

# Due To Covid-19 Pandemic On Indonesian Economic Defense

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## Abstracts :

The Act Number 28 of 2007 concerning General Provisions and Tax Procedures, it is explained that tax is a mandatory contribution to the state owed by individuals or entities that are forcing based on the law, with no direct compensation and is used for state purposes for the magnitude of people's prosperity. Indonesia began to impose taxes with a self assessment system or trust to calculate tax payable, pay off tax shortages, calculate taxes paid, and report to the Directorate General of Taxes themselves. On March 13, 2020, the Ministry of Finance said that income tax relaxation would be imposed. The government has issued Regulation of the Minister of Finance (PMK) number 23 / PMK.03 / 2020, regarding Tax Incentives for Taxpayers affected by Corona Virus. However, is this effective? What is the impact of this relaxation policy on Indonesia's economic defense?

**Keyword :** Taxes, Tax Relaxation, Income, Economic Defense

## Abstrak :

Undang-Undang No. 28 Tahun 2007 tentang Ketentuan Umum dan Tata Cara Perpajakan (KUP), dijelaskan pajak adalah kontribusi wajib kepada negara yang terutang oleh orang pribadi atau badan yang bersifat memaksa berdasarkan undang-undang, dengan tidak mendapatkan imbalan secara langsung dan digunakan untuk keperluan negara bagi sebesar-besarnya kemakmuran rakyat. Negara Indonesia mulai memberlakukan pajak dengan *self assessment system* atau kepercayaan untuk melakukan penghitungan pajak terutang, melunasi kekurangan pajak, menghitung pajak yang telah dibayarkan, dan melaporkan sendiri ke Dirjen Pajak. Pada 13 Maret 2020, Kementerian Keuangan menyampaikan akan diberlakukan relaksasi pajak penghasilan. Pemerintah telah menerbitkan Peraturan Menteri Keuangan (PMK) nomor 23/PMK.03/2020, tentang Insentif Pajak untuk Wajib Pajak (WP) Terdampak Virus Corona. Namun, apakah ini efektif? Bagaimana dampak kebijakan relaksasi ini terhadap pertahanan ekonomi negara Indonesia?

**Kata Kunci :** Pajak, Relaksasi Pajak, Penghasilan, Pertahanan Ekonomi

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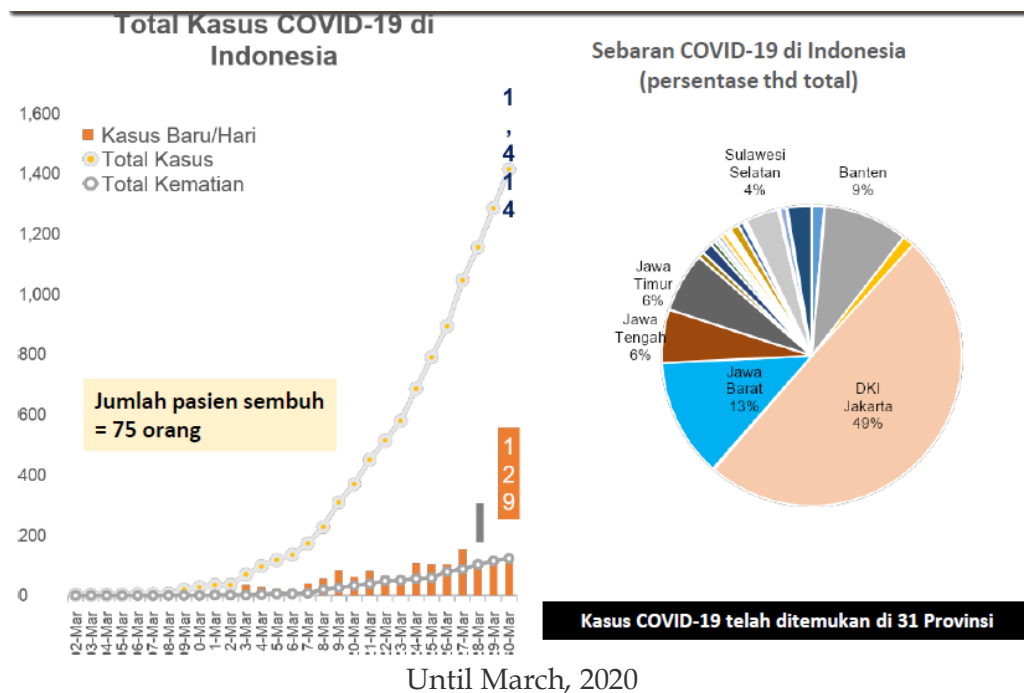
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**Analysis The  
Effectiveness  
of Tax  
Relaxation**

