

# Role of Taxes Save The Business Affected by Covid 19 Pandemi in Indonesia

1<sup>st</sup> Maharani Chikita Angelina  
Duta Bangsa University of  
Surakarta Surakarta, Indonesia  
chikitaangelina2211@gmail.com

2<sup>nd</sup> Antin Okfitasari  
Duta Bangsa University of  
Surakarta Surakarta, Indonesia  
antin\_okfitasari@udb.ac.id

3<sup>rd</sup> Lyly Katniaty  
Manajemen Study Program,  
Faculty Of Law And Business  
Duta Bangsa University of  
Surakarta Surakarta, Indonesia  
lylykty12@gmail.com

4<sup>rd</sup> Safitri Nur  
Duta Bangsa University of  
Surakarta Surakarta,  
Indonesia  
safitritritri1901@gmail.com

**Abstract**—The purpose of this study is to analyze the role of taxes during the covid 19 pandemic. The research method used is qualitative research using a literature approach. This research describes the role of taxes during the Covid-19 pandemic. The result of this research is that fiscal policy has changed its function from budgetary to regular-end in order to save the economy in Indonesia. Taxes also function as stability in financing all areas affected by the pandemic. It is undeniable that covid 19's handling are fully financed by state revenue from the tax income. For this reason, supervision of the use of covid 19's handling funds must be monitored, so that there are no wrong targets. Tax incentives are also provided to taxpayers as a way to reduce the economic impact on their business due to the pandemic. In this case, the tax sacrifices all existing policies in order to ease the Indonesian people who are currently affected by the pandemic. With all the tax relaxation, it is hoped that the business world of Indonesia will continue to survive and even grow the midst of the ongoing pandemic, so that the Indonesian economy will also grow.

**Keywords**—Covid 19, Fiscal, Fiscal Role, Tax Incentive

## I. INTRODUCTION

The spread of the Covid 19 pandemic besides causing problems in the health sector with the emergence of more and more infections and deaths, but also greatly affects the environment, education, politics, security, social and economy [1 - 4]. Various efforts were made to tackle the spread of covid 19 with Work from Home (WFH) policies, lockdowns, and school closings. In Indonesia, one of the policies currently running is Large-Scale Social Restrictions (PSBB) followed by the Enforcement of Restrictions on Community Activities (PPKM), where this has an impact on the social and economic fields [5], national losses, sectoral losses, individual and corporate losses as business actors [6].

Fiscal policy is a choice to overcome problems that have arisen due to the impact of this pandemic [7]. Taxes have a function in fiscal policy, namely how the government can reflect and evaluate in making the right policies in the National Economic Recovery. Taxes are the main source of funding for the state, increasingly having a big role in this pandemic. Taxes have a strong role in overcoming shocks in all aspects of the life of the state, even becoming the lifeblood of the Indonesian nations to overcome the impact of Covid 19 that has emerged [8].

Economic recovery during the Covid-19 pandemic is very important. It is the task of the government to quickly recover the economy due to the impact of the pandemic. The implementation of fiscal policy during a pandemic can help improve the economy. Fiscal policy is an economic policy carried out by the government to manage and direct economic conditions in a better or desired direction by changing or updating government revenues and expenditures. With the

government's participation in improving the economy, it will have an impact on improving the business world

Fiscal policy, one of the things that is highlighted is the control of government or state expenditures and revenues. In addition, this policy is expected to solve the economic problems that occurred due to Covid-19 due to the many problems caused by the impact of Covid 19 which made the economy in Indonesia weaken further. Based on the explanation above, the purpose of this study is to determine the role of taxes in improving the business during the Covid 19 pandemic.

## II. METHOD

According to Sekaran & Bougie [9] qualitative data is data in the form of words obtained from a variety of primary and secondary data, such as company reports, interview notes, company publications, books and journal articles. This research data was collected from various articles and information from the internet that are relevant to the role of taxes in this pandemic. The data is obtained through google, google scholar and sciencedirect. The keyword summons used to facilitate data collection are the role of taxes, Covid 19, economic and fiscal recovery. After the related data has been collected, data analysis is then carried out.

