes: (1) tax revenue of IDR 1,070 trillion, down 9.2% from the APBN target of IDR 1,404.50[189] or experiencing a contraction of 19.7 percent (yoy)

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183 Perpres No. 72/2020 Appendix I 2020 State Budget Change Posture

184 https://www.bps.go.id/pressrelease/2020/02/05/1755/ekonomi-indonesia-2019-tumbuh-5-02-persen.html#:~:

185 https://www.bps.go.id/pressrelease/2021/02/05/1811/ekonomi-indonesia-2020-turun-sebesar-2-07-persen--c-to-c-.html#:

186 https://www.ekon.go.id/publikasi/detail/3692/pertumbuhan-ekonomi-nasional-tahun-2021-berikan-sinyal-positif-terhadap-prospek-ekonomi-tahun-2022

187 https://databoks.katadata.co.id/datapublish/2021/01/06/realisasi-pendapatan-negara-turun-167-pada-2020

188 This numbers is far down from the 2019 achievement of around IDR 1,960.6 trillion, or the 2018 achievement of IDR 1,943.7 trillion, as stated in the 2021 RAPBN Advertorial document.

189 Perpres N0.72/2020 Appendix I 2020 State Budget Change Posture

compared to 2019 [190], (2) PNBP of IDR 336.5 trillion or an increase of 103.66% from the target based on Presidential Decree No. 72/2020 of IDR 294.1 trillion, and (3) grant revenue of IDR 9.28 trillion (growing by 714.13%)[191].

With these conditions of acceptance, the amount of revenue sharing funds (DBH) to the regions has decreased drastically. If in 2019 DBH Tax sourced from income tax (PPh 21/25/29), land and building tax (PBB), and tobacco excise reached IDR 51,531.8 trillion[192], hen in the 2020 budget year, DBH Tax received by the regions was only IDR 29.34 trillion or 65.4% of the 2020 APBN target of IDR 44.88 trillion[193].

In the midst of the pandemic and the slowing economic situation, the government has again increased the 2021 PEN funds. Initially only IDR 699.43 trillion, but when the Delta variant spiked, the 20221 PEN funds were increased to IDR 744.77 trillion[194]. Among other things, it is used for the 2021 Wage Subsidy Assistance (BSU) in 514 regencies/cities in 34 provinces for 1.6 million workers. In addition, the government also provides tax incentives, including: (1) accelerating the preliminary refund of value added tax (VAT) to help companies' cash flow so that they can resume business activities, (2) providing PPh 22 Import incentives in order to meet the import of raw material needs for production sectors that are still affected by the Covid-19 pandemic, (3) government-borne tax incentives (P-DTP) to support the competitiveness and economy of certain sectors, and (4) tax holiday and tax allowance incentives to attract investment to increase investment in order to encourage economic diversification, open up jobs, and accelerate regional growth[195].

In addition, the government also encourages tax reform through the support of a user-friendly IT-based tax system and service business process and developing digital-based customs and excise services, in addition to optimizing revenue through expanding the tax base and strengthening supervision and enforcement of fair law[196]. his policy was continued in the following year, and is still strengthened by providing PPh 22 Import incentives in order to meet the import of raw material needs for production sectors that are still affected by the Covid-19 pandemic as well as tax holidays & tax allowances to attract investment in increasing domestic investment[197].

In the context of improving human resources and increasing competitiveness in facing the pressure of the pandemic, the government also implemented: *First*, providing tax incentives in order to support improving human resources and economic competitiveness, which include: (1) super tax

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190 https://www.antaranews.com/berita/1930820/sri-mulyani-penerimaan-pajak-2020-terkontraksi-197-persen

191 Adapted from the document Our State Budget, Performance and Facts, December 2020 Edition and https://databoks.katadata.co.id/datapublish/2021/01/18/realisasi-penerimaan-negara-bukan-pajak-pada-2020-lampaui-target

192 https://djpk.kemenkeu.go.id/wp-content/uploads/2020/11/Kebijakan-DBH-2020.pdf

193 https://djpk.kemenkeu.go.id/wp-content/uploads/2021/01/Kebijakan-Dana-Bagi-Hasil-2021.pdf

194 https://ekonomi.bisnis.com/read/20220103/10/1484930/anggaran-pen-2021-tidak-terealisasi-100-persen-ini-penjelasan-sri-mulyani.

195 https://djpk.kemenkeu.go.id/wp-content/uploads/2021/01/Kebijakan-Dana-Bagi-Hasil-2021.pdf

196 APBN Kita 2020

197 Information from APBN 2021

deduction[198] for vocational & R&D activities, (2) mini tax holiday[199] for investments below IDR 500 billion, and (3) investment allowance[200] for labour-intensive industries. *Second*, improving the quality of human resources and social protection in the form of: (1) Smart Indonesia College Card/KIPK to support the continuation of education for the poor to a higher level, (2) Pre-Employment Card/KPK to increase productivity for job seekers, and (3) Basic Food Card/KS to support strengthening the protection of the poor for access to food.

The government claims that the 2021 economic policy package has resulted in significant changes. Therefore, in November 2021, the government stated that it would no longer issue bonds at the domestic level because state revenues continued to increase. This increase automatically resulted in a decrease in the APBN deficit. Initially, the government targeted the APBN deficit to reach 5.7% of PDB or equivalent to IDR 1,177.4 trillion. But it turned out that the deficit realization towards the end of 2021 only reached IDR 783.7 trillion, much smaller by IDR 222.7 trillion or 4.65% of PDB[201].

In addition, improvements in economic conditions in 2021 have given the government a reason to increase the 2022 tax revenue target to IDR 1,510.02 trillion or a growth of 9.8 percent[202]. However, to support the achievement of this target, the financial authorities have again put forward a number of policies: (1) providing fiscal incentives for strategic economic activities, (2) expanding the tax base, (3) strengthening regional-based supervision, (4) expanding tax payment channels, (5) optimizing data collection and utilization, including Automatic Exchange of Information (AEoI) data, (6) law enforcement to encourage taxpayer compliance, and (7) continuing the tax reform process (HR, business processes, IT & regulations)[203].

Entering 2022, the government has again budgeted PEN funds in the APBN. Initially only IDR 414 trillion, then increased to IDR 451 trillion. However, recently the government increased the allocation of PEN funds in 2022 to IDR 455.62 trillion. Allocated for health of IDR 122.5 trillion; social protection of IDR 154.8 trillion, and strengthening economic recovery of IDR 178.3 trillion[204]. Social protection includes; Direct Cash Assistance for Fuel Oil (BLT BBM), BLT Cooking Oil, BLT Village Funds, assistance for the disabled, orphans, and the elderly, Pre-Employment Card, Basic Food Card. While the health cluster is IDR 122.54 trillion, and (3) for the economic recovery cluster which is IDR 128.4 trillion, including for labor-intensive programs

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198 Incentives in the form of tax reductions from gross income of up to 200% for business actors and industrial actors who carry out vocational development activities, such as work practices, internships, and/or learning. Seehttps://ilmate.kemenperin.go.id/berita-industri/informasi-industri/image/super-tax-deduction-insentif-untuk-industri-dalam-membentuk-tenaga-kerja-yang-kompeten-dan-litbang-1#

199 A is a reduction in corporate income tax by 50% for 5 years for investments with a value of Rp100 billion to less than Rp500 billion. See https://news.ddtc.co.id/ini-skema-mini-tax-holiday-14222.

200 https://www.pajakku.com/read/62cfdb36a9ea8709cb18b00c/Fasilitas-Investment-Allowance-Minim-Partisipasi-Ini-Kata-DJP.

201 https://www.pajakku.com/read/61d6a0da1c72eb1eee0cbbfe/Lampaui-Target-Penerimaan-Pajak-Tumbuh-192-Persen-Sepanjang-2021

202 Book II Financial Notes and 2022 State Budget, Ministry of Finance

203 Information from 2022 APBN

204 https://www.pajakku.com/read/61e8ee831c72eb1eee0cbecf/Anggaran-Dana-Pemulihan-Nasional-Ditambah-Jadi-Rp-45562-Triliun

of IDR 18.4 trillion, food security of IDR 31.2 trillion, MSME support of IDR 24 trillion, and business or tax incentives of IDR 16.7 trillion[205].

These efforts have finally paid off. For example, tax revenue realization at the end of 2022 increased to IDR 2,034.5 trillion or 114% of the APBN target. The government claims that tax revenue in 2022, which has exceeded IDR 2,000 trillion, is the highest in the history of taxation in Indonesia[206]. The government recognizes this increase as a result of the increase in the prices of a number of export commodities. In 2021, for example, the windfall tax[207] from export commodities contributed IDR 117 trillion, and in 2022 it actually jumped to IDR 279 trillion. In addition, there are also real results from the Voluntary Disclosure Program (PPS) aka Tax Amnesty Volume II, which managed to collect IDR 61 trillion in revenue.

However, looking at the compliance rate in 2022 which only reached 83.2% of around 19,080,000 taxpayers/SPT filers and 61,500,000 million registered taxpayers, the highest achievement figure of IDR 2,034.5 trillion still raises questions. Why, because to be able to achieve this achievement the government must also issue tax incentives or tax spending of IDR 295.32 trillion. This is a very high figure when compared to government spending at the Ministry of Environment and Forestry (LHK) of IDR 7.12 trillion or only 0.37% of the total central government spending of IDR 1,944.5 trillion[208]. Of the IDR 7.12 trillion for the Ministry of Environment and Forestry, only IDR 1.82 trillion is allocated for environmental protection and conservation[209].

Since 2017, the government has continuously increased tax incentives or spending to pamper the business sector. In 2017, the amount of tax incentives had reached IDR196.82 trillion. Then in 2018 and 2019 it increased drastically, to IDR262.76 trillion and IDR276.34 trillion respectively, and only dropped to IDR241.60 trillion during the economic slowdown due to the Covid-19 pandemic in 2020. Next, tax incentives increased again to IDR299.13 trillion in 2021 and IDR295.23 trillion in 2022 (see Table 7). In terms of government spending functions, tax incentives related to economic services were the only largest incentives throughout 2017-2022. The lowest were incentives related to religion and the environment. The data in Table 9 also shows that although the government has been talking a lot about the importance of encouraging the growth of green industry or green economy, tax incentives related to the function of strengthening low-carbon energy, for example, are not visible.

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205 https://databoks.katadata.co.id/datapublish/2022/12/22/anggaran-pc-pen-baru-terserap-726-jelang-akhir-2022-ini-klaster-dengan-realisasi-terbesar

206 https://nasional.kontan.co.id/news/tertinggi-dalam-sejarah-target-penerimaan-perpajakan-2023-tembus-rp-2016-triliun

207 A term used in the world of taxation to refer to the existence of "additional income" from excess profits obtained by companies in certain sectors.. https://www.taxcenterunsika.com/ini-yang-disebut-pajak-rejeki-nomplok-mengenal-windfall-tax/

208 Information from 2022 APBN

209 Information from 2022 APBN

Table 7: Summary of Tax Incentive/Spending Estimates Based on Government Spending Function
(in Trillions of Rupiah)

Government Spending based on Function	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Economy	Rp 115,31	Rp 159,53	Rp 163,60	Rp 136,43	Rp 170,10	Rp 164,19
Public Services	Rp 27,85	Rp 22,91	Rp 24,03	Rp 21,40	Rp 24,84	Rp 28,52
Social Protection	Rp 21,91	Rp 42,43	Rp 47,67	Rp 50,13	Rp 56,25	Rp 61,93
Health	Rp 15,08	Rp 3,04	Rp 3,06	Rp 6,13	Rp 15,89	Rp 6,08
Education	Rp 12,08	Rp 18,62	Rp 18,78	Rp 17,02	Rp 19,04	Rp 20,43
Housing and Public Facilities	Rp 2.69	Rp 14,25	Rp 16,83	Rp 7,39	Rp 10,20	Rp 11,66
Environmental Protection	Rp 1.68	Rp 1,84	Rp 2,24	Rp 3,00	Rp 2,43	Rp 2,32
Religion	Rp 131	Rp 105	Rp 115	Rp 96	Rp 114	136
Total Tax Incentives Each Year	**Rp 196,82**	**Rp 262,76**	**Rp 276,34**	**Rp 241,60**	**Rp 299,13**	**Rp 295,23**

Source: Processed from the 2017-2022 State Budget Document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance and media reports.

As previously mentioned, in the pandemic situation, the government is "selling out" tax incentives to attract investment and boost economic growth, including increasing income and providing jobs. Among others, in the form of tax super deductions, mini tax holidays, and investment allowances. The government promises that these kinds of incentives will show maximum results in increasing economic growth and of course addressing the problem of unemployment. In December 2020, the Investment Coordinating Board (BKPM) reported an increase in investment realization figures between January and December which reached IDR 826.3 trillion or 101.1% of the target of IDR 817.2 trillion. Consisting of Domestic Investment (PMDN) of IDR 413.5 trillion (50.1%), and Foreign Investment (PMA) of IDR 412.8 trillion (49.9%). The realization of the number of projects reached 153,349 investment projects, with an estimated absorption of 1,156,361 workers[210].

[210] https://www.kominfo.go.id/content/detail/35050/meski-di-tengah-pandemi-target-investasi-tahun-2020-tercapai/0/berita

There are 10 sectors with the largest realization of PMDN investment, including: (1) the transportation, warehouse, and telecommunications sector is in first place with an investment of IDR 37.6 trillion for handling 671 projects, (2) the construction sector with an investment of IDR 14.1 trillion for handling 802 projects, (3) the food crops, plantations, and livestock sector which reached 843 projects with an investment of IDR 10.3 trillion, (4) the housing, industrial areas, and offices sector with handling 755 projects in an investment worth IDR 9.1 trillion, (5) the food industry sector itself has 1,129 projects being worked on with an investment of IDR 7.3 trillion, (6) the electricity, gas and water sector is also quite high with an investment worth IDR 5.5 trillion for 380 projects, and (7) the mining sector has 321 projects with an investment value of IDR 5.3 trillion.

Meanwhile, PMA investment is more focused on: (1) the basic metal industry sector, metal goods, not machinery and equipment, which is in first place with an investment value of USD 1.5 billion for 323 projects, (2) the electricity, gas and water sector has an investment value of USD 868.6 million for 220 projects, (3) the transportation, warehouse and telecommunications sector has 346 projects with an investment value of USD 806.9 million, (4) the chemical and pharmaceutical industry sector with 508 projects worth USD 569.4 million, (5) the mining sector with 310 projects worth USD 482.7 million, and (6) the food crops, plantations and livestock sector with 351 projects worth USD 478.8 million.

Most foreign investment comes from: (1) Singapore, with a total of 3,006 projects worth USD 2.7 billion in investment, (2) China, with a total of 650 projects worth USD 1.2 billion in investment, (3) Hong Kong, with a total of 554 projects worth USD 634.1 million in investment, (4) Japan, with a total of 1,519 projects worth USD 604.2 million in investment, (5) Malaysia, with a total of 800 projects worth USD 480 million in investment, followed by other countries such as the Netherlands, British Virgin Islands, South Korea, the United States and Australia, each with an investment value of under USD 200 million[211].