## 1. Introduction

At the beginning of 2020, the whole world was shocked by the spread of new viruses, which is the coronavirus, a new type (SARS-CoV-2) and the disease is called Coronavirus disease 2019 (COVID-19). It is known that the origin of this virus originated from Wuhan, China. It was discovered at the end of December 2019. The WHO data as of March 1 confirmed that there were 65 countries affected by this virus. World Health Organization named the new virus that has spread almost all over the world with the name Severe acute respiratory syndrome coronavirus-2 (SARS-CoV-2) and the name of the disease as Coronavirus disease 2019 (COVID). At first the transmission of this virus could not be determined between humans. The number of cases continues to increase over time. In addition, there were cases of 15 medics infected by one patient. One of the patients was suspected of being a "super spreader" case. Finally confirmed that the transmission of pneumonia can be transmitted from human to human. Until now the spread quickly is still mysterious and research is still continuing.<sup>1</sup>



Source: [www.covid19.go.id/situasi-virus-corona/](http://www.covid19.go.id/situasi-virus-corona/)

The impact of spread of Covid-19 which also entered Indonesia almost influenced all activities in terms many aspects, economic, social, political, and legal. Many elements of community were affected by the existence of Covid-19, because to prevent the spread of this virus the government has issued a physical distancing policy and also a PSBB (Large-Scale Social Limitation). Because it aims to reduce social contact so that the spread of the Covid-19 virus is not more widespread. The community is significantly affected by the economy, ranging from reduced income (traders etc.) and also salary cuts and layoffs, for employees / employees both public and private.

<sup>1</sup> Huang, C, Wang, Y. (2020). Clinical features of patients infected with 2019 novel coronavirus in Wuhan, China. China.

Therefore the government issued one of the Relaxation Income Tax policies as a result of the Corona Virus Pandemic.

The government has issued Regulation of the Minister of Finance (PMK) number 23 / PMK.03 / 2020, regarding Tax Incentives for Taxpayers affected by Corona Virus. Some of the incentives provided include, Article 21 Income Tax (PPh) borne by the government, exemption from import Article 22 PPh, reduction of Article 25 PPh, and accelerated Value Added Tax (VAT) restitution.<sup>2</sup> The amount of easing referred to is contained in the Decree of the Director General of Tax No.KEP-156 / PJ / 2020. This regulation was established and signed directly by the Director General of Tax Suryo Utomo on March 20, 2020 and entered into force on the same date. Relaxation of Article 21 of Income Tax by providing 100% government tax on the income of workers who have income of up to Rp 200 million per year in the manufacturing sector, both located in KITE (Export Destination Industrial Estate) and non-KITE. Relaxation is given for 6 months starting from April to September salary.

Relaxation of 22 import income taxes for those importing raw goods for 19 affected manufacturing industries according to the recommendations of KADIN and APINDO both located in the KITE and non-KITE regions. This exemption will be given for 6 months from April to September. PPh relaxation tax article 25, which is a corporate tax of 30% to 19 processing sectors, both located in KITE and non-KITE, including IKM KITE, for 6 months from April to September. With so many companies included in article 21.22 and 25 get a policy according to the amount.

## 2. Legal Issues

Seeing from the government policy, the writer will analyze the impact of the policy on economic defense in Indonesia. Based on the background stated above, the research problem can be formulated as follows: First, what is the amount of the tax relaxation budget provided by the Indonesian Ministry of Finance? **Second**, how effective is the relaxation of income tax on Indonesia's economic defense during the co-19 pandemic?