In accordance with the interactive model of Miles and Huberman [10], the initial step of data analysis in this study begins with data reduction, namely summarizing, selecting, classifying, sorting and archiving data. The next step is to present data through tabulation based on the role of taxes in general, the role of taxes in maintaining economic stability, the role of taxes in improving the economy during a pandemic. The last part of the data analysis process is to draw conclusions in response to this research question.

## III. RESULT

Law No. 16 of 2009 [11] General Provisions on Taxation Article 1 paragraph 1 means that taxes are mandatory contributions to the state that are owed by individuals or entities that are compelling and used for state purposes, and do not receive direct compensation. As a source of state revenue, taxes have four functions, namely the budget function (budgetair), the regulating function (regularend), the stability function, and the income redistribution function. Budgetair, namely tax functions to finance state expenditures. Regular, namely taxes as a means of regulating economic growth to achieve goals. Stability function, which relates to having funds to carry out policies related to price stability in order to control inflation. And the last is the tax function as income redistribution, namely the use of taxes to finance public interests which aim to increase people's income.

Abondurin [1] states that one of the ways that is really needed in saving companies from bankruptcy due to this pandemic is fiscal measures. Olivier Jean Blanchard, French economist (2020) stated that the government's fiscal policy in the event of the Covid-19 pandemic must focus on three things. First, efforts to tackle aspects of public health. Second, it must act as an aid or help parties or community groups whose economic activities are affected by the pandemic. Third, the need to boost total demand so that the wheels of the economy keep turning

Darussalam [8] said the role of taxes in the current pandemic must be seen in detail so that it can push the Indonesian economy to its full potential. These roles include:

1. The emergence of a paradigm shift.

The tax paradigm shift from a revenue function (budgeter) to a regulating function (regularend). In this condition, tax is here to regulate and cooperate with all parties to deal with economic conditions that have been affected by the pandemic, so that the economy becomes stable. This is in line with the statement from Mardiasmo [12] which states that taxes with a regular-end function, which are the means or actors of Indonesian government policies in the social and economic fields.

Taxes are very influential in stabilizing the economy. The impact of Covid 19 is very detrimental in various aspects, not only in the health and economy sectors. The direction towards an economic recession due to the impact of Covid 19 is also evident at all levels of society. In carrying out its regular role, the government provides relief for taxpayers in the form of tax incentives. The tax incentives are in the form of tax deductions, tax borne by government and additional due dates for payments. Tax indirectly sacrifices all existing policies in order to ease the Indonesian people who are currently affected by the pandemic. With tax incentive, it will reduce tax burden of business during this pandemic.

2. The tax law design must be subject to economic goals.

Tauhid Ahmad, Executive Director of the Institute for Development of Economics and Finance (INDEF) stated that the national economy in the first quarter of 2021 is still in the negative zone, which means that Indonesia is still experiencing a recession. Therefore, the synergy in the framework of the National Economic Recovery (PEN) still has to be improved. One of the tax law designs, namely the tax must be able to harmonize and support the policy framework and economic objectives. This is reflected in the principle of "relaxation first, mobilization later". In addition, it is hoped that revenues will increase again with the enforcement of tax laws. The trick is to develop tax data and information processing, tax services, where one of the alternatives is the digitization of tax administration.

3. The pandemic is the best momentum and time for a new fiscal policy strategy, especially taxes.

The Covid-19 pandemic has prompted discussion in various countries regarding three new types of taxes. Namely regarding the urgency of digital sector taxation, the imposition of carbon taxes, and the optimization of tax revenue from a group of high net worth individuals. This is because, according to Bawono Kristiaji, Tax Observer Danny Darussalam Tax Center (DDTC) stated that the contribution of High Net Worth Individuals (HNWI) in the PPh Article

25/29 Personal Income Post is still low. In line with this, tax optimization from this sector is now a concern, namely the aim is none other than to reduce the imbalance of tax payments so that it can be an additional stimulus as well as a form of solidarity (kontan.co.id).

