

Conference Paper

Tax Law Enforcement During Covid-19 for Indonesia's Economic Resilience

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Abstract.

The Covid-19 pandemic has had a broad impact on the life of the nation and state, one of which is the economy. However, during the pandemic, many taxpayers found it difficult to pay taxes properly as it had slowed down the circulation of the economy in society. In fact, many residents lost their livelihoods due to the Covid-19 pandemic. The impact of the Covid-19 pandemic on the economic sector has made many people unable to pay properly. In such conditions, an appropriate solution is needed. This paper attempts to examine the application of tax law during the Covid-19 pandemic for Indonesia's economic resilience, and how to expand the tax base in the midst of the Covid-19 pandemic by relying on the juridical provisions of tax law. A strategic step that can be taken is to enforce the tax law, one of which is to expand the tax base. Enforcement of tax law will increase taxpayers voluntary compliance, encourage ease of investment, and improve supervision of law enforcement systems that provide certainty, fairness, and benefit.

Keywords: tax law, covid-19, tax base

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1. INTRODUCTION

The outbreak of the Corona Virus Disease 2019 (Covid-19) outbreak is a national disaster that affects the stability of the national economy and the productivity of the Indonesian people at large. The Covid-19 pandemic has an impact on every aspect of life, whether social, cultural, religious, political, or economic, both in Indonesia and abroad. All countries in the world are affected by the Covid-19 pandemic, so the government is paying attention to various sectors to be able to suppress the turmoil in society over the impact of this outbreak. In the midst of the Covid-19 pandemic, paying taxes basically still has to be done by all citizens who are taxpayers. However, during the Covid-19 pandemic, many taxpayers found it difficult to pay taxes properly[1].

One of the pillars of national economic resilience is the tax revenue sector. The rapidly growing and dynamic role of society must be utilized in the context of improving

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legal development and national economic resilience. The dynamics of the community's role, including as taxpayers, have an important role as a form of participation in national development. Tax collection is not only an obligation but also an inherent right.

Tax revenues are used for national development as well as strengthening national economic resilience carried out by the central government and local governments. Sources of funding received by the state must be managed with high discretion and allocated for the welfare of the people[2].

Tax revenue fell due to the weakening economic crisis, and tax-intensive support from lower income tax rates. Non-tax state revenues also decreased due to falling commodity prices. The COVID-19 pandemic has threatened the financial system as indicated by the decline in various domestic activities. From the expenditure side, the impact caused by Covid-19 is very large. Overcoming the problems that arise due to Covid-19, it is hoped that overcoming problems that arise due to Covid-19 is expected not to put too much pressure on the state budget deficit. Therefore, we need a way that can help regulate the current economy. And from fiscal policy in the form of tax instruments, turns out to have a very large role[3].

Economic conditions that tend to weaken due to the outbreak of the Covid-19 pandemic will of course have an impact on tax revenues. Fiscal relaxation in the form of administrative relief and tax burdens that the government has begun to disburse to anticipate the economic weakness of the Covid-19 pandemic will further erode tax revenues. In fact, optimal tax performance is still needed in the midst of the need for various relaxations. Because, in the author's opinion, the loss of tax revenue due to various tax breaks to affected communities also needs to be balanced with the awareness of taxpayers.

The public's awareness of paying taxes has become even more crucial in the midst of the large funding needs from the government. In the midst of the Covid-19 pandemic, improvements in revenue performance are still needed with the increasing need for the government's role through subsidies or direct spending in overcoming the impact of Covid-19. Certain sources of tax revenue need to be optimized and the redistribution of the tax burden needs to be carried out carefully so that relaxation is properly targeted.

The government's steps that have been given so far cannot be said to be final. As long as the Covid-19 pandemic has not yet reached its peak, it is not impossible that the response to tax instruments will continue to grow and be dynamic. Almost all of the tax relaxations given are temporary, namely during the pandemic emergency status. The various responses to tax instruments provided will end in stages if the impact of the

Covid-19 pandemic begins to decline. This means that an extension of the relaxation period will remain a possibility as long as the impact is still prolonged.

In the midst of the Covid-19 pandemic situation, it is absolutely necessary to distribute the tax burden through a well-targeted strategy. This is not only aimed at maintaining tax revenues, but also to redistribute the tax burden more equitably according to the ability to pay. Expansion of the tax base is the right approach because of the minimal tax base in Indonesia. If we examine carefully the facts that appear in the field, it will appear that the minimal tax base can actually be seen from four indicators.

Therefore, in response to the various problems mentioned above, one of the urgent steps that must be taken immediately is the expansion of the tax base. However, the question is, how to expand the tax base in the midst of the current situation of the Covid-19 pandemic, this question is very important to be answered correctly and comprehensively. This is because, when the economic contribution to taxes declines, the distribution of the tax burden through targeted strategies is increasingly needed and is increasingly urgent to be carried out. The next question is how to implement the right targeted tax laws in the midst of the Covid-19 pandemic to strengthen the resilience of the Indonesian economy as a whole.