## 3. Tax Relaxation Budget Provided by the Ministry of Finance

The Indonesian government decided to provide an economic stimulus to deal with the effects of the Corona virus. The reason is, on March 11, 2020, the World Health Organization (WHO) announced that the 2019 Coronavirus Disease Outbreak (COVID-19) had become a pandemic. The WHO determined that this outbreak as a pandemic because it has occurred on a broad geographical or spread globally. The number of cases worldwide reaches 120,000 and deaths have exceeded 4,300. The condition is urging governments all over the world to step up efforts to limit. The Coordinating Minister for the Economy, Airlangga Hartarto said that the impact on the economic sector was certainly inevitable. World economic growth is projected to contract even deeper. For this reason, the government is concerned with issues that require special policies.

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<sup>2</sup> Kementerian Keuangan Republik Indonesia. (2020). Retrieved from <https://www.kemenkeu.go.id/publikasi/berita/ini-daftar-relaksasi-pajak-untuk-mitigasi-dampak-negatif-virus-corona-pada-ekonomi/>, Accessed on April 21 2020.

These issues are related to availability of food stock and supply which will affect the stability of food prices; travel restrictions and worker mobility affecting the tourism and transportation sectors; disruption of production, distribution, and supply chains that affect the performance of the manufacturing sector and its derivatives; and falling world oil prices due to weak demand and oil price wars between Saudi Arabia and Russia. Therefore a fiscal stimulus arises in the framework of Corona virus management.

The government has issued Regulation of the Minister of Finance (PMK) number 23 / PMK.03 / 2020, regarding Tax Incentives for Taxpayers (WP) affected by Corona Virus. Some of the incentives provided include, Article 21 Income Tax (PPh) borne by the government, exemption from import Article 22 PPh, reduction of Article 25 PPh, and accelerated Value Added Tax (VAT) restitution. The amount of easing referred to is contained in the Decree of the Director General of Tax No.KEP-156 / PJ / 2020. This regulation was established and signed directly by the Director General of Tax Suryo Utomo on March 20, 2020 and entered into force on the same date. The fiscal stimulus in accordance with applicable regulations includes:

**1) Relaxation of Article 21 of Income Tax (PPh Article 21)**

Relaxation is provided through the Article 21 Government Borne (DTP) Income Tax scheme of 100% of workers' income of up to Rp 200 million in the manufacturing sector (including Ease of Importation of Export Purposes / KITE and Ease of Import of Export Purposes of Small and Medium Enterprises / IKM KITE ). PPh DTP is given for 6 months, starting from April to September 2020. The amount of value borne by the government is Rp. 8.60 trillion. It is expected that workers in the manufacturing sector will receive additional income to maintain purchasing power.

**2) Relaxation of Article 22 Import Tax (Income Tax Article 22 Import)**

Relaxation is given through the exemption of Article 22 Import PPh exemption scheme for 19 specific sectors, KITE Taxpayers, and IKM KITE Taxpayers. Exemption from Income Tax Article 22 Imports are given for 6 months starting from April to September 2020 with a total estimated exemption of IDR 8.15 trillion. This policy was adopted as an effort to provide cashflow space for the industry as compensation for switching costs (costs related to changes in the country of origin of imports).

**3) Relaxation of Article 25 of Income Tax (PPh Article 25)**

Relaxation is provided through a Article 25 tax reduction scheme of 30% to 19 specific sectors, KITE Taxpayers, and KITE-IKM Taxpayers for 6 months from April to September 2020 with a total estimated reduction of Rp4.2 trillion. As is the case with Article 22 Import Tax relaxation, through this policy it is hoped that the industry will obtain cash flow space as compensation for switching costs (costs related to changes in the country of origin of imports and export destinations). In addition, by changing the export destination countries, it is hoped that exports will increase.

