The Human Resource Management at The Directorate General of Taxes (Ministry of Finance) to Increase Indonesia's Tax Ratio

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Abstrak

The tax-to-GDP ratio is the ratio of the tax revenue of a country compared to the country's gross domestic product (GDP). This ratio is used as a measure of how well the government controls a country's economic resources. Tax-to-GDP ratio is calculated by dividing the tax revenue of a specific time period by the GDP. (https://www.investopedia.com/terms/t/tax-to-gdp-ratio.asp). Indonesia's tax-to-GDP ratio was 10.1% in 2020, below the Asia and Pacific (28) average of 19.1% by 9.0 percentage points. It was also below the OECD average (33.5%) by 23.4 percentage points. The tax-to-GDP ratio in Indonesia decreased by 1.5 percentage points from 11.6% in 2019 to 10.1% in 2020. From 2007 to 2020, the tax-to-GDP ratio in Indonesia decreased by 2.1 percentage points from 12.2% to 10.1%. The highest tax-to-GDP ratio in this period was 13.0% in 2008, and the lowest 10.1% in 2020. The author tries to find the cause of the low tax ratio in Indonesia from the point of view of human resources, in this case, the tax officials. The author tries to examine the relationship between the number of tax officials and the number of taxpayers who must be supervised. In addition, the author will also examine the management of human resources at the Directorate General of Taxes in an effort to increase Indonesia's tax ratio. The Directorate General of Taxes (DGT) intends to raise the present tax ratio to 15%, aligns with the global average. Indonesia's current tax ratio of 10.4% is still below the global average of 13.5%, as per the DGT. Indonesia is also trailing behind other nations in the ASEAN region; for instance, Thailand's tax ratio is at 14.5%, the Philippines at 14%, and Singapore at 12.9%. (https://indonesiabusinesspost.com/, DGT efforts to increase Indonesia's tax ratio up to 15%)

Keywords: tax ratio, human resources management, tax official

A. Introduction

Components of State Budget (APBN) can be distinguished into tax revenue, revenue customs and excise, PNBP, and grant receipts. Tax revenue mainly consisting of PPh, VAT, and PPnBM, Land Tax and Building (PBB) and other taxes excluding excise and tax revenue International Trade (Import Duty and Export Duty). Tax revenue administered by Directorate General of Taxes (DJP), while customs and excise receipts administered by the Directorate General of Customs and Excise (DJBC).

In the Regulation of the Minister of Finance Number 229/PMK.01/2019 concerning Second Amendment to Regulation of the Minister of Finance Number 217/PMK.01/2018 regarding the Organization and Working Procedures of the Ministry of Finance, DJP has a duty carry out the formulation and implementation of policies in the tax sector in accordance with statutory provisions. Management scope tax sector managed by DJP is the administration of the central tax includes PPh, VAT, PPnBM, PBB in addition to the urban and rural sectors, as well Stamp Duty.

Sumber:APBN-P 2015, 2016 dan 2017; serta APBN 2018 dan 2019

Tax revenue is the main contributor to state revenue in the APBN. In achieving the revenue target in the APBN, DJP is trying to optimize tax revenue while maintaining the investment climate and driving the wheels of the domestic economy. From the chart above it can be seen that the portion of tax revenue to state revenue budgeted in the State Budget for the 2015-2019 period is always above 70 percent (except in 2018).

The tax ratio which is interpreted as the ratio of tax revenue to Gross Domestic Product (GDP) is a comparison between tax revenue to nominal GDP in one fiscal year. This ratio shows the amount of tax revenue obtained from the national economy in one year. There are 2 (two) approaches to calculating the tax ratio: (1) narrow meaning, calculating only tax revenue (revenue administered by DJP and DGCE) to GDP; and (2) broad meaning, as adopted by the Organization for Economic Co-operation and Development (OECD) which takes into account all aspects of state revenue collected by the government, including revenue from natural resources (SDA), social security contributions and regional taxes. Especially for Indonesia, the calculation of the broad meaning is still limited to acceptance taxation and Non-Tax State Revenue (PNBP) from natural resource exploration for oil and natural gas (oil and gas) and minerals and coal (minerba).