Meanwhile, from the digital sector, the pandemic has made people tend to use electronic devices to fulfill learning and work. In line with this, Grace Perez Navarro, Deputy Director of the Center for Tax Policy and Administration of the OECD stated that a pandemic is the best time for a new fiscal policy strategy, especially tax. For this reason, Pascal Saint-Amans, Director of the Center for Tax Policy and Administration of the OECD stated that a digital tax database is needed as a basis for collecting one of these potential state revenues.

4. Providing tax incentives

Providing tax incentives has the potential to increase tax expenditure. Tax incentives basically prevent layoffs, business closures, and the increase in the informal sector in the economy. Lots of economic activity has to be stopped due to the pandemic, especially micro businesses. That is, there were a lot of customer losses, which resulted in quite a large loss. Therefore, to overcome this, the government uses taxes to help micro and macro businesses.

Tax incentives are the government's response to the decline in productivity of business actors because the taxpayer's economy has dropped dramatically due to this outbreak [13]. This facility is regulated by the Minister of Finance Regulation Number 23 of 2020 (PMK 23 of 2020) concerning tax incentives for taxpayers affected by the Covid-19 Virus outbreak. As happened in Indonesia, tax revenue in the first quarter of 2020 was recorded to have contracted or minus up to 2.5%.

Some of the minus tax instruments after being used for handling Covid-19 are Corporate Income Tax and Import Tax (PDRI) consisting of several types, namely Income Tax (PPh) Article 22 on imports, PPh Article 22 on Exports, Value Added Tax (PPN) on imports., and Luxury Sales Tax (PPnBM).

Government-borne PPh Article 21 (DTP), which is a tax-free policy that will take effect since April 2020. The other three policies are suspension of payments for PPh Article 22, PPh article 25, and accelerated restitution for VAT. For taxpayers who carry out import activities, they will be given an exemption from import PPh Article 22 for 6 months. The granting of this facility is provided through a PPh Article 22 Import Certificate (SKB) to taxpayers. For SME's, the government give tax exemption on PPh base PP number 23/2018.

Meanwhile the reduction rate is a consequence of Government Regulation in Lieu of Law (Perppu) No. 1/2020 which reduces the PPh Article 25 rate to 22% in 2020 and 2021 and to 20% in 2022, one year earlier than planned in the Taxation Omnibus Law.

5. The provision of tax incentives during a pandemic is prone to misuse and not being well targeted

Policy formulation is generally carried out in a relatively short period of time and the tax authorities are limited in monitoring during a pandemic [14]. Therefore, the principle of good governance must be implemented. The principle of

good governance in Indonesia is one of the references for tax incentive design to anticipate the impact of Covid-19, this can be traced from the existence of procedures for reporting and monitoring tax incentives.

The number of people who abuse tax incentives, the government will further increase supervision, namely by carrying out the process of submitting and reporting the realization through an IT system that facilitates human resources (HR). In general, regardless of the presence or absence of Covid-19, tax incentives can create opportunities for abuse, for example for tax avoidance activities [8]. Therefore, the design that regulates anti-abuse and supervision clauses is important to be included in the incentive legislation.

6. The government takes steps to follow global trends

The whole world uses taxes in anticipation of Covid-19. According to OECD data, among countries in ASEAN, Singapore is ranked first in the country with the number of tax policies during the Covid-19 pandemic. Followed by Indonesia with 14 policies, Cambodia with 13 policies, Thailand with 7 policies, Laos and Malaysia with 5 policies, Myanmar and Vietnam with 3 policies, and finally the Philippines with 2 policies [14].

It can be seen that the type of tax that is often used is as a means of relaxation, the majority of which use relaxation procedures. Many countries provide extended postponement of tax administration obligations. Various relaxation changes in line with the dynamics of economic development in each country. It can be seen that Indonesia's steps are in line with global trends. Some policies are in fact relatively progressive, such as reducing the corporate income tax rate, final PPh borne by the government for MSMEs, and the imposition of digital VAT.

7. The pandemic is seen as a momentum for tax solidarity.

The pandemic puts pressure on all aspects of the economy, requiring a deepening of the extent to which each party has contributed fairly. The pandemic emphasizes the momentum to review socio-economic inequalities in society through the tax system. There is a pandemic, many citizens help each other, especially in the business sector, where many residents help small entrepreneurs so that their businesses can survive, such as helping small traders on the side of the road by buying food and then giving it to people who need it. This activity proves that a pandemic is not an obstacle to helping each other, from here we can foster a sense of humanity for our fellow citizens.