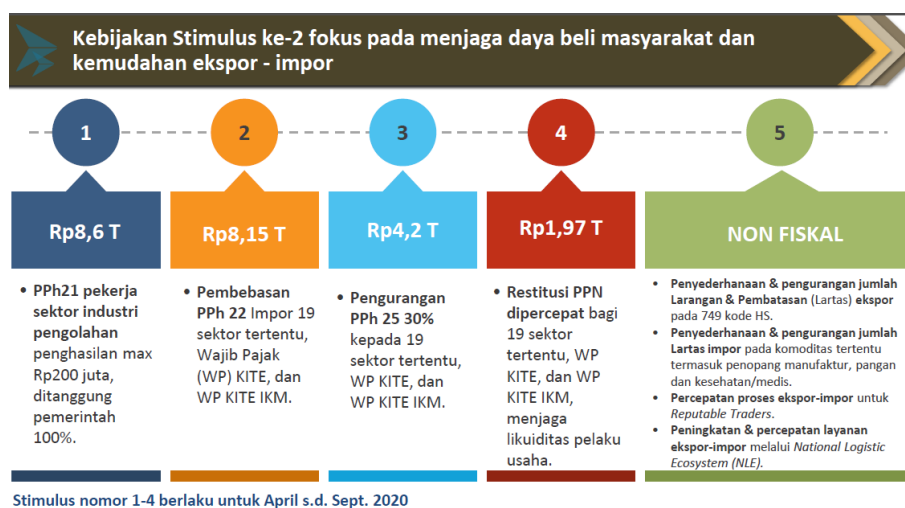
**4) Relaxation of Value Added Tax (VAT) Restitution**

Relaxation is provided through accelerated VAT refunds (preliminary returns) for 19 specific sectors, WP KITE, and WP KITE-IKM. VAT refunds are accelerated for 6 months, starting from April to September 2020 with a total estimated restitution of Rp1.97 trillion. There is no limit on the value of special VAT refunds for exporters, while for non-exporters the amount of VAT refunds is set at a maximum of Rp 5 billion. With the acceleration of restitution, taxpayers can be more optimal in maintaining liquidity.

#### 4. Effectiveness of Income Tax Relaxation on Indonesia's Economic Resilience During the co-19 pandemic

The economy is a unified circular flow consisting of consumer and producer societies. Simply, the expenditure of one entity is sustenance for another. Production from one entity is not only goods and services that are ready for consumption, but also income for households working in factories and production households. In terms of production sector actors, the Indonesian economy is dominated by micro, small and medium enterprises (MSMEs). Data from the Ministry of Cooperatives and SMEs states, in 2019, Indonesian production entities are dominated by MSMEs, which is 99.99 percent of the total number of existing business units. Meanwhile, in terms of value added, MSMEs contribute about > 40% of Gross Domestic Product (GDP).<sup>3</sup>

In terms of the size of the number of workers and turnover, the smallest are micro-businesses with a value-added contribution of around 34 percent of GDP. While the entity amounted to about 98 percent of the 63 million total number of existing business units, including large companies. Unlike white-collar employees in offices, for micro businesses and workers, life is from day to day by relying on turnover and daily income. Micro business turnover per year on average around Rp. 76 million, meaning Rp. 6 million a month or Rp. 200,000 per day. For this group, access and opportunities to sell products may be more important than cash and credit assistance.



Source: Kementerian Keuangan RI (1 April 2020)

The relaxation of taxes is expected to increase Indonesia's cash flow because it can help increase a country's gross income. This is a positive impact if tax relaxation is carried out on articles 21, 22, and 25. Therefore the finance minister and his staff who

<sup>3</sup> Sumantoro. (2007). Hukum Ekonomi. Depok: UI Press. P. 206

take care of the tax relaxation aim to make Indonesia's financial cash flow stable. Regulated in PMK 28/2020 not only regulates tax relaxation but the government also regulates economic stimulus by then using tax instruments to support the availability of medicines, medical devices, and other supporting tools needed in handling Corona virus outbreaks.<sup>4</sup>