There are 2 (two) main factors in determining the target tax ratio. The first factor is of a macro nature, including tax rates, per capita income levels and the level of optimization of good governance. The second factor is of a micro nature, including the level of taxpayer compliance, commitment and coordination between state institutions and the common perception between taxpayers and tax officers.

Indonesia's tax ratio achievement in 2015 in a narrow sense is 11.6%. In the following year, the tax ratio fell to 10.8%. After that, the achievement of the tax ratio decreased again to 10.7%. In 2018, the achievement of the tax ratio rose to 11.6% and finally fell back to 10.69% in 2019. The challenges and problems faced in efforts to collect state revenues from the taxation sector include the uncertainty of global economic conditions marked by a slowdown in economic growth in developed countries. Risk also comes from fluctuating commodity prices and free trade agreements or Free Trade Agreements (FTAs) that continue to develop.

B. Research Methods

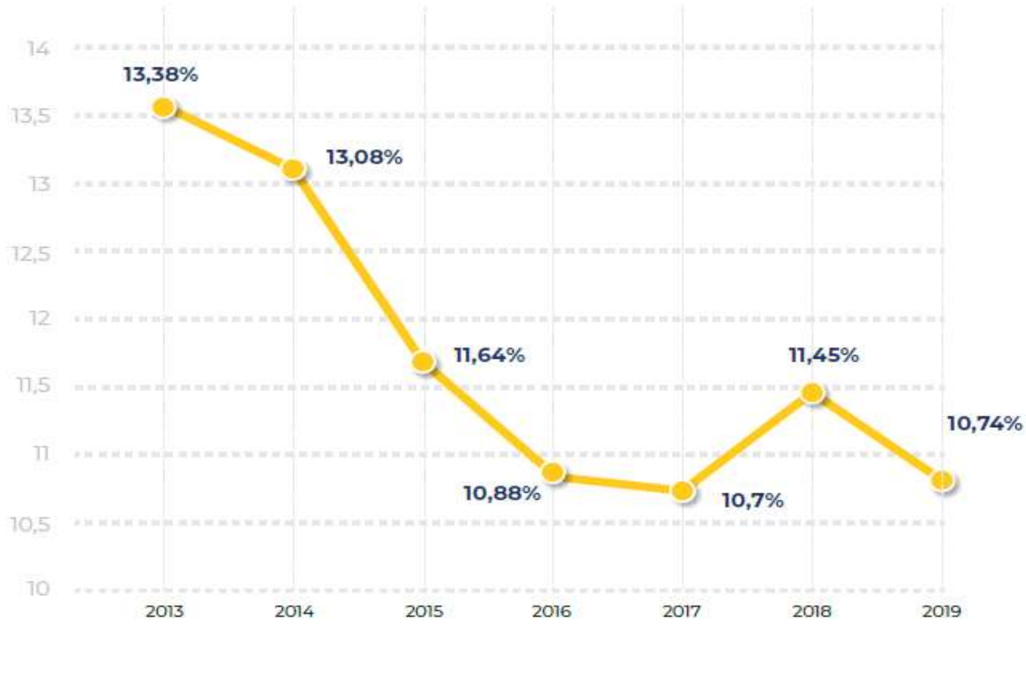
This research is normative research, conducted by researching library materials using the object of writing study in the form of existing literature, both in the form of books, magazines, and regulations that have a correlation with the discussion of the problem, so that this research also is library writing (library research).

C. Results and Discussion

1. Indonesia's Tax Ratio

From the revenue side, widening fiscal space can be done by increasing the tax ratio. The tax ratio (tax revenue to GDP ratio) is the ratio between tax revenue and a country's GDP, and is one indicator that is often used as a reference for assessing revenue performance.