However, the increase in investment achievement in 2020 has not been able to answer the challenges related to the economic slowdown and the spike in unemployment during the pandemic. In December 2020, Indonesia's economic growth fell sharply to 2.97%[212]. Meanwhile, the number of workers in August 2020, for example, increased by 2.36 million people compared to August 2019 or reached 38.22 million people, with the labor force participation rate (TPAK) also increasing by 0.24% points. Meanwhile, the open unemployment rate (TPT) actually reached 7.07% or increased by 1.84% points; the percentage of underemployed workers and the percentage of part-time workers increased by 3.77% points and 3.42% points respectively.

In addition, the Central Bureau of Statistics (BPS) also reported that 29.12 million people (14.28%) of the working age population were affected by Covid-19, consisting of: (1) unemployed due to Covid-19 as many as 2.56 million people, (2) not in the workforce (BAK) due to Covid-19 around 0.76 million people, (3) temporarily unemployed due to Covid-19 as many as 1.77 million

211 https://www.investindonesia.go.id/id/artikel-investasi/detail/10-sektor-dengan-realisasi-investasi-terbesar-pada-triwulan-i-2020

212 https://lokadata.beritagar.id/chart/preview/pertumbuhan-ekonomi-indonesia-2010-2020-1591171544

people, and (4) working population who experienced reduced working hours due to Covid-19 reaching 24.03 million people. In such conditions, as many as 77.68 million people (60.47%) work in informal activities, up 4.59% points compared to August 2019. The field of work that experienced the largest increase in the percentage of unemployment was the agricultural sector (2.23% points). Meanwhile, the sector that experienced the largest decline was the manufacturing industry sector (1.30% points)[213].

The increase in investment achievement in 2020 which was not followed by a significant increase in economic growth or significant labor absorption indicates that there is a serious problem with the country's economy. The open unemployment rate of around 7.07% points from the workforce of 38.22 million, is equivalent to the number of unemployed people reaching 2.68 million people. This number is still very far from the target of reducing the unemployment rate by 4.5% to 5.0% set by the government itself in the 2020 State Budget assumptions. This means that the increase in investment does not open up many jobs for the community.

BPS 2020 data can confirm this, where as many as 77.68 million people (60.47%) during the pandemic worked in informal activities, or an increase of 4.59% points compared to August 2019[214]. In addition, investment is more focused on physical sectors. Not much has been touched on investment in the information technology sector, even though investment in this sector can provide more tangible benefits for Indonesia, especially because it can open up quality jobs for young people in the workforce, which numbered 17% in 2019. But recently the Minister of Investment/Head of BKPM Bahlil Lahadalia admitted that investment has not been able to fully absorb millions of workers, as targeted. Since 2019, the average absorption of workers has only ranged from 235,401 to 384,892 people. The only reason put forward for the low absorption of workers is because the largest sectors in the realization of PMA investment – such as the basic metal industry, non-machine metal goods and equipment at US$ 2.9 billion, the transportation, warehouse and telecommunications sector at US$ 1.2 billion, and the chemical and pharmaceutical industry at US$ 1.1 billion – are investments that are full of technology[215].

2.5. Large Debt to Cover APBN 'Ulcer'

In addition to failing to meet the APBN target, the Ministry of Finance was also criticized by the Supreme Audit Agency (BPK) for not having a long-term fiscal sustainability strategy[216]. The BPK found a tendency for additional debt and interest costs that exceeded gross domestic product (GDP) growth and state revenues. This situation has raised concerns about the government's declining ability to pay debt and interest on debt. In addition, the government's fiscal risk management has not taken into account the fiscal burden related to long-term pension program obligations, obligations from legally binding decisions, social security obligations, contingency

[213] https://www.bps.go.id/pressrelease/2020/11/05/1673/agustus-2020--tingkat-pengangguran-terbuka--tpt--sebesar-7-07-persen.html

[214] https://www.bps.go.id/pressrelease/2020/11/05/1673/agustus-2020--tingkat-pengangguran-terbuka--tpt--sebesar-7-07-persen.html

[215] https://www.cnbcindonesia.com/news/20230502070501-4-433537/pak-jokowi-investasi-tokcer-serapan-tenaga-kerja-kok-seret

[216] It was only in 2020 that the Ministry of Finance created a long-term fiscal sustainability analysis document for 2020 or the long-term fiscal sustainability report (LTFS).

obligations from BUMN, and the risk of government and business entity cooperation (KPBU) in infrastructure development[217].

Another aspect is that the Covid-19 pandemic has increased the deficit, debt, and budget surplus (SILPA) which has an impact on increasing the risk of fiscal management. So far, the government has often argued to the public that the ratio of deficit and debt to GDP is still within safe limits, namely below the ratio set in Presidential Regulation 72 and the State Finance Law. However, the BPK found that the debt vulnerability indicator in 2020 had exceeded the limits recommended by the IMF and/or International Debt Relief (IDR). The debt service ratio to revenue has reached 46.77%, far exceeding the IMF recommendation of 25%-35%. The ratio of debt interest payments to revenue has also reached 19.06%, above the IDR recommendation of 4.6%-6.8% and the IMF recommendation of 7%-10%. Meanwhile, the debt to revenue ratio is 369 percent, exceeding the IDR recommendation of 92-167 percent and the IMF recommendation of 90-150 percent. The 2020 fiscal sustainability indicator has also reached 4.27%, exceeding the limit recommended by The International Standards of Supreme Audit Institutions (ISSAI) 5411 which recommends that debt indicators should be below 0%.

Table 8: Debt Financing 2017-2022

Uraian	2017	2018	2019	2020	*Outlook* 2021	RAPBN 2022
I. Surat Berharga Negara (Neto)	**441,8**	**358,4**	**446,3**	**1.177,2**	**992,8**	**991,3**
II. Pinjaman (Neto)	**(12,7)**	**13,6**	**(8,7)**	**52,5**	**34,1**	**(17,7)**
1. Pinjaman Dalam Negeri (Neto)	**0,6**	**1,4**	**3,0**	**2,4**	**1,0**	**1,8**
a. Penarikan Pinjaman Dalam Negeri (Bruto)	1,3	2,4	4,2	3,8	2,7	3,6
b. Pembayaran Cicilan Pokok Pinjaman Dalam Negeri	(0,7)	(1,1)	(1,2)	(1,4)	(1,8)	(1,8)
2. Pinjaman Luar Negeri (Neto)	**(13,4)**	**12,3**	**(11,8)**	**50,1**	**33,2**	**(19,5)**
a. Penarikan Pinjaman Luar Negeri (Bruto)	51,7	88,6	74,2	141,1	115,4	63,5
i. Pinjaman Tunai	20,9	50,6	36,7	102,3	87,6	28,7
ii. Pinjaman Kegiatan	30,8	38,0	37,5	38,9	27,8	34,8
(1) Pinjaman Kegiatan Pemerintah Pusat	23,9	28,9	31,8	35,2	25,4	31,3
(2) Pinjaman Kegiatan kepada BUMN/Pemda	6,9	9,1	5,7	3,6	2,5	3,6
b. Pembayaran Cicilan Pokok Pinjaman Luar Negeri	(65,1)	(76,3)	(86,0)	(91,0)	(82,3)	(83,0)
Jumlah	**429,1**	**372,0**	**437,5**	**1.229,6**	**1.027,0**	**973,6**

Source: Ministry of Finance

To balance the APBN and support the business world, the government finally increased the amount of the state budget from IDR 2,540.42 trillion to IDR 2,739.16 trillion (first amendment). As a result, the 2020 APBN deficit rose sharply from IDR 307.22 trillion to IDR 1,039.21 trillion or 6.34% of PDB[218]. To meet budget financing needs, the government no longer relies on foreign loans but explores domestic funding potential through the sale of government securities using four burden sharing schemes between the government and Bank Indonesia (BI), namely:

1. The need for financing public goods or those concerning the livelihoods of many people amounting to IDR 397.56 trillion (health IDR 87.55 trillion, social protection IDR 203.9 trillion, and sectoral ministries/institutions and regional governments IDR 106.11 trillion),

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217 Ssstt… Ketua BPK Ingatkan Pemerintah, Soal Apa? - WARTA DIGITAL

218 Perpres No. 72/2020 Appendix I 2020 State Budget Change Posture

will be fully borne by BI through the purchase of SBN with a private placement mechanism, with coupons based on the BI reverse repo rate.
2. The need for financing non-public goods amounting to IDR 177.03 trillion (support for MSMEs IDR 123.46 trillion and support for non-MSME corporations IDR 53.57 trillion), the government will cover through the sale of SBN to the market. BI only contributes the difference between the market rate and the 3-month BI reverse repo rate minus 1%.
3. The need for funding spending for other non-public goods amounting to IDR 328.87 trillion, will be fully borne by the Government through the sale of SBN with coupons based on the market rate.
4. Fulfillment of the entire financing of non-public goods (amounting to IDR505.90 trillion) which is more related to efforts to restore the economy and the business world, is carried out through market mechanisms, where BI will continue to act as the last resort, in accordance with the Joint Decree dated April 16, 2020.

However, the economic development report during 2020 shows that the implementation of the 2020 State Budget is overshadowed by various difficult situations and beyond the government's predictions. Economic growth, for example, plummeted to 2.70%. Whereas in 2019 growth was still in the range of 5.02%, and in 2018 it was still at 5.17%[219]. GDP achievement also plummeted to IDR 15,434.2 trillion[220], with GDP per capita achievement of only IDR 56.9 million or 3,911.7 US dollars. This figure is much lower compared to GDP per capita growth in 2019 which was around IDR 59.3 million[221]. Meanwhile, the realization of state revenue only reached IDR 1,633.6 trillion or IDR 66.3 trillion[222] lower than the revenue target based on Presidential Decree No. 72/2020 (second amendment) of IDR 1,699.9 trillion[223]. he realization of this revenue includes: (1) tax revenue of IDR 1,070 trillion, down 9.2% from the APBN target of IDR 1,404.50[224] or experiencing a contraction of 19.7 percent (yoy) compared to 2019[225], (2) (2) PNBP of IDR 336.5 trillion or an increase of 103.66% from the target based on Presidential Decree No. 72/2020 of IDR 294.1 trillion, and (3) grant revenue of IDR 9.28 trillion (growing by 714.13%)[226].

With this condition of acceptance, there is a decrease in the amount of revenue sharing funds to the regions. If in 2019 the DBH Tax sourced from income tax (PPh 21/25/29), land and building tax (PBB), and tobacco excise reached IDR 51,531.8 trillion[227], then in the 2020 budget year, the DBH Tax received by the regions was only IDR 29.34 trillion or 65.4% of the 2020 APBN target of IDR 44.88 trillion[228].

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219 https://www.bps.go.id/pressrelease/2020/02/05/1755/ekonomi-indonesia-2019-tumbuh-5-02-persen.html#:~:

220 https://www.bps.go.id/pressrelease/2021/02/05/1811/ekonomi-indonesia-2020-turun-sebesar-2-07-persen--c-to-c-.html#:

221 https://www.ekon.go.id/publikasi/detail/3692/pertumbuhan-ekonomi-nasional-tahun-2021-berikan-sinyal-positif-terhadap-prospek-ekonomi-tahun-2022

222 https://databoks.katadata.co.id/datapublish/2021/01/06/realisasi-pendapatan-negara-turun-167-pada-2020

223 This numbers is down significantly from the 2019 achievement of around IDR 1,960.6 trillion, or the 2018 achievement of IDR 1,943.7 trillion, as stated in the 2021 RAPBN Advertorial document..

224 Perpres N0.72/2020 Appendix I 2020 State Budget Change Posture (second)

225 https://www.antaranews.com/berita/1930820/sri-mulyani-penerimaan-pajak-2020-terkontraksi-197-persen

226 Adapted from the document Our State Budget, Performance and Facts, December 2020 Edition and https://databoks.katadata.co.id/datapublish/2021/01/18/realisasi-penerimaan-negara-bukan-pajak-pada-2020-lampaui-target

227 https://djpk.kemenkeu.go.id/wp-content/uploads/2020/11/Kebijakan-DBH-2020.pdf

228 https://djpk.kemenkeu.go.id/wp-content/uploads/2021/01/Kebijakan-Dana-Bagi-Hasil-2021.pdf

In the midst of the pandemic and the slowing economic situation, the government has again increased the 2021 PEN funds. Initially only IDR 699.43 trillion, but when the Delta variant spiked, the 2021 PEN funds were increased to IDR 744.77 trillion[229]. mong other things, it is used for the 2021 Wage Subsidy Assistance (BSU) in 514 regencies/cities in 34 provinces for 1.6 million workers. In addition, the government also provides tax incentives, including: (1) accelerating the preliminary refund of value added tax (VAT) to help companies' cash flow so that they can resume business activities, (2) providing PPh 22 Import incentives in order to meet the import of raw material needs for production sectors that are still affected by the Covid-19 pandemic, (3) government-borne tax incentives (P-DTP) to support the competitiveness and economy of certain sectors, and (4) tax holiday and tax allowance incentives to attract investment to increase investment in order to encourage economic diversification, open up jobs, and accelerate regional growth[230].

2.6. State Bias and the Weak on Law Enforcement

Until 2022, the government has been ambiguous, even systematically providing hidden incentives or subsidies to various business entities or corporations that not only have problems with taxes, but also with the environment and society. The findings of the Corruption Eradication Committee (KPK) and the views of many experts regarding cases of tax avoidance and even the relationship between taxes and corruption and money laundering have often been disclosed to the public. However, the parties with the authority have not taken legal action and improved tax management and organization. After the first and second tax amnesty, there were no firm actions or legal sanctions against tax crimes. In fact, during the tax amnesty process, the tax authorities were able to map not only new tax bases, but also taxpayers who hid their assets in tax haven countries.

In the first tax amnesty, the number of participants reached 965,983 participants, with the declared asset value reaching Rp4,866 trillion. The amount of funds declared in the first tax amnesty reached Rp4,866 trillion. Meanwhile, the amount of funds agreed to be repatriated reached Rp147 trillion[231] or 88.5% of the target of Rp165 trillion. Meanwhile, the ransom money reached Rp130 trillion. There was a development in the tax base data, where after the tax amnesty, the number of new taxpayers registered became 44,232 (up around 50%). However, taxpayers who did not report their SPT were still around 196,786 (those who reported their SPT were 635,845), and taxpayers who did not pay were 16,709[232].

In the second tax amnesty (Voluntary Disclosure Program/PPS), the number of participants reached 247,918 taxpayers (WP) with 308,059 certificates[233]. The net asset value from domestic declarations was IDR 498.88 trillion. Meanwhile, the results of overseas declarations were only IDR 59.91 trillion, and with investment commitments of IDR 22.34 trillion. However, the net assets that were successfully repatriated were only IDR 13.70 trillion. Meanwhile, the final income

229 https://ekonomi.bisnis.com/read/20220103/10/1484930/anggaran-pen-2021-tidak-terealisasi-100-persen-ini-penjelasan-sri-mulyani.

