

## TAX AS A FISCAL POLICY INSTRUMENT TO OVERCOME THE ECONOMIC CRISIS DUE TO THE IMPACT OF COVID 19

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### ABSTRACT

*This study aims to obtain answers to the dilemma experienced by the government in efforts to mitigate the impact of covid 19, whether by providing tax incentives or by boosting state revenues to finance state expenditures due to the covid 19 pandemic. Examines Indonesia's experience as a country that has been able to overcome and overcome the financial crisis by using a sound fiscal policy strategy and a national tax reform policy through regulatory reforms and modern tax administration. The experience of overcoming the financial crisis has become an interesting learning material for the Government to make anticipatory policies to deal with the financial and monetary economic impacts of the Covid-19 pandemic. The descriptive qualitative method is used to describe in depth the use of taxes as an instrument of fiscal policy in national taxation practices. Two tax functions, namely the tax function as an instrument of fiscal policy with a combination of regulating functions. And the stabilization of the economy to maintain the condition of contraction and relaxation of the national economy, has the flexibility to reception state that is sustainable function allocation of the state budget for the cost of government and public interests are balanced, the distribution to the welfare of society while maintaining stabilization Economic growth that supports national development is one of the determining factors for the success of fiscal policy in increasing investment competitiveness and anticipating global economic downturn. The results of the study found that in supporting the economy, the government must play both taxation functions in harmony. The two functions play their respective roles in accordance with the economic conditions they are facing without injuring one another. Foresight in making the government's taxation policy would greatly assist the recovery and growth of the nation's economy so that the function of regular and budgetair in taxation can be implemented optimally . Building mutual trust and partnership is one of the keys to success in the implementation of any tax policy .*

Keywords: taxes, policy fiscal, national economic stability, covid-19

### INTRODUCTION

At this time, corporate taxpayers deserve to ask for rights, because they have made donations for the sake of overcoming Covid-19. In this case, the right that exists in the taxpayer is the right to get income tax incentives , the reduction of taxable income by using the reflection of legal regulations as a form of state policy. The income tax incentive is borne by the government due to the impact of the Covid-19 pandemic (Darma & Saputra, 2021). The tax policy made by the government is intended to provide incentives for taxpayers affected by the corona virus outbreak by issuing Minister of Finance Regulation No. 44/2020, concerning Tax Incentives to assist and protect Taxpayers who are affected in the current economic downturn (Larasdiputra & Saputra, 2021; Oktaviani et al., 2018). Some of the incentives given are related, Income Tax Ps. 21 borne by the government, then tax exemption on imported goods Income Tax Ps. 22 , There is also a reduction in the income tax installment rate of Ps. 25, and accelerated restitution . Other policies were also made to reduce the impact of the Covid-19 pandemic (Darma & Saputra, 2021; Sara et al., 2020; Uğur & Akbıyık, 2020). The government issued policies related to taxation aimed at helping to increase and accelerate the flow of finance and goods and production so that they are stable and able to survive during the pandemic and prosper all who will benefit from this policy (Islam et al., 2020; Popoola et al., 2016; Tang et al., 2017). Based on the explanation that every policy that has been given by the government is predicted to have a better impact in increasing and accelerating economic growth. One of them in tax policy needs to be appreciated and applied by the taxpayer to be able optimal not you use during a pandemic Covid-19 is a bit much to help alleviate and provide benefits to business taxpayers (Iqbal & Sholihin, 2019; Larasdiputra & Saputra, 2021; Priliandani & Saputra, 2019). Therefore, the purpose of this research is to map the number of tax policies that have been issued by the Indonesian government based on the point of view of the objectives of tax policies for the benefit of taxpayers and to obtain answers to which functions are the most dominant in maintaining national economic stability (Abdurahman, 2017; Chandrasekaran, 2011; Hasan et al., 2019).

Based on the background that has been described, in doing research flexibility of the tax as an instrument of fiscal policy to anticipate economy crisis as the impact of pandemic covid-19. So that can be formulated the problem of research as follows: How about tax incentives as an instrument of policy Indonesia's fiscal on during the global economic crisis and whether the fiscal policy can be used as a strategy in anticipating the impact of the covid-19 pandemic that is currently happening.