The support was realized in the form of providing incentives or facilities to government agencies / agencies, hospitals, or other parties appointed to assist in handling the Covid-19 pandemic. Facilities are provided related to goods and services. The provisions of this facility are in PMK No.28 / PMK.03 / 2020 concerning the Provision of Tax Facilities for Goods and Services Needed in the Context of Handling Pandemic Corona 2019 Disease. which are given. First, VAT is not collected or borne by the government. Second, exemption from Article 22 Income Tax and Article 22 Import Income Tax. Third, exemption from Article 21 Income Tax. Third, exemption from Article 23 Income Tax.<sup>5</sup>

Tax Relaxation is the most effective way to tackle the Indonesian economy. The Minister of Finance Sri Mulyani stated that the reduction in tax rates (Relaxation) did indeed result in reduced state revenue. However, the current corporate income tax rate of 25 percent if lowered could have an impact on increasing economic growth. The government's economic policy in the form of tax incentives and stimulus as an effort to reduce the impact of the 2019 Coronavirus Diseases pandemic (COVID-19), is a breath of fresh air for the business world. Through this policy, it is hoped that the business world will not fail after the pandemic and the Indonesian economy can remain stable. Executive Director of the Institute of Development of Economic and Finance (INDEF) Tauhid Ahmad views the tax easing policy as the right step.



Source: Kementerian Keuangan RI. (1 April 2020)

Opinion from the author will be able to mitigate the economic impact of Covid-19, first, there needs to be an acceleration of treatment and prevention of wider

<sup>4</sup> Money Kompas. (2020). Insentif Pajak Di Tengah Virus Corona Jadi Angin Segar Dunia Usaha. Retrieved from : <https://money.kompas.com/read/2020/04/13/122602526/insentif-pajak-di-tengah-virus-corona-jadi-angin-segar-dunia-usaha> , Accessed on April 21 2020.

<sup>5</sup> Kementerian Keuangan RI. (2020). Press Conference Langkah Penguatan Perlindungan Sosial Dan Stimulus Ekonomi Menghadapi Dampak Covid-19.

transmission by implementing a policy at all cost for the procurement of medical devices, free of inspection fees, and steps on other health aspects. Second, the government needs to maintain people's purchasing power by reducing the burden of public costs such as by cutting electricity, fuel and basic water tariffs, to reducing electricity and fuel basic tariffs, so that they will not burden SOEs' finances because global crude oil prices are very down. Third, the relaxation of the tax that was poured out by the government needs to be extended to other sectors. For now, the government has relaxed the imposition of Article 21 Income Tax, Article 22 Import Income Tax, Article 25 Income Tax, and special VAT refunds to the manufacturing sector. So according to the author, the relaxation of income tax in articles 21, 22, and article 25 and VAT refunds are the most effective and appropriate things in tackling the impact of the Indonesian economy in the face of the Covid-19 outbreak.

## **5. Conclusions**

The author concludes that the effectiveness of tax relaxation is carried out by the Indonesian government. However, this effectiveness needs other supporting steps in order to achieve perfect effectiveness and can increase Indonesia's economic defense. One of them is that Bank Indonesia (BI) and OJK need to formulate policies to address the high level of banking interest rates that burden economic players amid the current slowdown. From the monetary side, there needs to be other policies besides conventional policies, especially conventional policies that are not yet able to be implemented optimally. According to the author, it would not hurt if Indonesia implemented a policy of tax relaxation. Because in some countries, tax relaxation can succeed to improve the economic situation in a country.

Through the Covid-19 Pandemic, the Indonesian government can learn to act decisively in making decisions. Because with this unexpected event the government must be able to act decisively to address all existing problems, by issuing policies to deal with problems that exist in the community both economic, social, political, health, and law. With policies that are considered effective kurag to overcome the problems of the pandemic covid-19, the government can evaluate how it works to deal with a problem so that it is solved efficiently. The tax relaxation policy is an example of the government's response to tackling the spread of covid, because many people have to work from home to avoid spreading the virus, the tax relaxation policy makes employees not have to pay pph for April 6-September.

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ADAGIUM HUKUM

**FRUSTRA LEGIS  
AUXILIUM  
QUAREIT QUI  
IN LEGEM  
COMMITTIT  
VAINLY**

**Does a person who offends  
against the law seek the help of  
the law**