230 https://djpk.kemenkeu.go.id/wp-content/uploads/2021/01/Kebijakan-Dana-Bagi-Hasil-2021.pdf

231 https://ekonomi.bisnis.com/read/20170401/9/641841/sri-mulyani-rp247-triliun-dana-repatriasi-belum-masuk-indonesia.

232 https://finance.detik.com/berita-ekonomi-bisnis/d-3459230/uang-tebusan-dari-tax-amnesty-capai-rp-110-t

233 Ibid

tax that has been pocketed by the state is IDR 61.01 trillion. In addition, among the participants of the second tax amnesty, there were 38,780 taxpayers who participated with assets of up to IDR 10 million or less[234]. What is certain is that the first and second tax amnesties did not show extraordinary results, even though they were considered one of the most successful practices in the world. Even several years after that, the achievement of tax revenue, including the level of taxpayer compliance and Indonesia's tax ratio, did not experience a significant increase.

The KPK GNP-SDA team report[235] stated that the process of managing natural resources was heavily colored by bribery, extortion at almost every administrative level. Bribes per permit per year could reach IDR 688 million to IDR 22 billion. Therefore, in 1998-2013, Perhutani was estimated to have lost its forest assets worth IDR 988 billion per year. In addition, PNBP from the marine sector could only be collected IDR 230 billion from a potential of IDR 70 trillion. Meanwhile, income from the palm oil plantation sector in 2018, which had a potential of IDR 40 trillion, was only collected IDR 21.87 trillion. Meanwhile, the mineral and coal sector in the same year experienced losses originating from underpayment of taxes of IDR 15.9 trillion and poor management of permits of IDR 28.5 trillion[236].

Through the Minerba Law No. 3 of 2020 replacing Law No. 4 of 2009 and several Articles in the Job Creation Law, the Central Government together with a handful of people will find it very easy to exploit natural resources. Instead of being punished for environmental damage, companies that are proven to be negligent and do not carry out reclamation or post-mining activities, can still extend their contract permits, under the pretext of increasing state revenue, the government even provides a guarantee of contract extension in the form of a Work Contract Holder (KK) and a Coal Mining Business Work Agreement (PKP2B) 2 times 10 years. Even companies are given leniency to choose only 1 for repairs between Reclamation Activities or Post-Mining Activities, which previously had to do both. Even worse, companies such as coal that provide added value get 0% royalties. Whereas so far royalties have been regional income through the Revenue Sharing Fund (DBH) mechanism. Through the Minerba Law, communities who reject the exploitation of natural resources can be prosecuted, that communities who try to interfere with mining activities in any form can be reported back by the company and subject to criminal penalties, fines of up to 100 million rupiah.[237]

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234 https://nasional.kontan.co.id/news/menkeu-apresiasi-38780-wp-dengan-harta-di-bawah-rp-10-juta-ikut-tax-amnesty-jilid-ii

235 The KPK's GNP SDA program aims to encourage licensing arrangements, build a system for state revenue and administration information, data exchange, and synergy between ministries. Improvements in these institutional aspects have not optimally closed the gap in state revenue losses and built a credible fiscal policy. Improvements in the state revenue information system, improvements in incentive and disincentive policies to strengthen the supervision and law enforcement system are some of the policy strategies that need to be taken in the future.

236 See the 2017 GNP-SDA KPK Team Report

237 https://www.walhi.or.id/menyoal-4-masalah-uu-minerba-yang-merugikan-masyarakat-luas

CHAPTER II
FIGHTING FOR THE CRUMBS OF STATE SERVICES THROUGH THE STATE BUDGET

This chapter explains the allocation of funds from the APBN for various projects, programs, or public services. In this context, "crumbs" indicate that although there is a budget allocated, it is not significant enough to meet the needs of all sectors or groups in need.

The limitations of APBN resources have an impact on not meeting all requests from various sectors, causing competition to get a share of the existing budget, while the priorities and interests of various interest groups, for example, the infrastructure, defense, education, health, and social protection sectors, are trying to fight for a larger allocation to meet their respective needs. Unfortunately, transparency and accountability for budget allocation and implementation are often questioned/suspected by the public due to the high level of corruption in various sectors.

As the main objective of compiling the APBN is to be as responsible as possible for the welfare and prosperity of the people, as stated in Law Number 17 of 2003 concerning State Finance. One of the functions of the APBN is budget allocation and distribution. The allocation function means that the state budget must be directed to reduce unemployment and waste of resources, and increase the efficiency and effectiveness of the economy, while the distribution function means that state budget policies must pay attention to a sense of justice and propriety. In reality, the State Budget is often felt not to reflect the allocation and distribution functions by the community. The State Budget that does not reduce unemployment, and tends to be wasteful on one side and frugal on the needs and interests of the community and does not pay attention to a sense of justice and propriety.

Most of the APBN leaks occur in the implementation of spending. That is why government auditors pay more attention to audits of spending. The leaks are caused by the practice of Corruption, Collusion and Nepotism (KKN) or due to the lack of understanding of state administrators in carrying out the spending process (Karim et al., 2021). Spending, which is a routine government activity, is vulnerable to leaks and inefficiencies[238].

This chapter begins by looking at the picture of poverty and economic and gender inequality in Indonesia which has not improved even though there is an allocation of funds for public services, but it is not significant, and corruption occurs, resulting in low quality of public services and the failure to fulfill the needs of the community to the maximum. The unequal distribution begins with the allocation of central and regional spending, as well as the large allocation and distribution in sectors that do not support public welfare so that it does not reduce unemployment, poverty, and inequality.

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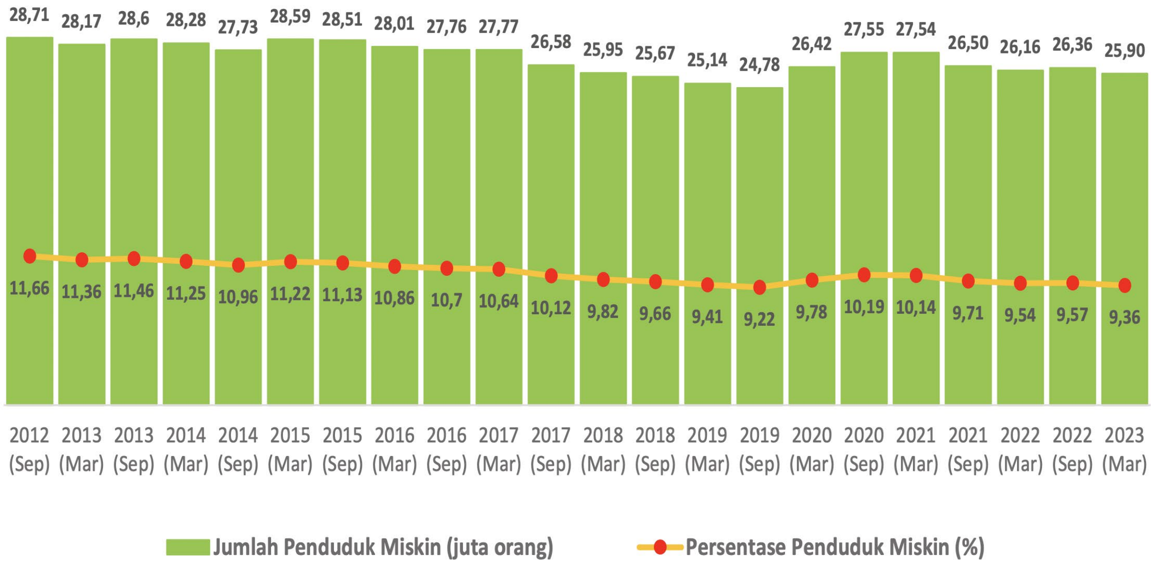
238 https://djpb.kemenkeu.go.id/kppn/jakarta2/id/data-publikasi/publikasi-kppn/berita-terbaru/2988-analisis-kinerja-anggaran-belanja-kementerian-pertahanan.html

2.1.Overview of Poverty and Inequality

Indonesia has experienced a very slow rate of poverty reduction since 1999 until now. The rate of decline is also not in accordance with the target in the 2015-2019 RPJMN of 7.0-8.0 percent, and the 2020-2024 RPJMN of 6.5 - 7.5 percent, the trend until now is still above 9 percent. With that data, the target of reducing the poverty rate based on the RPJMN to 6-7% by the end of 2024 seems unlikely to be achieved[239].

Graphic 1
Development of poverty levels from September 2012 to March 2023



Source: National Socio-Economic Survey (Susenas) Data September 2012-March 2023[240]

Indonesia experienced a level of economic inequality between residents that did not improve in the Gini Ratio from 1999-2023 based on BPS data. Inequality has not been handled better since 1999. The Gini Ratio in 1999 was 0.356 to 0.381 in September 2022. Meanwhile, based on wealth inequality, Indonesia is ranked 7th with the highest level of inequality, the richest one percent of people in Indonesia control 36.6 percent of national wealth. In the Southeast Asia region, Indonesia's wealth inequality is second only to Thailand[241]. Economic inequality in Indonesia according to Credit Suisse is 0.782, the average wealth of Indonesian residents in 2021 (183.74 million people) reached USD$18,534.

Inequality in urban areas is greater than in rural areas. In September 2022, inequality in rural areas based on BPS was 0.313, which in the Gini Ratio category is included in low inequality. Meanwhile, in urban areas, inequality has reached 0.402, which means it has reached a medium level. The inequality index in Indonesia, although showing a low inequality index in rural areas

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239 What is called poor in this category is the minimum amount of rupiah needed to meet basic needs; food and non-food per capita per day..

240 https://webapi.bps.go.id/download.php?f=q82G8Qu59acdHR37pBeIN1r1dr7o5acZTGxFmi/p8DqW+x/oauseODOkwKjk11KmUYBv4Omtp5s0BmvVx5FtraCfcaUsNNrzfgWiXi2fu3JeMwd3GqOLrmz6ZB8KtpYp4eEfRTQ+DP3P+F+UXLTYLuUX9hKk2Gng6x2s+mol3J5nX67IS1PuCiDGYLN1KqhSv4nWg820W6hNDmIQiOsYQQPHCl8hoQUjxvLYEgWYUFX6KKsUaaiSxaIhqsUBRSby1UNiqBHYdlCCenFEB7W8HWre3mNlbPfYRDBqn9CzDos=

241 https://komwasjak.kemenkeu.go.id/in/post/pandemi-perlebar-kesenjangan-ekonomi

and moderate in urban areas, has not experienced significant improvement from year to year. Since 2017-2022, there have been 5 provinces whose regional Gini Ratio figures are higher than the National Gini Ratio. These provinces are; Yogyakarta, DKI Jakarta, West Java, Gorontalo and Papua.[242]

The Global Gender Gap Report for 2017-2022, recorded Indonesia ranked 84th out of 144 countries with a score of 0.691; and in 2022 it dropped to 92nd out of 146 countries with a score of 0.697. This score is based on the Gender Inequality Index (IKG) recorded by BPS since 2016. There are 3 indicators that are used as a measure in viewing gender inequality, namely; reproductive health dimension, empowerment dimension and labor market dimension. There has been improvement in the numbers but it is still far from achieving gender equality.

At the provincial level, the lowest gender inequality in 2022 was D.I. Yogyakarta (0.240), followed by DKI Jakarta (0.320), Bali (0.321), Central Java (0.371), and South Sulawesi (0.390). A total of 25 provinces experienced a decrease in gender inequality compared to 2021.

In the period 2017-2022, the government's efforts to reduce poverty and inequality did not show significant improvements as targeted in the 2015-2019 RPJMN and 2020-2024 RPJMN. The State Budget did not show significant achievements in efforts to reduce poverty, economic and gender inequality.

2.2. Inequality in Central and Regional Spending Allocations

The allocation of funds that should be directed more to the regions has never happened as the ideal of fiscal decentralization, even though funds to the regions are funds whose benefits are felt directly by the community to reduce poverty and inequality levels and boost the rate of regional economic growth.

State spending in the 2017-2022 period increased from IDR 2007.34 trillion in 2017 to IDR 3096.26 in 2022. The spending, which consists of Central Government Spending (BPP) and Transfers to Regions and Village Funds (TKDD), is very unbalanced in its distribution. BPP in 2017-2022 has increased sharply from IDR 1,265.35 trillion in 2017 to IDR 2,280.03 trillion in 2022 or an average of 68.5%, while Transfers to Regions and Village Funds amounted to IDR 741.99 trillion in 2017 to 816.23 trillion in 2022 or an average of 31.5%. The lowest TKDD growth rate occurred in 2022 at only 26% and continued in 2023 (outlook). The small proportion of the TKDD budget has an impact on economic growth in the regions not in accordance with the target[243]. The problem is, TKDD is highly expected by the Regional Government because the average PAD for each region is only 20% while TKDD is 80%.

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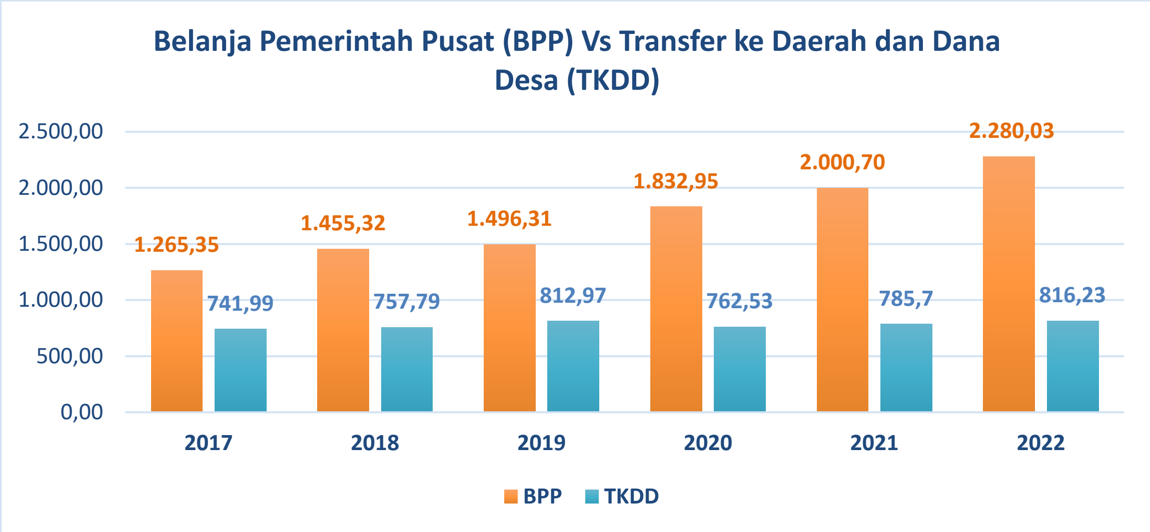
[242] Level of Expenditure Inequality September 2022, BPS, Source: https://www.bps.go.id/id/pressrelease/2023/01/16/2034/gini-ratio-september-2022-tercatat-sebesar-0

[243] https://www.dpr.go.id/berita/detail/id/33719/t/Alokasi+

Diagram 4. Comparison of Central Government Spending (BPP) versus Transfers to Regions and Village Funds (TKDD)



Source: Data processed from the APBN and Central Government Financial Report (LKPP)

In addition to the low amount of TKDD, the realization of transfers from the center to the regions is also very slow, causing TKDD management to often pile up at the end of the year, and causing the realization of regional spending to also slow down.[244] This delay in transfers continues to recur, even Bappenas issued a white paper in 2010 highlighting this problem. This is often caused by administrative reasons that must be technically met, also the problem of the absence of good financial management of APBD funds, low absorption of regional government budgets, very high funds sitting in banks, and the worst is corruption of regional heads.