### LITERATURE REVIEW

#### Income Tax

Incentives to invite given by the Government in accordance with the Regulation of the Minister of Finance. Where the types of taxes are given incentives, including the following: Incentive recipients are taxpayers who are employees of the employer (Oktaviani et al., 2018; Priliandani & Saputra, 2019). Employers whose employees receive incentives are employers who have a Business Field Classification code as listed in the attachment to Regulation of the Minister of Finance 23 of 2020, while

employees who receive incentives are employees whose gross income in a year is below or not more than 200 million rupiah (Iqbal & Sholihin, 2019; Larasdiputra & Saputra, 2021). This incentive will affect the income that will be received by each employee during these 6 months. If previously the employee was deducted from income tax article 21 on income, during April to September 2020 later the employee will receive back the 21 income tax deduction (Tang et al., 2017; Viaene & Zilcha, 2013). So what was previously the tax borne by the recipient of the income will be borne by the government or called the Government-borne Tax (Gaughan & Javalgi, 2018; C. Harrison & Donnelly, 2011).

Income Tax Article 22 Import which is given incentives in the form of exemption from tax payments. This exemption is an effect of the reduced activity of sending goods to enter Indonesia in order to prevent the spread of the virus which is increasingly massive in its development in Indonesia, whether it is a temporary suspension from the country of origin or a reduction in shopping activities from importers in Indonesia (Darma & Saputra, 2021; Viaene & Zilcha, 2013). This decline in import activity greatly affects Indonesia's trade balance, so it is necessary to provide a stimulant through incentives so that taxpayers who are business actors return to their enthusiasm for carrying out activities in an unfavorable situation like this. Taxpayers who carry out import activities will be granted an exemption from Article 22 import income tax for 6 months. The provision of this facility is provided through a Certificate of Free Income Tax Article 22 Import to taxpayers (Gaughan & Javalgi, 2018; Priliandani & Saputra, 2019).

Article 25 income tax which will receive incentives with a reduction in the amount of installments of 30% of the total installments that should be paid over the next 6 months (Figuroa B. et al., 2010; Viaene & Zilcha, 2013). Article 25 income tax is included in this regulation because many business actors have begun to reduce their activities or even temporarily stop their business as long as this epidemic has not stopped. When this condition occurs, the productivity of taxpayers decreases, it will be unfair if the taxpayers who have been paying installments of this type of tax are not given incentives (Johnson & Droege, 2004; Sloan, 2001).

### Value Added Tax Refund

The value added tax incentive provided is the convenience of the process of granting restitution to taxable entrepreneurs which has been determined in Minister of Finance Regulation 23 of 2020 for the next 6 months starting in April (Alipour, 2012; Smriti & Das, 2018). There are differences in the nominal limits restitution given to a Taxable Entrepreneur Exporters and Entrepreneurs Taxable Non Exporter (Petrașcu & Tîeanu, 2014; Pulic, 2004). For Taxable Entrepreneurs who act as exporters there is no nominal limit of Value Added Tax to which restitution will be made, while for Non-Exporting Taxable Entrepreneurs, accelerated restitution is granted with a maximum value of 5 billion rupiahs (Gaughan & Javalgi, 2018; Priliandani & Saputra, 2019; Sawani et al., 2016).

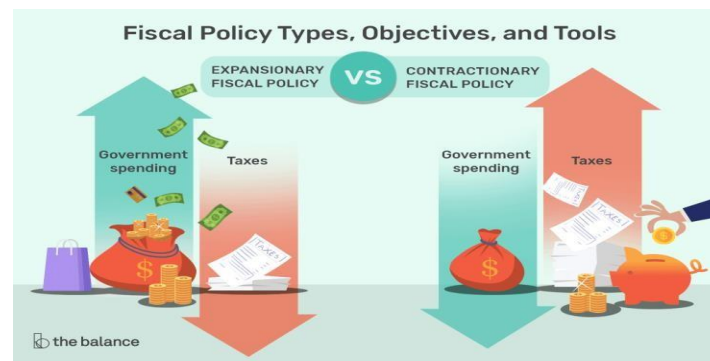
### Synergies Tax function as instruments of fiscal policy

As a source of state revenue, taxes have three functions, namely: first, as a source of government revenue that can be used to finance development activities, in this case taxes have a budgetary function (Chung & Parker, 2008; Govindarajan, 2019; Jayawarsa et al., 2020). Second, taxes can play a role in regulating resource allocation, income distribution, and consumption or commonly known as the tax regulation function (Berzins et al., 2019; Velte, 2019). Third, taxes function as economic stability. From the functions of taxes as an instrument of fiscal policy, as already mentioned, in general, tax policies carried out by the government are always directed to fulfill these three functions simultaneously (Istiqomah, 2018; Pedregal & Pérez, 2010; Tang et al., 2017). Taxes in the implementation of development activities have a very strategic function (Milanés Batista et al., 2020). Taxes are not only a source of state finance used for public investment, but the tax function can also be used to control state policy which is more commonly known as the *budgetair* function and the regular function (Kaplan & Norton, 2001). This is where taxes actually have a role in the correlation between the government as a public servant and the community as a supporter of the implementation of state development (Gendron et al., 2001).

