GOVERNMENT OF INDONESIA TAX REVENUES

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ABSTRAK

Penerimaan pajak merupakan bagian terpenting dari penerimaan pemerintah disamping penerimaan dari minyak bumi dan gas alam serta penerimaan negara bukan pajak. Apabila Indonesia ingin mandiri, maka penerimaan dari pajak haruslah ditingkatkan agar supaya dapat dijadikan substitut pinjaman dari luar negeri. Tulisan ini berupaya untuk mengkaji hal-hal yang harus dilakukan demi kemandirian ini.

INTRODUCTION

The process of development in Indonesia 1969/1970 was based on domestic revenues and revenues from abroad. Domestic re-venues came from oil & gas (corporation tax) and non-oil & gas taxes which consisted of income tax, value added taxes (and sales tax on luxurious foods, VAT), import tax, excise ax, export tax, property tax, and other taxes. Non - taxes domestic government revenues consisted of non - tax government revenues and net profit from oil, if there is any. Revenues from abroad consisted of programs and project loans.

This paper is concerned with Government of Indonesia (GOI) tax revenues and efforts to increase them in order to be able to self -finance the development process in Indonesia.

GOVERNMENT REVENUES (domestic and from abroad)

Table 1 shows the government revenues from domestic sources and abroad since the crises occurring in mid July 1997. The role of tax revenues in the government budget was and is still significant, i.e. 44 percent (on the average for 4 years) of the total government revenues.

Revenues from oil & gas (corporation tax) were fluctuating depending on prices of oil & gas which were uncertain and OPEC quota should also be noticed.

Non - tax government revenues were promising and should be explored further.

Loans from abroad are becoming more difficult to obtain and repayments are burdensome.

Looking at these conditions one has to focus his attention to the possibility and opportunity to increase government revenues from taxes.

There are a lot of factors affecting tax revenues. In the case of income tax, for example, the factors affecting income tax revenue are purchasing power of people and business, growth of the economy, changes in the interest rate, foreign axchange rate, the number of tax payers and tax objects, and tax compliance. In the case of VAT & sales tax on luxurious goods are increase of tax payers, increase of tax objects, changes of foreign exchange rate, and law enforcement. In the case of excise tax: changes in foreign axchange rate, changes in imports, and intensification of collection. In the case of export tax: changes in export of good taxed, foreign exchange rate changes, and tax rate. In the case of property tax: subject and object tax, law enforcement and taxes: frequency of transaction which should pay stamp and forged stamps.

Table 1. Government Revenues, 1996/1997-1999/2000 (Rp. billion)

	1996/1997 r		1997/1998 r		1998/1999		1999/2000 e	
Domestic Government Revenues	87,630.3		108,183.8		149,302.5		142,203.8	
1. Oil & Gas								
1. Oil	10,315.6		10,688.2		32,908.6		12,443.4	
2. Gas	3,804.5		4,182.9		16,802.8		8,521.6	
Sub - total	20,137.1	20.2%	35,357.0	26.8%	49,711.4	18.8%	20,965.0	9.5%
II. Non - Oil & Gas								
1. Taxes								
a. Income Tax	27,062.1		28,458.2	34,388.3	25,846.2	55,897.4 r	40,626.0(42.9%)	
b. VAT	20,351.2		24,501.0	25,198.8	28,940.0	27,728.8 r	34,597.4(36.5%)	
c. Import tax	2,578.9		2,989.5		5,494.9		2,950.3	
d. Excise tax	4,262.8		4,807.2		7,755.9		10,160.0	
e. Export tax	81.0		125.4		942.8		2,594.5	
f. Property tax	2,413.2		2,655.0	2,641.0	3,411.0	3,558.9 r	3,247.0	
g. Other taxes	590.7		530.0		540.0	426.9 r	564.5	
Sub - total	57,339.9 56,417.2 r	57.6%	64,066.3 62,705.9 r	48.5%	72,930.8	27.6%	94,739.7(100%)	43.1%
2. Non taxes								
a. Non - tax govt. ren.	7,267.8		85,113.2		26,660.3		26,499.1	
b. Net profit from oil	827.8		249.2		—		—	
Sub - total	1,053.3	10.3%	8,760.5	6.7%	26,660.3	10.2%	26,499.1	12.2%
Government Revenues From abroad								
I. Programs loans	—		—		74,044.7		47,400.0	
II. Project loans	11,900.1		23,817.0		40,540.9		30,000.0	
Sub - total	11,900.1	11.9%	23,817.0	18.0%	114,585.6	43.4%	77,400.0	35.2%
Total	99,530.4	100.0%	132,000.8	100.0%	263,888.1	100.0%	219,603.8	100.0%