Indonesia's tax ratio in a broad sense in 2019 is 10.74 percent, decreased compared to the previous year by 11.45 percent. If the local tax component is included in the calculation, the tax ratio will increase by an average of 1.5-2 percent. In addition, there is a tax expenditure (tax expenditure) which was given up because of tax incentives. If this component is inserted into in the calculation, the tax ratio will increase by 1.14 percent. Therefore, if these two components are added, Indonesia's tax ratio will be 13.38 percent, on par with countries in Southeast Asia.



Sumber: Laporan Keuangan Pemerintah Pusat – Audited tahun 2013, 2014, 2015, 2016, 2017, 2018, dan 2019

Indonesia's tax ratio in a narrow sense in 2019 was 9.76 percent, down from 10.24 percent in the previous year.

Sumber: Laporan Keuangan Pemerintah Pusat – Audited tahun 2013, 2014, 2015, 2016, 2017, 2018, dan 2019

2. Factors that influence Indonesia's Tax Ratio

In the 2020 – 2024 RPJMN document, Indonesia's Tax Ratio in a broad sense is at the projected posture for the 2020-2024 State Budget is 11.8-12.8 percent. In optimizing tax revenue to GDP, some of which components affect:

a. Economic Conditions

Indonesia is a country that relies on commodities natural resources for export and driving economic activity. Dependency to this natural resource commodity makes the Indonesian economy sensitive to commodity price fluctuations in international markets. Hence the decline international market demand for domestic commodities or weakening Commodity prices on international markets can have a negative impact on tax revenue.

The significant influence of subsequent economic conditions can be seen in the agricultural sector which has a large economic size. Indonesia is the second country in the world, after Vietnam, by sector contribution agriculture is the highest to GDP. Most of the business actors in the sector these are not yet active taxpayers because, for one thing, they are income under Non-Taxable Income (PTKP). Although so if you have income exceeding PTKP, this agricultural sector tend to be hard-to-tax. Therefore, despite the sector's contribution to GDP is 12.8 percent, its tax contribution is only 1.9 percent of total tax revenue so that it has minimal impact on the calculation tax ratio.

Apart from the agricultural sector, business actors in Indonesia are dominated by UMKM (Micro, Small, and Medium Enterprises). In 2018 there were 62.9 million business actors or 99 percent of the total business actors in the trade sector are UMKM (Micro, Small, and Medium Enterprises). SMEs themselves absorb more than 97 percent of the workforce in Indonesia and contribute 60 percent of GDP in the trade sector. UMKM (Micro, Small, And Medium Enterprises) dominance in the economy Indonesia has an influence on tax revenues because of this sector receive extensive tax facilities, especially the imposition of the PPh rate is final with a tariff of 0,5 percent of gross circulation.

b. Tax Policy

There are three tax policies aimed at increasing home consumption households and protect the community and low-income business actors thus triggering economic growth which is expected to increase tax revenue for the long term, but has a trade-off effect on tax revenue and tax ratio for the short term, namely adjustments the amount of PTKP, adjustments to the limits on Taxable Entrepreneurs (PKP), and rates special tax for UMKM (Micro, Small, and Medium Enterprises).

First, regarding the adjustment of the amount of PTKP. PTKP currently in effect is IDR 54 million per year for taxpayers with unmarried status and without dependents (TK/0 status). The policy makes up the scale Indonesia's PTKP is relatively high compared to ASEAN countries. If seen from the average income per year, Indonesia's PTKP is 108 percent of the average population income per year (PTKP equivalent to US$3,870 and an average income of US$3,540—GNI per capita data year 2018). Meanwhile, the amount of PTKP in Singapore is 27 percent and above Thailand is 79 percent of the average income of its population.