In this paper, we offer solutions that are academic and applicable in tax law enforcement to strengthen Indonesia's economic resilience in the midst of the Covid-19 pandemic. To find a way to comprehensively expand the tax base and not conflict with tax laws and other legal provisions in the midst of the Covid-19 pandemic.

2. METHODOLOGY/ MATERIALS

The method used in this research is a normative research method. normative legal research is research conducted by examining positive legislation using library materials or secondary data. The approach method used in this research is the legal approach and the conceptual approach. The main/primary legal materials used are statutory regulations. To assist the research, secondary legal materials are also used which consist of supporting literature such as books, research reports, journals, and the like[4].

3. RESULTS AND DISCUSSIONS

The Covid-19 pandemic has resulted in a slowdown in the economy, even reaching minus numbers. Taxes play an important role in building the economic order of a country. In Indonesia, economic activity cannot be separated from the function of taxes as a

source of state financing. Taxes play an important role in building the economic order of a country. In Indonesia, economic activity cannot be separated from the function of taxes as a source of state financing[5].

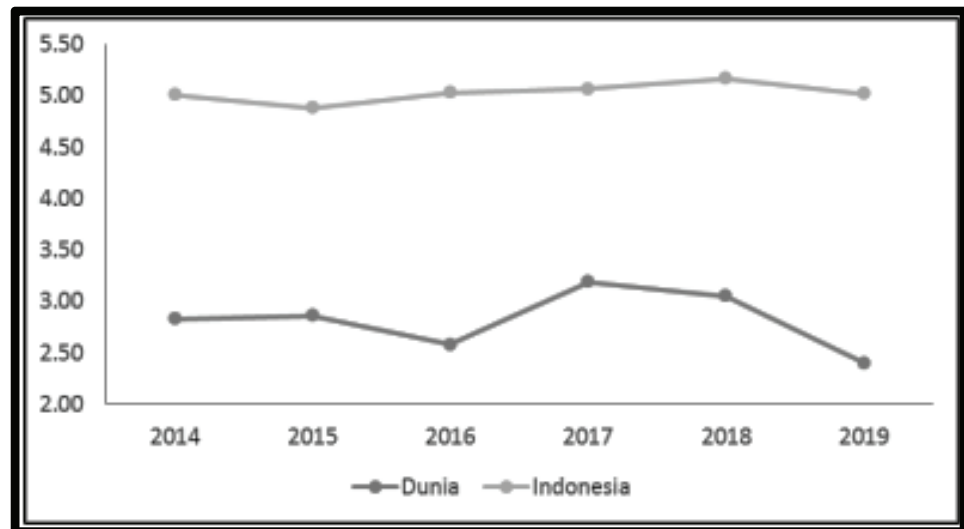


Figure 1: Economic and World Growth Indonesia in 2014-2019. Source: World Bank and Central Statistics Agency, 2020.

The spread of Corona Virus Disease 2019 (Covid-19) shows an increase from time to time and causes increasing casualties and material losses in almost all countries in the world, thus making the World Health Organization (WHO) declare it a pandemic on March 11, 2020. Pandemic Covid-19 causes various implications and impacts, not only on the health aspect but also on the economic and financial aspects of almost all countries in the world, including Indonesia. World economic growth in 2014-2019 ranged from 2.4-3.19 percent (World Bank, 2020), while Indonesia's economic growth ranged from 4.88-5.17 percent (Central Bureau of Statistics, 2020) (Picture 1). Meanwhile, in 2020 global economic growth is expected to decline from 3 percent to only 1.5 percent or even lower, while Indonesia's economic growth is estimated to only reach 4 percent or lower, depending on the impact of the Covid-19 pandemic on people's activities. and economic activity[6].

As a source of state revenue, taxes have three functions, namely as a source of government revenue that can be used to finance development activities[7], in this case, taxes have a budgetary function. Taxes also play a role in regulating resource allocation, income distribution, and consumption, known as the tax regulation function. In addition, taxes also serve as economic stability. From the tax functions as an instrument of fiscal policy as mentioned above, in general, tax policies carried out by the government are always directed to fulfill these three functions simultaneously[8].

Taxes in the implementation of development activities have a very strategic function. 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 budgetary function and the regular end function. This is where actually taxes also 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[8].

According to Mardiasmo, there are two tax functions, namely the budget function (budgetary) and the regulating function (regular). Taxes function as a source of funds for the government to finance expenditures in the administration of state life. Taxes also function as a tool to regulate or implement government policies in the social and economic fields. Taxes can be used by the government to regulate its people in order to achieve certain goals[9].

The law in this discussion is a law that was deliberately formed by the state, not a law that occurs naturally in society, which is a crystallization of the association between humans in society as a legal subject[10]. The Theory is a very important existence in the legal world because it is a basic concept that can answer a problem. The Theory is also a tool that provides a summary of how to understand a problem in every field of legal science[11].

The government is a community entity in a country that is given the authority to run the government. Government implementation can only be carried out with several supporting elements, one of which is the availability of adequate funds. Because without financial support, all government programs[12] will not be able to be implemented and that means the function of the government in a country is not running optimally. The funds obtained by the state are state revenues used to prepare the State Revenue and Expenditure Budget[13]. The budget is a description of the financing used for government administration and development purposes[14].