Source : Republik Indonesia, Nota Keuangan dan Anggaran Pendapatan dan Belanja Negara Tahun 1999/2000: Jakarta 1999

Nota: e = estimated; r = real

To raise government revenues from taxes, investigation on the tax rates and tax base is a necessity. It had been computed that elastic ties of tax income and VAT were 1,4 and 1,6, respectively; therefore, the tax rates of the two taxes could be reduced. The tax base are those who could be taxed (tax subject) and those who are tax payers or paying tax. The tax base could be expanded to increase tax sevenues.

TAX REVENUES: EXPECTED AND REALIZED

According to Musgrave & Musgrave (M & M), if Indonesia's economic growth is expected to be 6 percent per annum and Incremental Capital Output Ratio, ICOR, Z is 5, marginal propensity to save, mps is 15 percent, and the proportion of government expenditures is 10 percent of Gross Domestic Product (GDP), then it is expected tax revenues could be derived by using this following formula.[1]

$$te = \frac{zg - s - \alpha}{1 - s}$$

$$= \frac{5x6\% - 15\% - 10\%}{1 - 15\%}$$

= 0,294 or 29,4 percent of GPD

In reality the tax ratio in 1996 was only 11,2 percent, 10,96 percent on 1997, 10,8 percent in 1998 and would be around 13,5 percent in 1999. See Table 2. The International Monetary Fund suggested that the tax ratio should be around 18 percent, which was less than 29,4 percent as required/computed using M & M formula.

Year	Tax revenues	GDP	Tax ratios
1996	Rp. 57,3 trillion	Rp. 511,4 trillion	11,20%
1997	64,1 trillion	584,4 trillion	10,96%
1998	72,9 trillion	672,1 trillion	10,80%
1999	94,7 trillion	712,9 trillion	13,50%

Source: Central Agency for Statistics

[1] Richard A Musgrave and and Peggy B. Musgrave, Public Finance, in Theory and Practice, Me Graw. Hill Book Company, Singapore, 1980, p. 796.

Revenues from taxes reached Rp. 72,930 billion in 1998/1999 and were obtained from around 2 million tax payers, so that each tax payer on the average paid around Rp. 36 million per year or Rp. 3 million per month. The 2 million tax payers were considered to small for LDC standard. It should have been around 2 percent of population[2], i.e 4,2 million. If 4,2 million people were to pay tax Rp. 36 million each in a year, then we would have Rp. 151,2 trillion which would be 22,4 percent of GDP 1998, or above the 10,8 percent tax ratio computed in Table 2, and above what was asked by IMF which was 18 percent[3]. However, this is not enough, since GOI needs Rp. 187.5 trillion, which means that over 5.2 million tax payers should be "created" (2.4 percent population).

To find substitute for foreign borrowing is not merely an approach at macro level - a generalization, and full of "ifs". It is a conditio - sine - qua non for Indonesia to enable her to self - finance her development process. A disaggregative approach should be established to come up with changes in tax rate, tax subjects and objects which could result in increasing tax revenues to the percentage figure of 29.4 percent of GDP if Indonesia would like to maintain or enhance her development endeavour.

It is easy to say that the government should be able to limit tax avoidance and tax evasion, undertake law enforcement and increase compliance in the part of tax subjects, etc. In practice, it is very hard to carry out. Only awareness and responsibility of tax subjects could save Indonesia from frequent turmoil.

Yogyakarta, 24 July 1998

LITERATURE

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[2] Population of Indonesia in 1998 was around 209 million.

[3] IMF required Indonesia to obtain tax revenue around Rp. 120,9 trillion (16 percent x Rp. 672.1 trillion). However, this percentage figure is lower than the one computed using M & Mformula, Le. 29.4 percent.