Dichotomously, the tax function can be divided into 2 major groups, namely the *budgetair* function and the regular function. Gives an understanding that the *budgetair* function is a function that is located in the public sector, and taxes are a tool to put as much money as possible into the state treasury, which in turn will be issued to finance state expenditures (Matei & Drumasu, 2015; Stevanović, 2016). The function of the tax budget, which is used as a means for the government to enter as much income as possible into the state treasury to finance development, is the scope of government policies related to the economic law of development (Bagheri & Akbarpour, 2016; Thanitcul & Srinopnikom, 2019).

The regular function is a function where taxes are used as a tool to achieve certain goals that are outside the field of state finance. Concretely, this second function is manifested in the form of increasing or decreasing tariffs to provide incentives or disincentives so that the government's goals can be achieved. Substantively, the regular function is actually a certain way to manipulate the socio-economic conditions of the community (van Helden & Uddin, 2016; Xu et al., 2018). On the other hand, the function of tax regulation adopted by the government aims to achieve economic prosperity and to engineer a more just and equitable socio-economic condition of society, including in the field of social economic law. P invite can also serve as an economic stabilization.

Graphic Illustration of the Function of Taxes as an Instrument for Fiscal Policy



Source: processed from various sources

As a development tool, fiscal policy can be effective if its implementation is based on a combination of high tax rates imposed on both direct and indirect taxes. The imposition of high tax rates can be applied, for example, to inhibit the level of consumptive spending, inhibit the rate of imports or to protect domestic products that are not ready to compete with foreign products (Istiqomah, 2018; Tang et al., 2017). Fiscal policy with a combination of these tax rates must also be based on a flexibility in the taxation system, namely in the form of exemption from taxes and the provision of incentives or incentives to stimulate private investment as expected (Chiou & Shu, 2019; Sara et al., 2020). Thus, the fiscal policy taken by the government through the determination of the State Revenue and Expenditure Budget, besides having a *budgetair* function, also has the function of regulating economic activities in the desired direction (Karmawan, 2017; Pedregal & Pérez, 2010).

In general, fiscal policy is used to regulate economic stability with the main objective of achieving a high level of economic growth without being accompanied by fluctuations in inflation and recession. In achieving these objectives, fiscal policy is always accompanied by other policies such as monetary policy and real sector policies (T. M. Harrison & Sayogo, 2014; Meng & Zhang, 2011). There are three main instrument of fiscal policy, which is as follows: Tax, government expenditure and loans (Lough, 2010). Tax incentives as a means of stimulus in encouraging investment are not the sole factor influencing investor interest in investing (Berzins et al., 2019; Tang et al., 2017). By looking at the relationship between tax incentive factors (especially income taxes) on economic activity, the imposition of taxes will affect the consumption of goods, consumption and savings expenditures, motivation to save, the selection of forms of savings, the supply of labor, and so on. The imposition of taxes will also affect investment, because the tax will reduce the results of the investments made. Investment is an action that contains risk, because investment may provide benefits as expected, but also may face failure in the form of losses (Darma & Saputra, 2021; Larasdiputra & Saputra, 2021; Priandani & Saputra, 2019). The burden of paying income tax will cause people to be reluctant to invest if the tax results in a decrease in investment. Of course, the opposite condition will arise if the tax burden is reduced. The latter will result in a greater net income of investors, thus stimulating them to invest more.

**RESEARCH METHODS**

Place and Object of Research, This research was conducted in the area of the Directorate General of Taxes Bali with the object of tax research as an instrument of fiscal policy to anticipate the economic crisis due to the impact of the COVID-19 pandemic. Informant Research is: people who will give their opinions and thoughts in solving problems concerning skill or one's expertise in the case under discussion, namely Account representative Directorate General of Taxation Bali and the Head of Service and Public Relations Directorate-General of Taxes Bali and the head of Extension of Tax.