It is important for a legal academic to know a broad understanding of theory so that there are no mistakes in making scientific works that are legal goals, it requires a long process and is a technical or managerial problem. Because it is a series of activities starting from planning, formulating, organizing, mobilizing, monitoring, and evaluating. The role of the community in the formation of laws is a must in the decision-making process regarding the substances regulated[15].

All of the provisions in tax law also function as formal tax law so that the fulfillment of rights and the implementation of tax obligations reflect legal certainty, legal justice[16], and benefits in accordance with the philosophy of the state of law (*rechstaat*) that upholds the rule of law (supremacy of law)[17]. Thus, tax law enforcement will be able to

create a society that is aware, loyal, and obedient in carrying out their tax obligations (realization of regular functions). In turn, this will be able to guarantee the achievement of the task of tax law in the context of state revenue in the field of taxation (realization of the budgetary function) which runs regularly and continuously. Provisions in tax law must also be able to encourage ease of investment during the Covid-19 pandemic. If this is realized, then in the end the provisions of the tax law will also be able to significantly boost national economic growth[18].

Tax law norms related to the provision of income tax incentives have actually emerged as binding rules and it is only a matter of implementing them. The Regulation of the Minister of Finance of the Republic of Indonesia Number 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak contains norms that regulate the provision of Income Tax Incentives. Article 2 Regulation of the Minister of Finance of the Republic of Indonesia Number 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak.

If the tax law norms in Article 2 of the Regulation of the Minister of Finance of the Republic of Indonesia Number 23/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak related to the provision of the above-mentioned PPh Incentives are truly applied consistently, then the norms are true will actually be able to expand the tax base. This is because the tax law norms in Article 2 of the regulation of the Minister of Finance will either directly or indirectly prevent the state and nation from being dependent on taxes from certain layers of taxpayers.

However, it should be noted that the tax law norms in Article 2 of the regulation of the Minister of Finance must be implemented consistently. Consistency in tax law enforcement is a way for taxpayers to comply with tax law provisions. With the consistency in tax law enforcement, particularly related to the provision of income tax incentives, taxpayer compliance will increase. Otherwise, it is not impossible that taxpayer compliance will actually decrease.

In addition to providing income tax incentives, relaxation of tax administration during the Covid-19 pandemic, or even after the Covid-19 pandemic, must also be given by the government as a response to the Covid-19 pandemic. The legal norms that form the basis for providing relaxation of tax administration have actually been born, namely Circular Letter Number SE-13/PJ/2020 concerning Guidelines for the Implementation of Duties During the Prevention of the Spread of Corona Virus Disease 2019 (Covid-19) in the Directorate General of Taxes.

However, what should be noted is that the granting of relaxation of tax administration is actually the basic spirit of the implementation of tax law. In other words, the granting

of relaxation of tax administration is actually not only devoted to the Covid-19 pandemic, but also at any time and in any circumstances so that tax administration can be imposed such as late payment sanctions, submission of individual personal income tax returns, provisions for the time limit for applying for legal remedies, provisions for - provisions for tax amnesty participants, and so on, are not deemed to be burdensome to the taxpayer.

Thus, referring to the provisions of the applicable tax law in Indonesia, the spirit of providing administrative convenience to taxpayers is actually not only given in an emergency situation such as the current Covid-19 pandemic. However, the spirit of providing administrative convenience to taxpayers is carried out in every situation and condition. The provision of tax administration facilities will indirectly improve the quality of tax morals to build tax compliance in the wider community.

The importance of the tax revenue paradigm is influenced by the substance of the regulation and implementation of laws regarding regional governments and their synergy with the central government. In the end, it has an impact on national tax revenue which helps to increase the resilience and stability of the national economy. The government must be careful in making adjustments and changes to tax policies that take into account the conditions of the democratic climate, economy, globalization, and regional autonomy itself, especially during the Covid-19 pandemic.

Tax compliance must be carried out according to the awareness of each taxpayer in accordance with the provisions of the tax law and regulations. This effort is carried out as a concrete manifestation of the government in optimizing state revenues, especially in the taxation sector. During this pandemic period, researchers tried to examine the issue of factors that affect taxpayer compliance such as providing tax incentives, tax rates, sanctions tax, and service tax[19].

4. CONCLUSION AND RECOMMENDATION

In closing this paper, the conclusion that can be drawn from the long discussion in this paper related to tax law enforcement to strengthen Indonesia's economic resilience in the midst of the Covid-19 pandemic is that taxes remain an obligation that must be fulfilled by every citizen who is a taxpayer. The Covid-19 pandemic has indeed paralyzed the economy, but tax obligations must still be carried out and fulfilled. In such conditions, of course, people will find it difficult to pay taxes. Therefore, the government issued several legal policies to provide relief to the public regarding tax payments. In addition, responding to various problems experienced by taxation during the Covid-19

pandemic, the way to be taken is to enforce tax laws in order to strengthen economic resilience in the midst of the Covid-19 pandemic.

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