Second, regarding adjustments to PKP limits. Average acceptance ratio VAT on GDP is 3.7 percent using tariffs The current general VAT is 10 percent. The amount of this ratio influenced, one of them, by the minimum limit setting policy circulation of business for compulsory PKP. Through the latest policy, the limitation increased from IDR 600 million per year to IDR 4.8 billion per year. Within other words, taxpayers with business circulation of under IDR 4.8 billion per year you don't need to register yourself to be confirmed as a PKP so you don't need to collect VAT on delivery made. The consequences are many deliver of goods and services that make up GDP are not subject to VAT. The limit on business circulation is the second highest in Asia Southeast after Singapore equivalent to IDR 10.5 billion.

Third, regarding special PPh rates for UMKM (Micro, Small, And Medium Enterprises) actors. Policy based Most recently, the special PPh rate for UMKM (Micro, Small, and Medium Enterprises) fell from 1 percent to 0,5 percent of gross income. This policy is provided as a convenience for SMEs and to encourage them to participate in formal economic activities. Although this policy has a positive impact for the long term because it aims to expand the tax base of the perpetrator UMKM (Micro, Small, and Medium Enterprises), for the short term this policy reduces revenue potential PPh from the tax base of existing UMKM (Micro, Small, And Medium Enterprises) actors.

c. Administrative Capacity

The problems faced by DJP are related to low taxes ratio is also caused by administrative capacity that is not yet optimal. This matter can be seen from four aspects: organization, HR, business process, and regulation.

First, from an organizational standpoint. Currently DJP has challenging conditions geographically diverse so that the process of service, supervision, and Tax potential exploration has not been carried out effectively and efficiently.

Second, from the HR side. Currently DJP does not yet have sufficient appropriate human resources with the tasks, functions, and needs of the organization. As an illustration, the ratio number of tax officers with the total population in Indonesia is as much 1:7.742, while for other countries, for example Malaysia is 1:3.229, Singapore is 1:2.845, even the average OECD country is 1:1.657.

Third, from a business process standpoint. Currently DJP allocates more than 50 percent Human resources owned to complete administrative work in an orderly manner manual that does not have a high impact on tax revenues. The thing that the same thing happened to the allocation of tax examiners. According to the IMF, currently the DJP is still allocating 80 percent of the total tax auditors to work on small value audit that is only worth 20 percent of the extra effort inspection. This condition occurs because DJP does not yet have a management system risk-based for resource allocation.

Finally, from a regulatory perspective. Currently there are still tax regulations that not yet optimal in providing justice, legal certainty, simplicity, and support for increasing tax revenues.

3. Management of Apparatus Resources

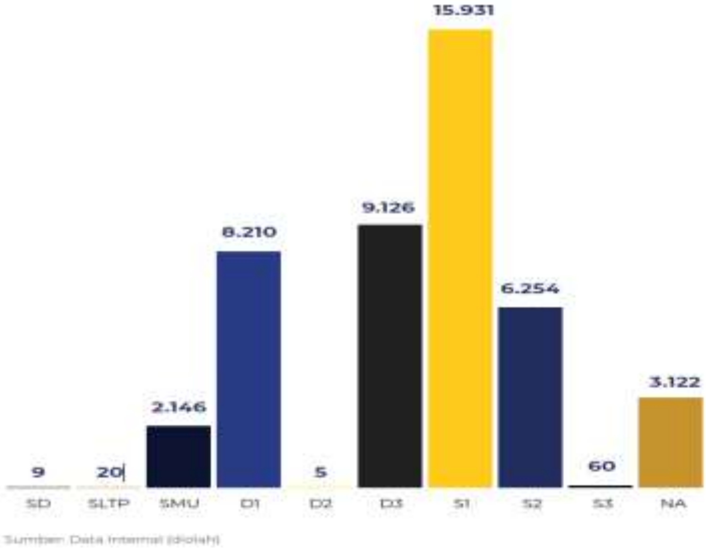
DJP Personnel Resources Condition (Current Condition)