OECD data states that Indonesia is the second country in ASEAN that has issued the most tax policies during the Covid-19 Pandemic, namely 14 policies [14]. The classification of tax policies according to OECD data is 7 policies related to tax relief in corporate business income tax, personal income tax, taxes related to the cost of importing consumer goods, as well as deferment and tax refunds, each of which are 2 policies. In line with the OECD, the Government of Indonesia is taking a firm stance on fiscal and monetary matters. In the fiscal sector, namely in terms of revenue, the government must pay attention to the contribution of VAT and income tax revenues [13]. Esteva [15] states that increasing taxes is a way to rebuild fiscal space. The role of taxes is very important, even taxes and the

economy are very closely related, even though there is a lot to be sacrificed but in this way the best and can help the economy in Indonesia. The role of taxes can be seen from the results now that the economy in Indonesia is starting to improve. There have been many entrepreneurs who have started their business again and even have many innovations. Medium-term tax policies and strategies are aimed at accelerating national economic recovery caused by the Covid-19 pandemic and increasing state revenues.

Indonesia's government in overcoming covid-19 which is related to the role of taxes as a fiscal policy instrument with economic growth.

1. Providing Tax Relaxation to the Business World

The Covid-19 pandemic was forced to change existing systems and policies. One of the relaxation measures is aimed at reducing the burden on business activities and increasing the company's cash flow, especially during and after the pandemic. This relaxation is used in order to cover the increase in the price of input materials as well as the decline in sales, so that the impact is that the company can operate normally. This will later also have an impact on the absence of layoffs (PHK). Thus, the potential for the national economy will continue to move, both in terms of production and consumption, and slowly the Indonesian economy will emerge from the hole of the current economic recession.

2. The Government Increases Competitiveness, so as To Encourage Investment Action

The steps taken by the government during this pandemic are very important, namely by using tax instruments that will increase the competitiveness of investment activities. The government increases competitiveness to be able to improve the Indonesian economy due to the Covid-19 pandemic. The reason is that according to data from the Ministry of Industry, the industrial sector is still the largest contributor to the National Gross Domestic Product (GDP) up to 19.98% in the first quarter of 2020. In addition, in 2020, industrial sector exports contributed 80.30% of total national exports and the investment value of this sector in 2020 has increased by around 56.9 trillion from the previous year.

Several policies issued by the government to increase competitiveness, namely, export-oriented people's business credit (KURBE). The credit facility is a stimulus for micro, small and medium enterprises (MSMEs) to increase the competitiveness of their products. Through these facilities, it is hoped that the quality and value added of the product will increase. The main target of this program is suppliers or plasma which support industry and business industries which involve a lot of workforce according to the business scale. On the other hand, the Government's policy to increase the competitiveness of the national industry is carried out through the application of the Making Indonesia road map, initiating the development of the Center for Innovation and Human Resources Development for Industry 4.0, participating as a partner country for the Hannover Messe in 2021, with an import substitution program of around 35% in 2022, expansion of the export market, to the implementation of 23 bilateral and regional trade agreements ([www.idxchannel.com](http://www.idxchannel.com)).

3. Taxation Instruments Seek to Widen the Base of Taxation and Improve Administration

The addition of new tax objects is needed to increase the tax ratio. The initial stage is to collect taxes on trade via electronic systems, because in recent years online transactions have developed so rapidly and have the potential

to replace conventional markets. Taxation of Trade through Electronic Systems is expected to be an important source of state revenue because of the large transaction value in the future. The government will also explore the source of revenue from excise.

Because so far, the imposition of excise is only on cigarette, beverage and ethyl alcohol products. In fact, there are many other items, such as plastics, sweetened drinks, and fuel oil (BBM). The aim is to control consumption, given the harmful effects it has on both the environment and health. In addition, the imposition of excise on these goods can certainly increase state revenue which in turn can increase the tax ratio.