When state revenue conditions worsened in 2020, the amount of revenue sharing funds (DBH)[245] to regions also decreased. In 2019, for example, taxes sourced from income tax (PPh 21/25/29), land and building tax (PBB), and tobacco excise still reached IDR 51,531.8 trillion[246]. However, in the 2020 budget year, the DBH Tax received by regions was only around IDR 29.34 trillion or 65.4% of the 2020 APBN target of IDR 44.88 trillion[247].

The small DBH receipts often cause disputes between the Central Government and the Regional Government. The Meranti Regional Government in 2021 criticized the distribution of DBH SDA for petroleum revenues from PNBP, although in the end the issue was declared a misunderstanding of the data. In addition to the small amount, the distribution of underpayment of DBH from the Central Government to the Regional Government, as happened in DKI Jakarta. Based on the BPK audit, the underpayment of DBH in 2018-2019 of IDR 5.16 trillion had an impact on the APBD and made it difficult to fund Social Assistance for 1.1 million Jakarta residents affected by Covid-19[248]. There has also been a lawsuit filed by citizens against the government regarding Law

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[244] https://nasional.kontan.co.id/news/ekonom-ungkap-dampak-realisasi-transfer-daerah-da-dana-desa-yang-lambat

[245] Revenue Sharing Fund (DBH) is a form of fund transfer from the central government to regional governments originating from state revenues.

[246] https://djpk.kemenkeu.go.id/wp-content/uploads/2020/11/Kebijakan-DBH-2020.pdf

[247] https://djpk.kemenkeu.go.id/wp-content/uploads/2021/01/Kebijakan-Dana-Bagi-Hasil-2021.pdf

[248] https://utusanriau.co/berita/42929-ketua-bpk-surati-sri-mulyani-kritik-pembayaran-dana-bagi-hasil.html

Number 15 of 2017 concerning the 2018 State Budget. The main point of the lawsuit concerns the cutting or delay of the transfer budget to the regions which has an impact on the failure to implement regional development. However, the Constitutional Court's decision rejected the entire petition (Constitutional Court of the Republic of Indonesia, 2018), on the grounds that the allocation of budgeting by the government had considered aspects of justice and the state's financial condition.

Provinces that have tax and natural resource sources certainly have many sources of income. In 2020-2021, the largest sources of tax DBH were DKI Jakarta, East Java and West Java, while the largest sources of natural resource DBH were East Kalimantan, East Java and South Sumatra. Provinces that receive large DBH do not have difficulty in financing their regional spending, but it is very difficult for provinces that depend on revenue from the APBN quota. Not infrequently, in order to get more results from DBH, Regional Heads easily issue permits for exploitation of natural resources even though they have an impact on environmental and social damage, another reason for the ease of obtaining all permits is because many regional heads want to make personal profits.

Disputes between the Central Government and Regional Governments also occur in other TKDD allocations, such as DAU, DAK and DD. One of the triggers for DAK disputes, for example, is from the regulatory side, namely: first, planning and budgeting are regulated in two different laws (the National Development Planning System Law and the Regional Government Law). Second, compliance with the provisions of the division of authority is still minimal between the central, provincial, and regional governments so that there is often overlapping of programs/activities. Third, the location is not included in the government work plan (RKP) and Renja K/L documents so that regions do not receive information about programs/activities in their areas.[249]

Various criticisms related to the small funds and delays, challenges and problems also occur in the management of TKDD, such as the DAU issue conveyed by the Ministry of Finance, including; Regional financial management that is not yet efficient and effective. Regional spending that is not yet focused, too many types of programs and activities. In 2021 there were 29,623 types of programs and 263,135 activities[250]. Spending in unproductive regions that is not in accordance with its essence which is actually used for employee spending and capital spending, the majority for employee spending at 32.4 percent, while infrastructure and public service spending is only 11.5 percent. While the essence of DAU is to provide basic services to the community and reduce inequality[251]. In Law No. 1 of 2022, the government said that it had made improvements to the use of new funds, from what was originally only a block grant (its use was not determined) to a combination of block grants and specific grants (its use was determined). The provision of DAU which is a combination is reflected in the formulation of the provisions of Article 130 paragraph (2) of the HKPD Law[252] . This policy has also received criticism from local

[249] Directorate General of Budget, Ministry of Finance 2022, Special Allocation Fund in Indonesia, Source: https://anggaran.kemenkeu.go.id/api/Medias/e216fa97-99da-4a54-bdd6-879311816819 hal: 53

[250] https://www.jpnn.com/news/kritik-menteri-keuangan-soal-dana-daerah-mohon-didengarkan

[251] https://kalbar.antaranews.com/berita/485589/sri-mulyani-kritik-pengelolaan-keuangan-daerah-belum-efisien-dan-efektif

[252] https://mediakeuangan.kemenkeu.go.id/article/show/specific-grant-reformasi-kebijakan-pemberian-dana-alokasi-umum-kepada-daerah-otonom-provinsi-kabupaten-kota

governments because they do not have the freedom to determine programs in their regions based on community needs.

Likewise, the challenges and problems in managing village funds (DD), including: First, the quality of human resources managing DD is uneven between villages, making it difficult to manage technically, such as DD applications that must fill out documents that use computerized capabilities, changes to DD regulations must be addressed immediately and followed up quickly so as not to hinder the DD distribution process. Second, there is the potential for villages that have legal problems or Village Heads to misuse DD which is their responsibility. There have been several cases of DD, both administratively problematic whose distribution of funds has been suspended until their legal status is clear, and also several cases of problematic village heads, many of whom have even been detained by the authorities. Third, the pandemic situation that lasted from 2020-2022 hampered the distribution and utilization of DD, thereby slowing down the achievement of the DD program.[253]

Regardless of the problems in the management of TKDD funding that must be resolved immediately, the use of these funds is highly expected. Among the achievements of DD distribution during 2015-2020 is the decline in the number of poor people in villages. According to BPS data, the number of poor people in villages in March 2015 was 17.89 million people and decreased to 15.26 million people in March 2020. Based on data from the Village Development Index (IDM) published by the Ministry of Villages, Disadvantaged Regions and Transmigration, there was an increase in the number of villages with Independent Village status of 1,568 villages from the original 173 villages in 2015 to 1,741 villages. On the other hand, there was a decrease in the number of Underdeveloped and Very Underdeveloped Villages of 20,047 villages from the original 41,315 villages in 2015 to 21,268 villages in 2020. From this data, it can be seen that the utilization of Village Funds has a positive effect on reducing the number of poor people in villages, before the Covid-19 pandemic. Regarding the Covid-19 pandemic, Village Funds are also used to finance social safety nets in the form of Direct Cash Assistance (BLT) for affected villagers. Meanwhile, the output achievements are in the form of infrastructure that supports community economic activities in the form of village roads (261,877 km), bridges (1,494,804 meters), village markets (11,944 units), BUMDES (39,844 activities), boat moorings (7,007 units), reservoirs (5,202 units), irrigation (76,453 units), and sports facilities (27,753 units). Village funds are also used to build infrastructure to improve the quality of life of the community, including land retaining walls (237,415 units), clean water (1,281,168 units), MCK facilities (422,860 units), Polindes (11,599 units), drainage (42,846,367 meters), village PAUD (64,429 activities), Posyandu (40,618 units), and community wells (58,259 units).

The various problems and challenges faced by regional governments in financial management should not be the reason for the wide disparity in the distribution of central and regional government fund allocations. The function of fiscal decentralization does not run in accordance with the ideals of reform that were echoed in 1998. What should be done is to improve the management system and enforce the law firmly against parties who commit fraud, not to reduce

[253] https://djpb.kemenkeu.go.id/portal/id/berita/lainnya/opini/3840-membedah-potensi-dan-tantangan-dana-desa-tahun-2022.html

the allocation of regional funds because there is legitimacy for the various problems and challenges that occur.

2.3. The Low Quality of Public Services

The slowing economic conditions and declining state revenues during the Covid-19 pandemic have not only resulted in a decrease in the public service budget in the State Budget, but have also opened up opportunities for the government to ignore public control over the determination of budget allocation priorities for priority sectors and sectors related to the fulfillment of basic interests and strategic public interests. The existence of Law No. 2/2020 concerning State Financial Policy and Financial System Stability for Handling the Covid-19 Pandemic has provided "free space" for the government to use the pandemic as an excuse to allocate excessive public funds for the benefit of saving the corporate sector.

The following table illustrates how the government's budget policy generally provides services to the public interest:

Table 9: Realization of State Expenditure in the 2017-2022 State Budget
(in Trillions of Rupiah)

Types of State Expenditure	2017	2018	2019	2020	2021	2022
CENTRAL GOVERNMENT EXPENDITURE BY FUNCTION						
Public Services	307.147,2	375.196,1	400.090,7	537.820,0	517.913,5	627.121,3
Defense	117.506,6	106.832,3	115.424,5	136.908,2	120.160,2	134.645,4
Order and Security	135.748,1	143.305,8	147.956,0	154.107,6	153.022,4	176.676,4
Economy	307.787,5	382.420,9	358.426,6	399.930,0	459.603,1	399.963,6
Environmental Protection	10.613,7	13.709,6	16.094,0	13.041,8	14.051,1	14.109,2
Housing and Public Facilities	27.277,4	32.198,0	26.622,5	22.784,1	29.104,7	7.291,7
Health	57.225,1	61.869,7	71.006,9	105.088,5	182.812,4	139.502,1
Tourism	5.770,6	10.700,0	4.229,9	3.151,8	2.567,0	3.725,7
Religion	8.870,4	9.379,0	11.218,8	9.488,0	10.777,5	10.598,6
Education	138.507,3	145.941,7	155.160,2	155.113,1	156.316,6	169.230,4
Social Protection	148.905,5	173.771,6	190.083,7	295.517,8	280.636,4	251.678,0
Amount	**1.265.359,4**	**1.455.324,9**	**1.496.313,9**	**1.832.950,9**	**1.926.964,9**	**1.944.542,3**
TRANSFER TO REGION (TKD)						

Revenue Sharing Fund	95.377,2	106.350,2	106.350,2	86.418,7	101.961,6	140.430,4
General Allocation Fund	398.582,3	417.873,5	417.873,6	384.381,5	390.291,4	378.000,0
Special Physical Allocation Fund	69.531,5	69.326,7	69.326,6	53.787,3	65.248,2	60.874,0
Special Non-Physical Allocation Fund	115.105,0	131.042,2	131.042,1	128.771,3	131.175,4	128.719,8
Special Autonomy Fund of Aceh Province	7.971,6	8.357,5	8.357,5	7.555,3	7.805,8	7.560,0
Special Autonomy Fund of Provinces in Papua	7.971,6	8.357,5	8.357,5	7.555,3	7.805,8	8.505,0
Additional Infrastructure Fund of Provinces in Papua	3.500,0	4.265,0	4.265,0	4.446,2	4.371,3	4.371,3
Special Fund of Special Region of Yogyakarta	800,0	1.200,0	1.200,0	1.320,3	1.320,0	1.320,0
Village Fund	60.000,0	70.000,0	70.000,0	71.190,2	72.000,0	68.000,0
Fiscal Incentives [254]	7.500,0	10.000,0	10.000,0	18.500,0	13.500,0	7.250,5
Amount	**766.339,3**	**826.772,5**	**826.777,5**	**763.925,6**	**795.479,5**	**804.780,5**
Total Amount	**2.031.698,7**	**2.282.097,4**	**2.323.091,4**	**2.596.876,5**	**2.721.444,4**	**2.749.322,8**

Source: Processed from the 2017-2022 State Budget Document, data from the Central Bureau of Statistics (BPS), and various publication materials from the Ministry of Finance.

At first glance, this table does not show extreme differences in figures from year to year or between sectors. However, if dissected using various documents regulated in various Presidential

254 Fiscal Incentives previously Regional Incentive Funds (DID) amounted to Rp8.00 trillion which was carried out through two periods for the previous year's Performance of Rp4.0 trillion and the current year's Performance of Rp4.0 trillion, taking into account the clustering of Regional Fiscal Capacity. The allocation of fiscal incentives for the previous year's performance is divided into fiscal incentives for well-performing regions of Rp3.0 trillion; and fiscal incentives for underdeveloped regions of good performance of Rp1.0 trillion. See https://djpk.kemenkeu.go.id/?p=27451

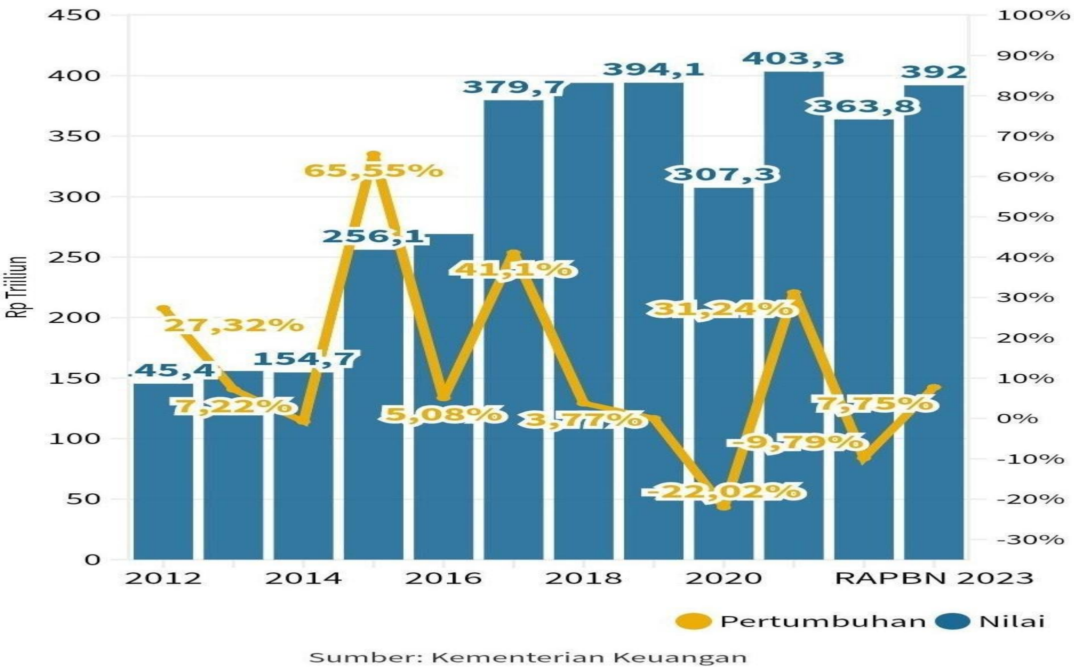
Regulations that regulate the implementation of the APBN annually, it will appear that there are differences in the proportion of the budget between sectors or between ministries and institutions or between the center and regions. Between 2017-2022, there were a number of state spending budgets that increased significantly and "beat" other spending.