Data Collection Methods, namely in-depth interviews and questionnaires, which were given to the tax authorities as tax officials who have authority in the implementation of state revenues. Furthermore, from the results of interviews conducted, Focus group discussion is a data collection technique that is generally carried out in qualitative research with the aim of finding the meaning of a theme according to the understanding of a group. This technique is used to reveal the meaning of a group based on the results of discussions centered on a problem. The focus group discussion is to avoid the wrong meaning of a researcher towards the focus of the problem being studied. Furthermore, this technique is used to draw conclusions about the meaning of intersubjective meanings that are difficult for the researcher to interpret on their own because they are hindered by the researcher's ignorance of the true meaning of the people around a phenomenon being studied and as far as possible the researcher avoids the impulse of the researcher's subjectivity. The focus group discussion model is built on the following assumptions:

1. Individual limitations are always hidden in ignorance of those personal weakness
2. Each group member gives knowledge to each other in group association.
3. Each individual is controlled by another individual so that he tries to be the best
4. Subjective weakness lies in individual weakness which is difficult to control by the individual concerned
5. Intersubjective always approaches the best truth.

The data analysis technique used in this research is interpretive descriptive qualitative analysis technique: The steps taken are:

1. The data collection needed is through interviews, and documentation studies.
2. Data reduction
3. Interpretation and drawing conclusion

## RESULTS AND DISCUSSION

### Tax incentives as an instrument of Indonesia's fiscal policy in anticipating the impact of the COVID-19 pandemic

From interviews and questionnaires submitted to the tax authorities regarding the provision of incentives that are increasingly being expanded and sought to be maximally utilized by all taxpayers, the discussion is as follows: The meaning of incentives from the tax authorities' point of view: All tax incentives provided by the current government are not obligations, but rights for every taxpayer (Oktaviani et al., 2018; Priliandani & Saputra, 2019). Therefore, taxpayers are given the flexibility to choose whether or not to take advantage of the incentives provided. Incentives provided by the government are basically "direct cash assistance" to taxpayers who are affected by their business activities due to the covid 19 pandemic (Darma & Saputra, 2021; Iqbal & Sholihin, 2019). The incentives aim to reduce the burden on taxpayers and shift the burden into liquidity supporting in the implementation of business activities (Deller et al., 2018; Jennings & Seaman, 1990). Utilizing incentives not only provides benefits for taxpayers as business actors, but also benefits people with employee status (Larasdiputra & Saputra, 2021; Oktaviani et al., 2018).

Financial difficulties as a result of the pandemic taxpayer covid 19 : The government understands the difficulties experienced by the taxpayer as a result of the pandemic covid 19. Therefore, the government is also trying to help the taxpayer to overcome it and not even increase the Be Tire taxpayer (Larasdiputra & Saputra, 2021). It is within this framework that the government issues regulations regarding tax incentives. In the incentive, it is regulated that tax obligations are still calculated and reported as appropriate, but the tax money that should be deposited into the state treasury does not need to be carried out by the taxpayer (Darma & Saputra, 2021). The government really hopes that this incentive policy is used to the maximum extent possible by taxpayers (Iqbal & Sholihin, 2019; Tu et al., 2019). The principle of taxation, especially income tax, is a tax imposed on income. When the company's finances are inadequate to carry out tax obligations, taxpayers can take advantage of the tax payment reduction facility provided by the Directorate General of Taxes. For example, there is an article 25 income tax installment reduction facility that must be paid by the taxpayer every month (Dwijayanti & Hamidah, 2017; Ismerdekaningsih & Rahayu, 2002). For tax obligations that do not receive facilities, taxpayers should still be able to carry out their obligations, because every tax paid by the taxpayer will be recalculated with the income earned by the taxpayer. The calculation is contained in the Annual SPT, so that if there is an overpayment of taxes, the taxpayer can still get a tax refund by the State (Budiasih, 2014; Dwijayanti & Hamidah, 2017; Yasa & Prayudi, 2019).

Which of the regular and *budgetair* functions should the taxpayer prioritize : the *budgetair* function remains the main one. In the current pandemic situation, of course, there are taxpayers who are affected and even closed, but there are also some sectors of the taxpayer's business that are still running and even growing (Oktaviani et al., 2018; Priliandani & Saputra, 2019). The function of the *budgetair* is the main one because the state budget is still very dependent on taxes. Various social assistance, incentives, and handling of the COVID-19 pandemic in Indonesia that use APBN funds are mostly supported by tax revenues (Sara et al., 2020; Uğur & Akbıyık, 2020). Therefore, the government must play both taxation functions in harmony. The two functions play their respective roles in accordance with the economic conditions they are facing without injuring one another. The government's foresight in formulating tax policies will greatly assist the recovery and economic growth of this nation so that regular and *budgetair* functions in taxation can be carried out optimally (Nahar & Zulkeppeli, 2015; Temouri et al., 2021).