4. Increase Tax Revenue From Tax Subject Aspects.

Increasing tax revenue can also be pursued through the extension of new taxpayers based on sector and region. Namely by increasing voluntary compliance through effective education and improving services, including High Net Worth Individuals (HNWI).

#### IV. CONCLUSION

Many strategies have been created by the government to maintain economic prosperity in the era of the Covid-19 pandemic. One of the most important roles of taxes is the provision of tax incentives. Even though tax incentives are issued, this policy does not affect the rationality of the performance system that is in the tax. Moreover, the role of taxes as a fiscal policy instrument with a combination of the revenue function becomes a function of regulating to avoid contraction and relaxation of the national economy having the flexibility for sustainable state revenue and if this fiscal policy is successful it will impact on investment competitiveness and can anticipate the weakening of the economy in Indonesia as a result Covid-19.

The suggestion from this discussion is that the government must increase innovation to have a strong competitiveness. If Indonesia does not innovate or discover new things, it can weaken the economy in Indonesia. Competition around the world has increased due to the Covid 19 pandemic. As well as several tax policies created by the government should have a positive impact. With a system that is simple and easy to

understand and most importantly for the welfare of the people in Indonesia.

#### REFERENCES

- [1] Abodunrin, O. (2020). Coronavirus Pandemic And Its Implication On Global Economy. 4, 13–23.
- [2] Laing, T. (2020). The Economic Impact Of The Coronavirus 2019 (Covid-2019): Implications For The Mining Industry. The Extractive Industries and Society.
- [3] Saadat, S., Rawtani, D., & Hussain, C. M. (2020). Environmental Perspective of COVID-19. Science of the Total Environment.
- [4] Chakraborty, I., & Maity, P. (2020). COVID-19 outbreak: Migration, effects on society, global environment and prevention. Science of the Total Environment.
- [5] Nurhayati, T., & Aji, R. (2020). Emancipation Against a Global Pandemic: Evidence from Indonesia. Law and Justice Bulletin.
- [6] Hadiwardoyo, Wibowo. (2020). Kerugian Ekonomi Nasional Akibat Pandemi Covid-19. Journal of Business and Entrepreneurship.
- [7] Feranika, Ayu & Haryati, Dini (2020). Strategi Kebijakan Fiskal Terhadap Output dan Inflasi Pada Perekonomian Indonesia dalam Menghadapi Dampak Virus Covid-19. Business Innovation & Entrepreneurship Journal.
- [8] Darussalam. (2020). Peran Pajak Sebagai Penyelamat. Retrieved January 6, 2021, from [https://news.ddtc.co.d/peran\\_pajak\\_sebagai\\_penyelamat\\_dampak\\_covid\\_19](https://news.ddtc.co.d/peran_pajak_sebagai_penyelamat_dampak_covid_19)
- [9] Sekaran, U., & Bougie, R. (2010). Research methods for business: A skill-building approach (5th ed.). New York: John Willey & Son Inc.
- [10] Miles, M. B., & Huberman, A. M. (1994). An Expanded Sourcebook: Qualitative Data Analysis. London: Sage Publications.
- [11] Undang-Undang Republik Indonesia Nomor 16 Tahun 2009 Tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 5 Tahun 2008 Tentang Perubahan Keempat Atas Undang-Undang Nomor 6 Tahun 1983 Tentang Ketentuan Umum dan Tata Cara Perpajakan Menjadi Undang-Undang.
- [12] Mardiasmo. (2016). Perpajakan Edisi Terbaru 2016. Yogyakarta: Andi.
- [13] Silalahi, D. E. S., & Ginting, R. R. (2020). Strategi Kebijakan Fiskal Pemerintah Indonesia dalam Menghadapi Dampak Pandemi COVID-19. Jurnal Ekonomi & Ekonomi Syariah.
- [14] Organisation for Economic Co-operation and Development . (2020). covid-19 tax policy and other measures. Oecd.Org. Retrieved March 20, 2021, from <https://www.oecd.org/coronavirus/en/>.
- [15] Esteva, M. (2020). Commentary Climate-Smart Fiscal Policy Can Foster a Lasting Economic Recovery.