Infrastructure Budget

The infrastructure budget, for example, has increased from year to year, even when the state's financial condition was being eroded by the pandemic in 2020, the infrastructure budget actually increased to IDR 419.2 trillion, except in 2021 and 2022, the infrastructure budget in the APBN actually decreased to IDR 417.4 trillion and IDR 365.8 trillion. Infrastructure funds are spread across a number of ministries and institutions at the central and regional levels.

Graphic 2. Infrastructure Budget in the 2012-2022 State Budget

(In Trillions of Rupiah)[255]



Education Budget

The education budget averages 20 percent each year, distributed through BPP and Transfers to Regions (TKDD). In 2017, the government budgeted Rp416.1 trillion for education, including transfers to regions and Village Funds reaching Rp268.2 trillion, central government spending of Rp145.4 trillion, and financing expenditure of Rp2.5 trillion[256]. In the 2018 budget year, the amount of the education budget increased by Rp24.3 trillion to Rp444.1 trillion, including transfers to regions of Rp279.5 trillion, the central government budget of Rp149.7 trillion, and financing budget of Rp15 trillio[257]. The funds were allocated for the Smart Indonesia Program for 19.7 million students, School Operational Assistance (BOS) for 56 million people, and Bidik Misi Scholarship Recipients for 401.5 thousand students. Also allocated for the construction/rehabilitation of schools/classrooms as many as 61.2 thousand, professional

255 https://dataindonesia.id/bursa-keuangan/detail/anggaran-infrastruktur-ri-naik-jadi-rp392-triliun-pada-2023

256 https://databoks.katadata.co.id/datapublish/2016/10/31/2017-anggaran-pendidikan-dipertahankan-20-persen

257 https://indonesiabaik.id/infografis/anggaran-pendidikan-meningkat

allowances for Non-PNS teachers 435.9 thousand teachers, PNS teachers 257.2 thousand teachers, Regional PNS teachers 1.2 million teachers[258]. In 2019, the Education fund decreased by 3.74%, to IDR 429.5 trillion. These funds are spread across 19 ministries/institutions, and the largest is regional transfers, namely IDR 308.38 trillion or 62.62% of the total allocation[259]. Allocated through the Ministry of PUPR IDR 108.2 trillion, Ministry of Transportation IDR 38.1 trillion, transfers to Regions of IDR 33.5 trillion, and invested by the government through PMN & LMAN of IDR 39.8 trillion. Although relatively large, the 2019 State Budget is considered unable to answer the challenges related to Education standards. Because according to the mapping results of the Ministry of Education and Culture (now the Ministry of Education, Culture, Research and Technology), the number of schools that meet national education standards in 2019 is still below 50 percent [260].

Health Sector Budget

Meanwhile, for health spending, the average ratio is 5-6 percent each year. This allocation is very small to handle such a large health problem. For health spending in 2017 it was IDR 92.2 trillion, in 2018 it was IDR 109.2, in 2019 it was IDR 113.6 trillion, in 2020 it was IDR 172.3 trillion and in 2021 it was IDR 312.4 trillion and in 2022 it was IDR 212.8 trillion.

BPP in 2017 was IDR 57.2 trillion, in 2018 it was IDR 61.9 trillion, in 2019 it was IDR 71.0 trillion, in 2020 it was IDR 105.1 trillion, and in 2021 it was IDR 185.8 trillion and in 2022 it was IDR 139.5 trillion. The Health Budget through BPP is mostly allocated through K/L, namely; Ministry of Health, BPOM, BKKBN, and State Ministries and others (Ministry of Defense and POLRI). Allocations are also directed to Non K/L in 2019, which are routinely issued every year for Health Service Guarantees by the Government, while the PBI JKN reserves were only seen in 2020, amounting to IDR 1.38 trillion, and the JKN PBPU/BP Contribution Assistance reserves of IDR 2.4 were only seen in 2021. Meanwhile, the 2017 TKDD budget allocation was IDR 21.3 trillion, increasing in 2021 by 39.05 trillion and increasing again in 2022 by IDR 67.7 trillion. The spending budget through TKDD consists of Physical DAK for Health and KB, Non-Physical DAK (BOK and BOKB Funds), and TKDD earmarks (DAU/DBH, DID, and Village Funds) for health. In 2022, the health budget is focused on four things. First, continuing to handle the Covid-19 pandemic, Second, continuing to reform the health system. Third, accelerating the reduction of stunting that reaches all districts/cities through synergy between the government and K/L. Fourth, for the continuity of the National Health Insurance (JKN) program, it includes contribution assistance for Contribution Assistance Recipients (PBI) and Non-Wage Receiving Workers (PBPU) as well as for Civil Servants, TNI, and Polri.

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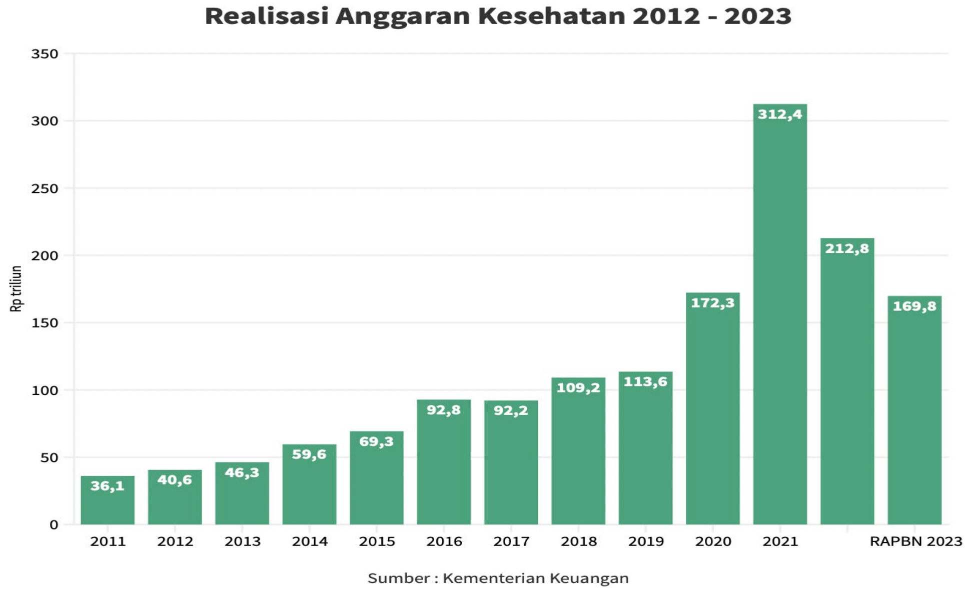
258 https://indonesiabaik.id/infografis/anggaran-pendidikan-meningkat

259 https://news.detik.com/adv-nhl-detikcom/d-4669264/alokasi-dana-pendidikan-20-apbn-begini-caranya-biar-tepat-sasaran

260 https://news.detik.com/adv-nhl-detikcom/d-4669264/alokasi-dana-pendidikan-20-apbn-begini-caranya-biar-tepat-sasaran

Diagram 5. Health Budget Realization in the 2012-2023 State Budget
(In Trillions of Rupiah)[261]



Although the health budget has increased from increasing, the achievement of health indicators displayed from 2017-2022 has experienced a downward trend or slowdown including the low achievement of global health indicators related to; the ratio of doctors and nurses to the population, the health care index (Health Care Index), and the health index (Wellness Index) which includes; physical, mental, environmental, and social.

Social Protection Sector Budget (Perlinsos)

The social protection budget for the 2017-2022 period is respectively IDR 216.63 trillion (2017), IDR 293.8 trillion (2018), IDR 308.38 trillion (2019), IDR 498 trillion (2020), IDR 468.2 trillion (2021) and IDR 460.6 trillion in 2022. In the 2018-2021 period, the realization of the social protection budget increased from IDR 293.8 trillion in 2018 to IDR 468.2 trillion in 2021, this policy is due to the coverage of beneficiaries in several social assistance programs, also in order to protect the purchasing power of the poor and vulnerable people affected by Covid-19. The social protection budget in 2020 increased very sharply by IDR 497.9 trillion due to the handling of the impact of the Covid-19 pandemic through the National Economic Recovery Program (PEN).

Most of the 2022 social protection budget is allocated through Central Government Spending, namely through K/L and Non-K/L spending. Social assistance through K/L is used for the implementation of several programs such as: (1) Family Hope Program for 10 million KPM, amounting to IDR 28.7 trillion; (2) Food Card Program for 18.8 million KPM, amounting to IDR 45.1 trillion; Meanwhile, the utilization of the social protection budget through Non-K/L is used for the implementation of several programs including: (1) Electricity subsidies for 37.9 million customers, amounting to IDR 56.5 trillion; (2) Subsidies for 3 Kg LPG cylinders with a volume of 8.0 million Metric Tons, amounting to IDR 66.3 trillion; (3) Pre-Employment Card Program, amounting to IDR 11.1 trillion; (4) distribution of KUR interest subsidies amounting to IDR 23.1 trillion; and (5) Government support for Job Loss Guarantee (JKP) as mandated by the Job

[261] https://dataindonesia.id/ekonomi/detail/rapbn-2023-anggaran-kesehatan-turun-jadi-rp1698-triliun

Creation Law. In addition to Central Government Spending, social protection budget support through TKDD is provided through the provision of direct cash assistance (BLT) to 7.55 million rural families, amounting to IDR 27.2 trillion[262]. TKDD through Non-Physical DAK and Village Funds.

Diagram 6. Realization of Social Protection Budget

Source: Ministry of Finance, Book II of the Financial Notes of the 2022 and 2023 Draft State Budget

The Perlinsos budget, although it looks very large, an average of 25.7 percent, but this program is not directly proportional to its target achievement. This program is unable to reduce the rate of poverty, let alone achieve a level of prosperity, there has been no visible effort to build long-term human resources as the goal of Perlinsos. The problem in this program is that the participants are not on target, many poor and disadvantaged people and other marginalized groups do not receive it, resulting in social conflict, trapped in short-term and unproductive programs, tending towards social assistance. Although there are productive and empowerment programs, they are still in very small portions. This program is also full of corruption.

Allocation of environmental funds

In the medium term, the 2020-2024 RPJMN directs the environmental protection function to: (1) sustainable strengthening of forest areas and the environment; (2) management of natural resource conservation and its ecosystem; (3) increasing the carrying capacity of river basins and protected forests; (4) controlling pollution and damage to natural resources and the environment; (5) provision of B3 waste processing facilities, (6) controlling the impacts of climate change; and (7) controlling forest and land fires.

In 2017, the budget for the Environmental Protection function was IDR 10.61 trillion and increased in 2018 by IDR 13.8 trillion and increased sharply in 2019 by IDR 16.09 trillion, and decreased again in 2021 by IDR 14.05 trillion and decreased slightly in 2022 by IDR 14.11 trillion. In the 2017–2020 period, the realization of the environmental protection function budget experienced an average growth of 7.1 percent, namely from IDR 10.6 trillion in 2017 to IDR 13.04

[262] Book II Financial Notes and 2022 Draft State Budget

trillion. A significant increase occurred in 2018. This increase was due to the government's policy to accelerate the national priority of the Provision of Land for Agrarian Reform Objects (TORA) from the release of forest areas and the granting of management access permits to communities in social forestry programs (Village Forests, Community Forests, Community Plantation Forests, Customary Forests, Social Forestry Forest Utilization Permits, and Forestry Partnerships) and Complete Systematic Land Registration (PTSL) activities. Meanwhile, the increase from 2018 to 2019 was allocated for forest and land rehabilitation programs as a response and anticipation of hydrological disasters such as floods and landslides as well as environmental damage.

The funds allocated for environmental protection are very small. In fact, if you look at the cases of environmental damage in various regions, they are countless. It is not surprising that many cases of environmental damage, criminalization cases, and corruption cases are not handled because of the small funds allocated for them. It was recorded that during 2021, for example, there were 58 cases of criminalization that occurred in various regions, 52% of which were criminalization in mining areas, followed by criminalization in the forestry and plantation sectors at 34%. There are 3,033 former coal mine pits that have been left open without rehabilitation or restoration. Until now, 143 children have died in former mining pits, including 37 children who died in former coal mines in East Kalimantan.[263]

Defense and security budget

Defense and security funds have a very large allocation in the APBN. Defense funds have increased from year to year by IDR 117.5 trillion in 2017 to IDR 134.6 trillion in 2022. Likewise, funds in the Ministry of Defense continue to increase.

Budgeted in several K/L, including; Ministry of Defense, National Resilience Council, and National Resilience Institute. The most significant budget increase occurred in 2020 of IDR 136.9 trillion, used for; fulfillment of health material equipment (Almatkes) and operational implementation of health protocols in dealing with the Covid-19 pandemic. Meanwhile, the 2017-2020 period was used for (1) procurement of small-caliber ammunition; (2) procurement of Alpung, KRI, KAL, and Ranpur/Rantis Matra Laut; (3) procurement/replacement of combat vehicles; (4) procurement of defense equipment; (5) procurement/replacement of aircraft; (6) procurement/fulfillment of health material equipment (Almatkes); and (7) disciplinary operations for the implementation of health protocols in dealing with the Covid-19 pandemic. Meanwhile, in 2021, supporting K/L priorities and national priorities include: (1) support for procurement of defense equipment; (2) modernization and maintenance and care (harwat) of defense equipment; (3) construction of the Border Security Inspection Road (JIPP) along 375 km, and (4) improving the welfare of soldiers, especially the construction of official soldier housing. Meanwhile, in 2022, the government will continue in the 2022 budget year, the government will continue priority and strategic activities in order to support the realization of the fulfillment of the Minimum Essential Force (MEF)[264].

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263 Facts Behind the Death of Bayu Setiawan, Victim of the East Kalimantan Coal Mine Pit, Source: https://kaltimtoday.co/fakta-di-balik-kematian-bayu-setiawan-korban-lubang-tambang-batu-bara-kaltim/

264 The policies and steps that the Government will take in implementing defense functions include: (1) supporting economic recovery and structural reform; (2) accelerating the procurement process for defense equipment; (3)

The increase in funds also occurred in the Ministry of Defense between 2019-2022. In 2019 there was IDR 1.9 trillion, increasing rapidly in 2020 to IDR 16.15 trillion, and decreasing again in 2021 to IDR 6.09 trillion, and increasing again in 2022 to IDR 8.80 trillion[265]. The large budget and increase have been criticized by civil society because there is no transparency and it is full of potential conflicts of interest. In fact, in the assessment of the Government Agency Performance Accountability System (SAKIP), the Ministry of Defense received the lowest score among 33 Ministries. Especially when compared to the urgent need for tens of trillions of funds for additional defense equipment, while the poor are under pressure from rising food prices, difficulty in accessing health care, expensive education, lack of employment, and difficulty in owning a house[266].