Difficulty in obtaining incentives procedure : In simple terms, self-assessment gives responsibility to taxpayers to carry out their obligations independently. The function of the government is to determine the rules of the game in carrying out these obligations. From an understanding of the tax system, it is very necessary to pay attention to taxpayers to want to know about the obligations that are their responsibility (Engelland, 2014). Because a comprehensive understanding will greatly assist the Taxpayer himself in carrying out his obligations (Perlaviciute & Squintani, 2020). It is this concern that must continue to grow from the side of the Taxpayer. On the other hand, it is the duty of the government to inform the rules of the game that apply massively so that it can be known by all taxpayers without anything being covered up. The clear and strict rules of the game aim to avoid any misuse in their use and so that the policies taken are right on target in accordance with their designation. It is undeniable that not all things can be accommodated in the rules of the game that are made, one of the things that often cannot be fulfilled is about simplicity (C. Harrison & Donnelly, 2011; Yousaf et al., 2016). However, it can be bridged with the role of the account representatives who have been prepared to deal with it (Istiqomah, 2018).

Future suggestions for taxpayers : in the future it is hoped that more taxpayers will decide to take advantage of the tax incentives provided by the government in order to have a positive impact on the economy and accelerate the national economic recovery. Update taxpayer data. It is very important for taxpayers to update the identity and profile data of taxpayers in the Directorate General of Taxes system (Berzins et al., 2019; Stevanović, 2016). Update business field classification data to match actual conditions, so that taxpayers can take advantage of incentives because their business classifications are included in incentive recipients. Then updating telephone, cellphone, email and address data is very important to improve the services of the Directorate General of Taxes and facilitate the delivery of the latest tax information (Darma & Saputra, 2021).

### Harmonization of the implementation of the Tax Function

As one of the instruments of fiscal policy, the politics of tax law will provide a direction for the condition of the people to be achieved. Tax law politics whose implementation is contained in public policy will have a broad impact (Fu et al., 2020; Stevanović, 2016). The imposition of income tax will affect people's consumption patterns, spending for consumption, for savings, the choice to save for investment, and the provision of labor. One theory conduct an assessment of the tax burden is the tax incidence theory (Ghazali et al., 2014; Stevanović, 2016). This theory sees that the tax burden is not only limited to formal legality but examines the tax burden at a more substantive level, for example, corporate income tax, although the tax is imposed on corporate profits that are taxpayers, it is not the company itself that will substantively affect the tax burden. become the bearer of the tax burden, because this entity is only a form of business (Erhemjamts & Huang, 2019). In the event that there is a goal to

encourage investment, the source of capital to be invested can come from the government (public investment) or from public funds (private investment).

Government policies in the context of allocating and planning the expenditure of state revenue sources are intended to achieve development goals. On the other hand, government policy planning aims to obtain funds that are needed to finance government expenditures based on fiscal policy (Maurer & Keweloh, 2017; Meng & Zhang, 2011). Through this fiscal policy, it can be seen that the function of the allocation of the state budget to sources of funds intended for the procurement of goods for the public interest in a balanced manner, the distribution function to adjust the distribution of income levels and public welfare and the stabilization function to better ensure and maintain the growth rate economy quickly and steadily for development activities and increasing the country's growth

## CONCLUSION

Based on the results of research and discussion, the following conclusions are obtained: The tax function as an instrument of fiscal policy, with a combination of regulating functions and economic stabilization to maintain conditions of contraction and relaxation of the national economy, has flexibility for sustainable state revenue ( sustainable budgeted income ); The success of fiscal policy to increase investment competitiveness and anticipate global economic downturn can be seen from the balanced function of the state budget allocation for government and public interest expenses, as well as the distribution function for public welfare while maintaining the stability of economic growth that supports national development; The government's sustainable tax reform policy aims to create a tax system that is simple, easy to understand by everyone, and a tax system that is increasingly based on the terms and principles of justice, fairness, and provides legal certainty.

Recommendations from the results of this research and discussion are: The government needs to make fiscal policies and create innovations in tax regulations that can create a new balance between the interests of consumers, entrepreneurs, the community, and the government. The government must make taxation policies that are able to influence the interest of investors to invest not singularly and create a conducive climate for investing, which must include structuring these factors simultaneously and sustainably . The government's sustainable tax reform policy must be able to create a tax system that is simple , easy to understand by everyone, based on the terms and principles of justice, fairness, and provides legal certainty for taxpayers .

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