Likewise, the Security and Order fund also increased sharply from IDR 135.7 trillion in 2017 to IDR 176.7 trillion in 2022. The budget allocation for the security and order function is carried out by several Ministries/Institutions, including the Indonesian National Police, the Coordinating Ministry for Political, Legal and Security Affairs, the Ministry of Law and Human Rights, the Supreme Court, the Constitutional Court of the Republic of Indonesia, the Judicial Commission of the Republic of Indonesia, the Attorney General's Office of the Republic of Indonesia, the National Counterterrorism Agency, the State Intelligence Agency, the National Narcotics Agency, the Corruption Eradication Commission, and the Maritime Security Agency.

In the 2017-2020 budget period, the realization of the security and order function budget in nominal terms experienced an average annual growth of 4.3 percent, a significant increase was used, among other things, for operational readiness in maintaining order and security for the implementation of the Asian Games and Paragames, as well as the Legislative, Presidential and Vice-Presidential Elections. 2021 is used to strengthen political, legal, and security stability in encouraging PEN, including: (1) modernization of special material equipment (Almatsus); (2) maintaining public security and order; (3) investigation and prosecution of general crimes and corruption; (4) improving the integrated criminal case handling system based on information technology (SPPT-TI); (5) professionalism and welfare of human resources; and (6) handling the impact of the Covid-19 pandemic and supporting national economic recovery, such as disciplinary activities for the implementation of health protocols in dealing with the Covid-19 pandemic and implementing vaccination programs, also including budget allocations for eradicating corruption. In 2022, the budget for the order and security function is used for: (1) fulfillment of Almatsus; (2) handling and resolving general crimes, drugs, and terrorism; (3) regional, bilateral and multilateral cooperation in the field of cybersecurity; (4) domestic maritime security and safety operations; (5) development of e-court facilities and infrastructure including online courtrooms; (6) formation of regulations, legal aid, enforcement of legal services, promotion and enforcement of human rights; and (7) anticipation funds for mitigation and response when disasters occur (namely natural and

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continuing the priorities of ministries/agencies and national priorities; and (4) implementing operational defense support..

265 https://djpb.kemenkeu.go.id/kppn/jakarta2/id/data-publikasi/publikasi-kppn/berita-terbaru/2988-analisis-kinerja-anggaran-belanja-kementerian-pertahanan.html

266 https://www.cnbcindonesia.com/news/20231204154721-4-494399/tim-anies-kritik-anggaran-di-kementerian-prabowo-yang-melejit

non-natural disasters) the allocation of which is estimated at IDR 9,140.7 billion, including for the Flood Management in Selected River Basin (FMSRB) program, the implementation of which will start in 2018–2022 for 5 (five) areas at risk of flooding and mitigation of the negative impacts of flooding.

BPS (2021) noted that the number of crimes nationally decreased in 2018-2020, but the Institute for Economic and Peace (IEP) in 2022 ranked Indonesia 47th out of 163 countries with a Global Peace Index (GPI) score of 1.8. This means that Indonesia is considered not peaceful enough because of the high level of terrorism, high crime rates, many demonstrations, and political instability. According to civil society groups, the police's method of maintaining security and order is still problematic and unprofessional in many places, one of which is demonstrations by the community, the police using violence by sweeping, spraying tear gas into crowds, stripping those arrested, and other violence. Likewise, according to the Corruption Perception Index (CPI), the results of a survey conducted by Transparency International Indonesia showed that Indonesia's CPI was ranked 96th out of 180 countries with a score of 38. The score obtained by Indonesia is still below the global CPI, which is 43. This indicates that the public still does not trust efforts to eradicate corruption in Indonesia[267].

[267] https://berkas.dpr.go.id/pa3kn/analisis-tematik-apbn/public-file/bib-public-141.pdf

CHAPTER III
WOMEN AND FISCAL POLITICS IN INDONESIA

3.1. Women and Fiscal Politics in Indonesia

This section will focus on exploring how women are in the tax system in Indonesia, will connect how tax politics are carried out by the Indonesian government through tax policies - especially those related to state revenues from taxes, tax collection or withdrawal systems, and how the management of tax revenues is distributed for the development financing budget which can have implications for the protection and welfare of women's lives.

Referring to Law No. 17 of 2003 concerning State Finance, in Article 1 Paragraph (9) that state revenue is money that enters the state treasury in the form of revenues from taxes, revenues from non-tax state revenues (PNBP) and state revenues from grants. These revenues are designed and managed by the state in the draft State Revenue and Expenditure Budget (APBN), Tax is a levy imposed on certain goods, services or assets with a benefit value. Several types of state revenues from taxes, including; (a) Income Tax (PPh) Revenue[268], (b) Value Added Tax (PPN) Revenue[269], (c) Excise Revenue[270], (d) Import and Export Duty Revenue[271], (e) PBB Revenue[272], and (f) Other Tax Revenue[273].

Indonesia's economic policies related to tax policy have influenced the tax policy system which also influences Indonesia's fiscal policy which is reflected in the budget allocation structure of the Indonesian State Budget.

If explore more deeply, it is very clear how Indonesia's economic policies - tax policies so far have not been gender responsive, creating gender inequality and injustice and economic injustice. What are the roots of inequality in tax policies, and how do they impact women's lives? Here are some Indonesian tax policies that are not gender responsive that have an impact on women's lives, as follows:

3.2. Roots of Gender-Based Discrimination in Tax Policy in Indonesia

Comparison between men and women in the total population of Indonesia according to the Central Statistics Agency (BPS) in 2022 the population of Indonesia is projected to be 275.77. This

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[268] Income Tax is a tax imposed on individuals or business entities on income in a tax year. This income can be in the form of business profits, salaries, honorariums, gifts, and others.

[269] VAT revenue is a levy/withdrawal on sales and purchase transactions of goods and services by taxpayers who have become Taxable Entrepreneurs (PKP)

[270] Excise is a state levy/collection on certain goods that have the same characteristics as those in the excise law, for example tobacco, cigars and alcoholic beverages.

[271] Based on the Customs Law, import duty is a state levy imposed on imported goods. While export duty is a state levy imposed on every exported good.

[272] PBB revenue is a mandatory levy on land and building ownership. For example, land that is taxed includes rice fields, mines, gardens and yards. While for buildings are malls, toll roads and high-rise buildings.

[273] This tax revenue is a source of state revenue that is not included in any of the objects above and usually has a smaller percentage than the others.

number is up 1.13% compared to 2021 which was 272.68 million people.

Based on basic demographic data and socio-economic statistics of Indonesia, the population of Indonesia in 2015 reached 255 million people with a GDP per capita of around 3,379 USD. The Ministry of Finance noted that the number of registered taxpayers in Indonesia has increased 20-fold in the last 20 years. There were 2.59 million registered taxpayers in 2002, while registered taxpayers in 2020 became 46.83 million and increased again to 49.82 million in 2021.

Indonesian tax policy is still far from siding with the interests and specific needs of women and the poor. It can even be said that tax policy is not gender sensitive and responsive, this is influenced by the existence of discriminatory policies adopted in tax policy in Indonesia, namely Law No. 1 of 1974 concerning marriage. This regulation legitimizes and becomes the root of gender-based discrimination that has influenced the birth of policy regulations in Indonesia, including Indonesian tax policies that are not gender sensitive and responsive.

The principle of taxation for families in Indonesia adheres to paternalism as an action that limits the freedom of a person or group in a family which shows that men (husbands) or individual figures who are considered superior in the family are fully responsible for the family including tax obligations. That in tax policy in Indonesia which still uses the principle of paternalism, women where the dominance of men/fathers over women is included in the obligation to pay taxes borne by men or husbands.

The principle of taxation in a family that adheres to paternalism is actually rooted in the Marriage Law No. 1 of 1974. For example, in article 31 paragraph (3) it states that the husband is the head of the family, the wife is the housewife. In addition, in article 34 paragraph (1) it states that the husband protects his wife and provides all the necessities of household life according to his ability; and in paragraph (2) the wife is obliged to manage household affairs as well as possible. In addition, in article 41 point (b) it states that the father is responsible for all costs of maintaining and educating the children; if the father is unable to fulfill these obligations, the court can determine that the mother must also bear these costs.[274]

The gender discriminatory law has implications for the birth of policies and even attitudes/behaviors of a patriarchal society that only recognizes men as the main breadwinners and heads of households, while women only contribute additional household income. This of course ignores the fact that many women are the main breadwinners of the family, especially single women (widows, divorced, and unmarried who are heads of households).

This discriminatory law has influenced the tax policy system in Indonesia. For example, most family property is registered in the name of the head of the household, namely the husband. If at any time there is a separation and divorce - then most women are in a disadvantaged position in matters relating to family assets or property.

[274] Law regarding Marriage Number 1 of 1974

The Indonesian tax system that still adopts a patriarchal mindset can be seen in several tax policies in Indonesia. For example, policies related to the withdrawal/collection and management of the distribution of tax revenues that impact women's lives.

The Indonesian economic system policy has influenced how tax politics, taxation policies including Indonesian fiscal policies are reflected in the posture/structure of the Indonesian APBN budget. If examined more deeply, it is very clear how Indonesia's economic policies - existing tax policies so far are still not gender responsive, perpetuating gender and economic inequality and injustice.

The large amount of state revenues from taxes encourages the government to continue to be ambitious in increasing state revenues by doing various ways, including adjusting or changing tax policies which the government knows as tax reform instruments. For example, regulating the amount of tax imposed, and tax collection from people who have the status of taxpayers including individual or corporate taxpayers; and even tax regulation policies for financing development through the APBN which illustrates how Indonesia's fiscal policy practices.

The policy adjustments are seen in changes in taxation policies in Indonesia - including Income Tax Article 21 (PPh 21), Value Added Tax (PPN), Voluntary Disclosure Program Policy (PPS), and including Customs and Excise. These policy changes are harmonized through Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP). The question is, is the law gender responsive? or on the contrary, does it perpetuate gender inequality that is detrimental to women's interests.

Several Indonesian tax regulations, including those governing state revenues from taxes, are as follows:

Law No. 7 of 1983 concerning Income Tax (PPh) and its implications on women's lives.
Income Tax is a tax imposed on individuals or business entities on income in a tax year. This income can be in the form of business profits, salaries, honorariums, gifts, and others. In early 2023, Income Tax Article 21 contributed around 13.7% to total state revenues from taxes or Income Tax revenues reaching IDR 78.29 trillion.

Although the Income Tax Law is considered capable of increasing tax revenues, the law is still not gender responsive, perpetuating gender inequality that is detrimental to women, including:

- A woman who is married and chooses to pay her own taxes will pay more taxes. However, if a woman chooses to join the family tax under her husband's name, then she is not the subject of tax but her husband. Thus, women are not considered to have income and their Non-Taxable Income (PTKP) is eliminated.
- The number of individual taxpayers is unknown, how many women are there and how much women contribute to state revenues from personal income tax. For example, the Taxpayer Identification Number (NPWP) of individuals does not include gender data, the same thing applies to the Income Tax (PPh) of individuals/individuals and cannot specifically calculate the amount of contribution based on gender. This is caused, among other things, by the unavailability of gender segregation data in tax administration in

Indonesia. For example, tax payments that enter the state account through the State Revenue Module (MPN) system in the total amount from all taxpayers do not provide gender-separated data, including in the tax administration system at the Directorate General of Taxes, which results in women's significant contribution to state tax revenues becoming invisible.

- Women's contributions are not counted or recognized by the state, apart from being the result of gender construction that influences the state's patriarchal perspective that what is recorded in the tax administration as a taxpayer is income, especially in families where the father or male is the head of the family.

Based on Law No. 7 of 1983 concerning Income Tax (PPh) that the Indonesian tax administration in a family where in one family consisting of mother, father, and child is sufficient with only one NPWP. This shows that the principle of taxation for families in Indonesia still adheres to paternalism as a social system that uses the measure of men who determine in a family or prioritizes the interests of men or individual figures who are considered superior in the family who are fully responsible for the family including in terms of tax obligations.

The paternalistic system in the context of taxation policy in Indonesia can be seen in Law No. 7 of 1983 concerning Income Tax (PPh) that women who have had a NPWP before marriage, when they get married can immediately apply for the deletion of the NPWP on the Examination Working Paper (KKP) made by the tax examiner at the place of registration. The married woman will still get a NPWP by using her husband's NPWP card, where in the NPWP card there will be additional information about the wife as a unit of tax obligations in the family.

Although Law No. 7 of 1983 allows for options if a woman/wife wishes to continue using a different NPWP from her husband, there is a risk that with two NPWPs in one family, each family member will have separate tax obligations, which in tax terms is called MT (Separation Opt-in).

For women who are married but choose to be separated (MT) or make a separation of property (PH) agreement in accordance with Article 8 of the Income Tax Law which states that "husband and wife are one economic unit in one family entity" which indicates that all profits and losses received by the wife include the profits and losses of the husband, with the fulfillment of tax obligations carried out by the man/father as the head of the family.

Although unmarried women and men have the same rights in terms of the additional Non-Taxable Income (PTKP) quota available in the same amount of three (3) for women and men. This means that the income earned by women and men can support 3 people each who meet the requirements to be a component of income reduction.

That is in the taxation policy in Indonesia which uses the principle of paternalism, the dominance of men/fathers over married women and in the name of the head of the family, men who have power over family income because they are considered the main income earners of the family finances are burdened with the obligation and responsibility for tax payments.

Law Number 7 of 2021 concerning Harmonization of Tax Regulations (HPP) and its impact

on women's lives.
Law No. 7 of 1983 which has been described in the previous section above, where the law is not gender responsive and perpetuates gender inequality.

In 2021, the government then made another policy change - by harmonizing several tax policies including Law No. 7 of 1983 amended by Law No. 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP) which regulates a number of tax reform instruments. The government considers the HPP Law to be able to increase tax revenue growth or increase state income, but the paradigm and way of thinking have not changed - still perpetuating gender construction, not having a gender perspective and even presenting a number of new problems which of course harm the interests of women as tax subjects.

There are many changes in tax provisions, including changes in personal tax rates. The tax rate updates the provisions previously regulated in Article 17 of the Income Tax Law (Income Tax Law) that the calculation of personal income tax rates uses a progressive rate where PPh 21 is categorized based on the annual percentage amount. This change has an impact on changes in the calculation of PPh 21. Changes in the income tax layer, where previously only 4 layers were subject to PPh, then the government added it to 5 layers.

Table 10: Taxable income

Taxable Income Attachment	Rate
Up to 60.000.000 IDR	5%
Above 60.000.000 IDR to 250.000.000 IDR	15%
Above 250.000.000 IDR to 500.000.000 IDR	25%
Above 500.000.000 IDR to 5,000,000,000 IDR	30%
Above 5.000.000.000 IDR	35%

Based on the table above, the taxable income structure (PKP) is based on progressive tax rate layers, which means that the higher the income, the higher the percentage of tax that must be paid. However, in reality, almost no entrepreneur wants to pay themselves 5 billion with a tax burden of 35%. Tax engineering using legal methods to reduce the amount of tax is often done, such as shifting income, or establishing a new company with debt because interest payments on debt can be deducted from taxes, or using tax credits for renewable energy investments, and others.

In addition, the tax system should not be gender neutral because the burdens of women and men are different. Women spend most of their income on family needs including food, education, health and others. For this reason, women need to be given tax incentives in the form of tax reductions, or direct tax refunds to women, such as; during maternity leave, no tax is deducted, or compensation is given to women who work at home because they take care of the family.

Personal Income Tax based on Income Tax Law No. 36 of 2008.
Personal Income Tax (PIT) is based on a family system and not on individuals as taxable units. The family is an economic unit, while the income or losses of all family members are combined as one unit to be taxed under the PIT Law.

The taxation system based on this Law places the family as one economic unit, meaning that the income or losses of all family members are combined into one taxable unit and the fulfillment of tax obligations is carried out by the head of the family in this case the husband (male).

The explanation above is based on Article 8 of the PIT Law which explains that: (1) The income or loss of a married woman at the beginning of the tax year, including losses originating from previous years which are not compensated as referred to in Article 6 paragraph (2)[275] is considered to be the husband's income or loss, except if the income is received or obtained exclusively from one employer and from which tax has been deducted in accordance with Article 21 of the PIT Law[276] and the work is not related to the business or personal work of the husband or other relatives.

Article 8 of the PIT Law describes how this law regulates marital aggregation where the income of a married woman is combined with the income of her husband, then the tax will be paid by the main breadwinner and the head of the household is the husband (male) as also described in the 1974 Marriage Law.

The husband (male) is the taxpayer which means not the wife (female. If the husband does not earn income, then the wife is a taxpayer but based on the NPWP with the husband's name. The married woman can choose to report her income and pay taxes separately from her husband. However, this must be through a request although not automatically as a taxpayer; and her taxable income is still calculated with her husband's income. The income or loss of a married woman is considered the income or loss of her husband, unless her income has been taxed and is not related to her husband's business or other family members.

A wife who works or has her own business is not a taxpayer but the wife of the taxpayer in this case the husband. A working person who is considered unmarried and is subject to personal tax without reducing the taxable income of her husband. Family allowance added to the husband's income will not be received for married women who work.

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[275] Article 6 paragraph 2 of the PIT Law states "If gross income after deductions as referred to in paragraph (1) results in a loss, the loss is compensated with income starting from the following tax year consecutively for up to 5 (five) years." source: https://jdih.esdm.go.id/peraturan/UU%20No.%2036%20Thn%202008.pdf

[276] https://jdih.esdm.go.id/peraturan/UU%20No.%2036%20Thn%202008.pdf

According to Article 7 of the PIT Law - which regulates non-taxable income per year, the non-taxable income of a wife is an additional joint income with her husband (Article 7.1.c). If the wife works, she becomes a personal taxpayer without deducting taxable income from marital status and dependents (maximum 3 people) as a deduction for her husband. The non-taxable income that can be deducted from the wife is only the non-taxable income of individual taxpayers. If the wife works in a family business but is not considered a wage worker, which means that there is no income that can be combined with the husband's income, while the taxable income imposed on the family is only the husband's personal Taxpayer (WP), marital status, dependents (maximum 3 people), without the wife's personal WP, then the husband's income based on the deduction formula is sufficient to be reduced by taxable income only. *This will cause the family's tax burden to be high because there is no taxable income that is deducted from the wife's (female) income.*

The implication of the PIT Law is that a married woman is not independent of a man in her taxable income; a married woman's business depends on her husband's permission because the NPWP belongs to or is in the name of her husband; even though a woman is in fact the main breadwinner of the family, her income is still considered additional income to her husband. Or the work of a married woman is only considered to help her husband's business, not paid because it is not taxed. Family income tax (paid through the husband) is higher, or married women are smaller than men because they do not receive family allowances.

Value Added Tax (VAT) Law No. 42 of 2009

Value Added Tax (VAT) Revenue is a levy/withdrawal on the sale and purchase transactions of goods and services by taxpayers who have become Taxable Entrepreneurs (PKP). Goods that are not subject to tax according to the Indonesian VAT Law are direct mining products and basic consumer goods including rice, grain, corn, sago, soybeans, salt, unprocessed meat, eggs and milk, fruits and vegetables.

Women have specific needs for daily consumption and many are not listed as exempt from VAT such as processing milk for pregnant and lactating mothers, flour, cooking oil or hygiene items including sanitary napkins. Milk for babies and children under 5 years is not included in the VAT exemption list. VAT on consumer goods adds to the burden of poor women and their families.

For example, corporate taxes are relieved from export and import tariffs, tax holidays, incentives, while taxes from the community are increased/pressed up through the increase in Value Added Tax (VAT) from all taxable consumer goods. Although there are some exempted commodities, for example flour and milk foodstuffs, especially milk that has not or has not gone through the processing process, but these exemptions are more profitable for companies, especially food industry companies.

Value Added Tax (VAT) is a tax policy that is discriminatory against women because it is a policy that makes women's lives increasingly difficult in dealing with increasingly expensive food prices and is difficult for women to access, especially poor women and other poor communities.

Although VAT excludes some commodities, it actually benefits the food industry and not individual consumers. For example, the production of the food industry that is sold to the public is then purchased by women by paying VAT. Or conversely, if women want to buy milk or flour without being subject to VAT, it means that women must buy directly from the producer, even though the excluded commodity where access is still controlled by the Industry considering that the company mass produces the commodity or also monopolizes the purchase of the commodity as raw material for the industry to be resold to the public.

In April 2022, the government has increased the VAT rate from 10% to 11%. With this VAT increase, the government has pocketed IDR 80.08 trillion from the total revenue. However, this VAT increase has further increased the burden on women's economic situation. For example, the specific needs of women and children which are actually basic needs that must be met by the state. For example, menstrual pads, pregnancy services, breastfeeding equipment, baby diapers, and others as commodities that are not exempt from VAT. This means that the state is not gender responsive to the basic needs of women and children who should receive serious attention and support from the state even though some of them also pay taxes.

This shows that the state is unfair to the poor and women in implementing tax policies, and on the other hand opens up opportunities for misuse of tax money by parties who abuse their positions.

Therefore, a change in the taxation system is needed that is gender-sensitive and responsive by changing the paradigm and taxation system of Indonesia by changing the perspective and use of terms in the income tax law from husband and wife based on the disaggregation of marriage in taxation. In addition, removing basic necessities for women and children such as menstrual pads, pregnancy services, breastfeeding equipment, diapers, vaccinations from Value Added Tax (VAT)

Encourage behavioral changes that change existing gender relations and laws and policies that discriminate against women by revising the 1974 Marriage Law by eliminating elements that discriminate against women, recognition of women as heads of households and family care work

Women as citizens and as tax subjects, require full participation of women in the design, beneficiaries and including monitoring of tax policies, tax revenues and utilization for the people including for budget allocations sourced from taxes to meet the special needs of women and other poor families.

3.3. The Impact of Fiscal Politics on Women and Their Living Ecosystems

Distribution and state spending aimed at the community, especially women and other marginalized groups, such as education, health and social protection programs have not had a significant impact on reducing poverty, unemployment and women's health. Even government investment in various sectors that are touted as efforts to reduce unemployment have not been able to create new jobs and therefore have not significantly reduced unemployment rates.

3.4. Educational programs that do not improve the quality of women's education

Over the past few years, the government has allocated 20% of the education budget. This figure is very high compared to budget allocations in other sectors, even greater than the cost of infrastructure development. In 2022, for example, the education budget will increase to IDR 574.9

trillion. Unfortunately, achievements in this sector have not been able to answer a number of basic things in education, including; (a) the Human Capital Index (HCI) indicator which is lower than ASEAN countries, where Indonesia's HCI value was recorded at 0.54 (2020) or below the average ASEAN HCI value. The HCI value is based on 3 components, namely: (i) a child's ability to survive until school age, (ii) the expected length of school that can be completed by a child up to the age of 18 which is adjusted to the results of the quality of education, and (iii) health including the issue of stunting. (b) the Programme for International Student Assessment (PISA) score which has not increased significantly. The low PISA score indicates that the quality and competitiveness of Indonesian human resources still need to be improved. (c) The average length of schooling for Indonesians is still lower than several ASEAN countries. The average length of schooling in 2019 was 8.3 years, and in 2021 it was 8.54 years. This means that the average Indonesian population only completes education up to grade 2 of Junior High School (SMP). This achievement is far below the average length of schooling in several neighboring countries, such as Singapore, Malaysia and the Philippines. (d) The condition of educational facilities and infrastructure is still inadequate and uneven. At the Senior High School (SMA and SMK) level, classrooms in good condition are less than 60 percent. Meanwhile, the proportion of classrooms in good condition at the SMP and SD levels is much smaller. (e) The level of participation in PAUD and Higher Education (PT) is relatively low compared to other levels of education. During 2017-2021, the Gross Participation Rate (APK) in PAUD and PT tended not to increase, namely an average of 36.36 percent and 30.48 percent. Currently, the availability of PAUD facilities is still more in urban areas. (f) high unemployment rate of vocational education graduates. In the period 2017-2021, unemployment among vocational education graduates tended to increase, even experiencing a significant increase due to the Covid-19 pandemic. (g) teacher competency in Indonesia is not yet optimal to support the creation of a quality education system and practice. The average national score was only 58.5 (scale 100) in 2019.

In addition, massive corruption in the education sector also reduces the allocation of funds that should be allocated for the poor, especially women, in pursuing education. According to mapping conducted by Indonesia Corruption Watch (ICW), in 2017 it was recorded that the Education Office, universities, and schools were institutions that were very vulnerable to corruption[277]. There were at least 425 cases of corruption or gratification related to the education budget in the 2005-2016 period, with state losses reaching Rp 1.58 trillion [278].

The low level of education for women has an impact on the difficulty of getting decent jobs. Students who live in poor families tend to enroll in schools that are of poor quality so that they do not provide optimal learning outcomes. This indirectly creates a gap in learning outcomes between poor and rich students. It even affects the network circle that plays an important role in creating jobs. Children who live in rich families will have a more promising future because of their strong capacity and network, while children who live in poor families have the potential to continue to be poor because of their weak capacity and network. This gap is of course influenced by the gap between women and men in obtaining education. According to BPS records (2021), around 16.09% of women aged 15 years and over do not have a diploma, while men are only 11.65%. In

277 Tribunnews.com, 24/4/2017

278 Emergency Corruption of Education Funds. Source: https://mediaindonesia.com/opini/220609/gawat-darurat-korupsi-dana-pendidikan https://mediaindonesia.com/opini/220609/gawat-darurat-korupsi-dana-pendidikan

addition, as many as 5.35% of women aged 15 years and over are illiterate, while men are only 2.57%.

From the results of the Aksi! for gender, social and ecological justice consultation in 10 cities [279], there are a number of obstacles for women in getting an education, including: (a) not having the money for school, (b) not being allowed to go to school, and (c) not being allowed to choose the school that the girl wants. Girls who live in poor families are usually not prioritized to go to school compared to boys. From the many experiences of families like this, women who have low education (did not finish elementary school, finished elementary school, and junior high school) always choose to work as laborers in the informal sector because there are no other decent work options with long working hours, low wages, and hard work. The jobs that they generally choose are becoming Domestic Workers (PRT), selling small merchandise, farm and garden laborers, managing snack food, managing fish catches, online motorcycle taxis, parking attendants, laundry workers, mobile salons, and other similar jobs. Women who work in this sector usually have to work forever to support themselves and their families.

3.5. Health programs that do not improve women's and children's health problems

Health issues in Indonesia are still considered bad. The 2021 Global Health Security Index, Indonesia is ranked 45th with a score of 50.8 out of 194 countries[280]. The ratio of doctors in Indonesia according to WHO is also relatively low, in 2019 Indonesia only had 0.47 doctors per 1,000 residents, meaning that out of 19,000 residents there was only 1 doctor, far below the WHO standard of at least 1 doctor per 1,000 residents. The doctor ratio figure places Indonesia in 139th place out of 194 countries, and the third lowest in ASEAN. There are also many doctors in urban areas and few in rural areas. Considering Indonesia's geography as an archipelagic country, the inequality in distribution means that thousands of islands do not have a single doctor. This condition certainly endangers the safety of the people in the area.[281]

Some of the findings in the health sector that impact women are:

- Currently, Indonesia is still experiencing problems with high maternal mortality, HIV cases, poor nutritional status and non-infectious [282]. The Maternal Mortality Rate (MMR) in Indonesia is quite high and far from the target to be achieved. MMR in Indonesia until 2019 still reached 305 per 100,000 live births. This means that there are around 305 mothers who die in 100,000 live births[283]
- Women's deaths due to childbirth are not only due to health services but also due to the negligence of those around them. Various cultural practices also make the availability of food for women a secondary priority, resulting in a low quality of life for women. Many women die due to health problems, and many also suffer from health damage due to various forms of violence that grow due to socio-cultural and economic factors around them.

[279] Compilation of regional consultations, women and gender and economic inequality, 2021

[280] https://ghsindex.org/wp-content/uploads/2021/12/2021_GHSindexFullReport_Final.pdf

[281] https://databoks.katadata.co.id/datapublish/2023/02/03/indonesia-kekurangan-dokter-rasionya-terendah-ke-3-di-asean

[282] INADA Journal, Women's Opportunities to Obtain Reproductive Health Services and Rights in Rural Alor, East Nusa Tenggara, Sipin Putra Department of Anthropology, University of Indonesia
DOI: https://doi.org/10.33541/ji.v2i1.1036

[283] Maternal deaths during and after childbirth, source: https://hellosehat.com/kehamilan/melahirkan/penyebab-utama-kematian-saat-melahirkan/

- Indonesia also faces high rates of stunting or stunted growth in children. Around 30% of Indonesian children suffer from stunting (RISKESDAS 2018). Some of the contributing factors include poor nutrition, poor living conditions, frequent infections, and lack of sanitation and clean water. The cycle of malnutrition repeats itself in poor young mothers who experience malnutrition before and during pregnancy, which increases complications during pregnancy and childbirth, giving birth to low-birth-weight babies, who grow up to be stunted children.
- In the interior and islands, access to health such as hospitals and medical personnel is very limited. This has an impact on women who are about to give birth and the elderly. Far-flung hospital referrals that must be reached through forests and waters, cause many cases of women who give birth and are seriously ill, dying before reaching the referral hospital.
- The price of drugs or medicines in many places is too expensive --- even more expensive than the price of medicines in Southeast Asia[284] - making it very difficult for many poor women who are not covered by BPJS services to afford. Some poor women do not have access to BPJS because many still do not understand about this service. Some are even reluctant because they are worried that one day they will be billed for BPJS contributions. Finally, they choose not to go to the Health Center or hospital because apart from not having a BPJS card, they also do not have money for transportation and to buy medicine. Meanwhile, the results of consultations in 10 regions of Indonesia carried out by Aksi! found that those who did not get a PBI-JKN card (Indonesian Health Card-KIS) were partly because they were involved in natural resource conflicts

The high rate of corruption, money laundering and tax evasion also further reduces the budget for health. This situation is further exacerbated by the high trend of corruption in the health sector which in turn reduces the allocation of funds in health services for the poor and women. Several cases of corruption of health funds such as the Health Operational Cost (BOK) Program in Langkat, North Sumatra, have been proven to erode BOK costs in 2017-2019[285] and hamper the construction of health buildings[286]. Not to mention health spending in the form of procurement of goods/equipment/health facilities that are not on target.

3.6. Social Protection Programs that do not have implications for reducing women's poverty rates

Regarding Social Protection, the Government has enacted Law No. 33 of 1947 concerning Social Security for Workers; Law No. 40 of 2004 concerning the National Social Security System (SJSN); and Law No. 11 of 2009 concerning Social Welfare which mandates the state to protect its citizens and advance general welfare in order to realize social justice for all Indonesian people. However, the long history of social protection in Indonesia to date cannot be said to have been able to resolve the problems of poverty, economic and gender inequality, let alone improve welfare.

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284 Tempo.co; This is the Reason Why Medicine Prices in Indonesia Are More Expensive than Other Countries. Link:
https://gaya.tempo.co/read/1187633/ini-penyebab-harga-obat-di-indonesia-lebih-mahal-dari-negara-lain

285 https://www.tribunnews.com/regional/2021/10/05/korupsi-dana-operasional-tenaga-kesehatan-3-tahun-mantan-kepala-puskesmas-ini-divonis-14-bulan.

286 https://gorontalo.antaranews.com/berita/214921/kejari-tahan-kadis-kesehatan-gorontalo-utara-tersangka-korupsi-puskesmas

From the Human Development Report data released by UNDP in 2022, Indonesia was ranked 112 out of 193 countries with a score of 0.713 based on the Human Development Index (HDI). HDI captures how a country cares for its citizens based on education, health, income, poverty and employment services.

The low position of HDI shows how weak the government is in formulating a social protection policy for its citizens.

Various criticisms have been conveyed from various parties including civil society, including those related to the non-involvement of the community in the planning of Perlinsos. Perlinsos decisions are taken top-down based on elite interests. And are often used to reduce social unrest. This has an impact on the amount of funds provided tending to be minimal and unable to protect the people from existing economic pressures. The programs also do not empower, only minimal assistance.

Social Protection Programs also tend to be trapped in the form of Social Safety Nets (JPS), limited to providing economic assistance, such as money transfers, food, or other material assistance. Social protection is narrowly understood as social assistance, including the Family Hope Program (PKH), Prosperous Family Card or Raskin, Direct Cash Assistance (BLT), School Operational Assistance (BOS), and other assistance programs. The JPS model has actually received a lot of criticism because it is unable to solve the problem of poverty. According to Devereux and Wheeler (2004), the basic criticism of the JPS is that the model tends to create dependence on state assistance and does not solve the fundamental problems of poverty and vulnerability. In addition, social factors that create poverty or vulnerability, such as gender discrimination, race, minority groups or victims of stigma cannot be addressed when social protection is dominated by the JPS model.

The Social Protection Program has also not targeted those affected by environmental damage due to development projects so that they often cannot be protected from this program such as; arbitrary evictions, no compensation that has an impact on impoverishment, especially for women and other marginalized groups. The government through the State Budget since 2022 has initiated a reform of the social protection program, but when viewed from the programs, it still revolves around social assistance programs.

Recipients of the social assistance program are not on target. Many of the recipients are not poor and underprivileged. Some recipients are the closest relatives of people who have influence and authority in the village. This was often found in the 10 City Consultation carried out by Aksi!

There are various problems found in the field of social protection that impact women, namely:

- Many women still have difficulty accessing other social protection programs such as the Family Hope Program (PKH), Smart Indonesia Card (KIP), Non-Cash Food Assistance (BPNT), Human Development Cadres (KPM), and Direct Cash Assistance (BLT). Administrative requirements such as KTP, KK, BRI savings and other documents, at first glance, are standard and seem easy to access. However, for many women in the interior who are not familiar with administrative matters, such things are still difficult. Moreover, most village officials tend to wait for residents to come to them. Another reason is that access to this kind of service system is often monopolized by relatives of the village elite or relatives of political agents and the local middle class[287]. Difficulties are also felt by people who are fighting to defend their rights to natural resources and have to go against local authorities. They always get pressure from the local government by being treated discrimination, not being included in receiving subsidies, and not being included in decision-making meetings in their villages[288].

- Informal workers, most of whom are women, often do not have employment and health insurance. Those who work are expected to pay independently through the Non-Wage Recipient (BPU) route, even though they often do not have the ability to pay because of their low wages.
- Maternity protection has also not been maximized for KIS recipients through PBI JKN or BPJS recipients, related to referrals or claims received, much less than the cost of childbirth itself.

The above problems can be overcome with various recommendations including; transparency in the management of social protection finances including BPJS; involvement of the community, women and other marginalized groups in the preparation of social protection programs; creating a strict monitoring mechanism related to social protection programs and finances; targeting recipients of social assistance programs that are right on target.

3.7. Environmental Protection and Women's Living Space

The management of state revenue sources from taxes and PNBP is not only colored by cases of corruption, money laundering, tax evasion and tax incentives, but also the process of criminalization and destruction of living space in mining, forest, plantation and coastal areas. During 2021, for example, there were 58 cases of criminalization that occurred in various regions, 52% of which were criminalization in mining areas, followed by criminalization in the forestry and plantation sectors at 34%. It was recorded that there were 3,033 former coal mining pits that were left open without rehabilitation or restoration. Until now, 143 children have died in former mining pits, including 37 children who died in former coal mines in East Kalimantan[289].

The process of taking over living space is often done without the consent of the community. When an agreement is made, it always marginalizes women in the decision-making process, causing women to lose access and control over their living space. The conversion of forest land into oil palm plantations and mining causes women to lose sources of consumption, medicine and craft materials. The takeover of sources of life and the changing function of forests also make it more difficult for women to meet the food needs of their families, often they have to change their family's consumption patterns.

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287 Results of women's consultation in Kupang, Women and economic and gender inequality, 6 December 2021.

288 Results of women's consultation in Jakarta, Women and economic and gender inequality, 15 December 2021

289 Facts Behind the Death of Bayu Setiawan, Victim of the East Kalimantan Coal Mine Pit, Source: https://kaltimtoday.co/fakta-di-balik-kematian-bayu-setiawan-korban-lubang-tambang-batu-bara-kaltim/

Aksi!'s findings in Papua show that women no longer have access to forest benefits due to the entry of oil palm plantations. The remaining forests have become barren and dry so that they can no longer be used for farming[290]. In South Sulawesi, the entry of PT Perkebunan Nusantara XIV (PTPN XIV) and PT London Sumatera (PT.Lonsum) has resulted in women losing their productive land due to land grabbing, which has caused them to switch jobs as farm laborers and also casual workers[291]. Women as the worst victims of environmental damage do not receive guarantees/protection related to environmental recovery.

3.8. Investments Have No Impact on Reducing Women's Unemployment and Poverty

One of the controversial government policies is to promote investment by providing incentives and subsidies in the form of tax reductions, mini tax holidays (incentives in the form of tax exemptions for a certain period of time), and investment allowances (provision of facilities in the form of a 60% reduction in the obligation to pay net income for labour-intensive sectors.) As a result, in December 2020, the Investment Coordinating Board (BKPM) reported an increase in investment realization figures between January and December which reached IDR 826.3 trillion or 101.1% of the target of IDR 817.2 trillion. Consisting of Domestic Investment (PMDN) investment of IDR 413.5 trillion (50.1%), and Foreign Investment (PMA) of IDR 412.8 trillion (49.9%). The realization of the number of projects reached 153,349 investment projects, with an estimated absorption of 1,156,361 workers[292].

When viewed from the number of investment realizations, both PMDN and PMA have not shown any significance in absorbing labor and reducing unemployment. Since 2019, investment realization has never been able to absorb up to millions of workers. Based on BKPM data, labor absorption only ranges from 235,401 people to 384,892 people. The incoming investment is not labor-intensive, but most of it is high technology so it has no impact on labor absorption[293]. Even the increase in the workforce, as reflected in BPS data for August 2022, was not caused by the entry of workers into labor-intensive industries but was caused by the entry into the agricultural sector, and creating independent businesses in the form of micro-businesses[294], mostly carried out by poor households and women.

The increase in investment achievement in 2020 through various incentives and tax breaks, was not followed by a significant increase in economic growth or labor absorption. This means that there is a serious problem with the country's economy. The open unemployment rate of around 7.07% of the workforce of 38.22 million, is equivalent to 2.68 million unemployed people. This number is still very far from the target of reducing unemployment by 4.5% to 5.0% set by the government itself in the State Budget. This means that the increase in investment does not open

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290 Results of Regional Consultation in Papua Women and Gender and Economic Inequality, implemented by Aksi!; Papua Women's Human Rights Network (Tiki) and Papua Capacity Building and Assessment Institute (Lekat), 11 November 2021

291 Results of the Regional Consultation in South Sulawesi carried out by Aksi! and Solidaritas PerempuanAngin Mamiri, 15 November 2021

292 https://www.kominfo.go.id/content/detail/35050/meski-di-tengah-pandemi-target-investasi-tahun-2020-tercapai/0/berita

293 https://www.cnbcindonesia.com/news/20230428145910-4-433099/investasi-triliunan-kok-cuma-serap-sedikit-tenaga-kerja-ri

294 State of the Labor Force in Indonesia, August 2022, BPS.

up many jobs for the people[295]. Even investment in various sectors and in various projects in Indonesia has eliminated livelihoods that cause unemployment and continue to poverty.

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295 https://www.cnnindonesia.com/ekonomi/20230109123650-532-897883/faisal-basri-kritik-keras-investasi-pertumbuhan-ekonomi-di-era-jokowi.

CHAPTER IV
CLOSING NOTES

Fiscal policy in Indonesia during the period 2017-2022 shows serious problems. A number of fundamental steps are needed so that the government develops a long-term strategy in tax management that is more open/transparent, fair, easily accessible, and can be controlled by the public. Cases of corruption, money laundering, and tax evasion in the management of tax sources – which have been revealed by the Corruption Eradication Committee (KPK) and various other institutions – should be followed up consistently. Only then will tax compliance increase, and tax crimes not erode state revenues or reduce funds that will be allocated for public services.

The expansion of new tax bases should be developed fairly and no longer rely heavily on the management of natural resources and PPH 21 which have so far been paid by the majority of compliant individual taxpayers/employees. In addition, the policy on the allocation of tax funds must be ensured to be more in favor of various groups of women or poor people who are highly dependent on state services. It is also necessary to ensure that efforts to expand the tax base from the natural resources sector (oil, gas, minerals & coal, forestry and fisheries) will not increase environmental damage or the destruction of living spaces.

In addition, tax distribution is greatly influenced by Indonesia's fiscal policy, which is reflected in the allocation of the APBN budget which is still not in favor of women and other marginalized communities, contributing to perpetuating gender inequality and injustice, an economy that has implications for the lives and impoverishment of women.

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About the Author

Rio Ismail (Suwiryo Ismail), born in Gorontalo and graduated from the Faculty of Social and Political Sciences, Department of Communication Science, Sam Ratulangi University, Manado. Started his career as a journalist in Manado in early 1985. At the same time, he also became an activist in a non-governmental organization (Ornop) or NGO at the Manado Legal Aid Institute (LBH/YLBHI). He was once the Director of LBH Manado, Executive Director of WALHI North Sulawesi, member of the WALHI National Council, and Deputy Executive Director of WALHI National. He also a member of Solidaritas Perempuan and was take role in the National Monitoring Board of Solidaritas Perempuan for two terms. In recent years, he founded The Ecological Justice and has been actively advocating and educating politically on environmental issues, human rights, gender/feminism, corruption and money laundering, and monitoring the flow of international financing/MDB's that have an impact on environmental destruction and human rights violations. In addition to being a freelance practitioner and consultant for developing communication strategies with an integrated marketing communication (IMC) and political marketing approach.

Marhaini Nasution is the Program Coordinator at Aksi! She is a feminist and researcher involved in various researches, such as Women's Empowerment in the Muslim Contexts (WEMC), Gender Assessment on Monitoring Mitigation and Adaptation (GAMMA), and maternity protection. In addition, she is also a facilitator in women's empowerment, Feminist Participatory Action Research (FPAR), Wellbeing Self-Care and Integrated Security (WeSIS), gender and economic equality, Feminist Leadership Transformative Sustainable (FLTS), and social solidarity economy training. Previously, she served as Treasurer of Solidaritas Perempuan (2008–2012) and member of National Monitoring Board in 2012–2015.

Risma Umar is the Vice Executive Director at Aksi! with expertise in gender and social analysis, environmental and agrarian conflict case investigations, advocacy and monitoring of development funding including climate funding, as well as the development of Feminist Participatory Action Research and the Programming, Monitoring, and Evaluating System (PMES). She is a member of the BOOM Program Organizing Committee at APWLD (2023–2027), Chair of the National Council of WALHI (2017–2021) and a member of the National Council of WALHI (2012–2016). She has also served as Chair of the Monitoring Board of Solidaritas Perempuan (2012–2019) and a member of the National Monitoring Board of Solidaritas Perempuan (2012–2016). In addition, she was the Director of the Institute for Women's Empowerment (IWE) in 2016–2019, as well as Chairperson of the National Executive Body of Solidaritas Perempuan (2008–2011) and Program Coordinator of the National Executive Body of Solidaritas Perempuan (2004–2008). Risma was a member of the Steering Committee of the Human Rights Working Group - International NGO Coalition for International Human Rights Advocacy (2009–2012). She also led the Indonesian team in the Women's Leadership and Democratization program focusing on agrarian conflicts, pluralism, and informal workers (2012–2015). As a researcher, she was involved in the Women's Empowerment and Leadership Development for Democratization program (2012–2015) and was a member of the Women Empowerment Muslim Context research team: Gender, Poverty, and Democracy from the Inside Out in Indonesia (2006–2011). She also served as the Campaign Coordinator for We Can Campaign Indonesia: Stop Violence Against Women in Indonesia (2006–2011).

Aksi! for gender, social and ecological justice was founded on December 10, 2012 with vision to influence discourse and debate on development, environment and climate change to ensure the protection of the rights of women and their communities, and to support grassroots women's efforts in fighting for their rights. Aksi! believes that strengthening women's movements for development, economic and climate justice will advance women's rights comprehensively. Three strategies were developed, namely building capacity to empower women, campaigning to strengthen and gain support for women's voices, and advocacy for policy change.

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