Every performance and contribution from Apparatus Resources encourages achievement DJP performance. As of September 2019, the number of DJP employees throughout Indonesia as many as 44.784 employees. DJP employees are spread across 609 work units, namely: Head Office, Regional Office, Tax Service Office, Extension Office and Tax Consultation and Technical Implementation Unit. Of these, 85.85% are in a structural position and 14.05% in a functional position. As for the type the positions contained in the Directorate General of Taxes are as follows detailed in the following table:

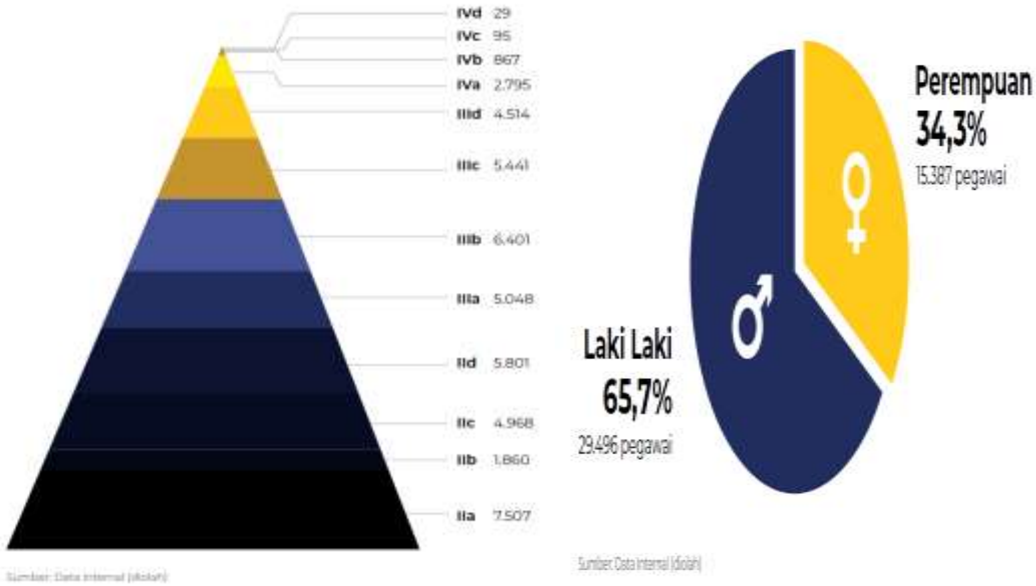
No	Nama Jabatan	Jumlah	%
STRUKTURAL		38.490	85.85
1	Eselon 1	4	0.01
2	Eselon 2	49	0.11
3	Eselon 3	620	1.38
4	Eselon 4	4.494	10.03
5	Account Representative	10.098	22.55
6	Pelaksana	18.746	41.86
7	Penelaah Keberatan	735	1.64
8	Juru Sita	762	1.70
9	Operator Console	298	0.67
10	Bendaharawan	507	1.13
11	Sekretaris	395	0.88
12	Pegawai Tugas Belajar	1.754	3.92
13	Petugas UPFLN	0	0.00
14	Petugas UP Restitusi PPN	25	0.06
15	Pegawai Diperbantukan	3	0.01
FUNGSIONAL		6.294	14.05
TOTAL		44.784	

Sumber : Data Internal (diolah)

The educational background of the majority of DJP employees is from a bachelor's degree which covers 35.5% of the total employees. Employee composition based on level Education is presented in the following chart:



Based on class, 43.8% of employees are in class II, 47.6% in class III, and 8.4% are in class IV. As for the composition male employees compared to female employees is 7:3, or 29.451 employees are male and 15.333 female employees. Employee Composition by class and by gender in the following chart:



The composition of gender, rank and education of employees is a challenge for DJP human resource management. Thus, resource management is required the right human resources to create an efficient and effective DJP organization.

D. Conclusion

Projection of Human Resource Needs for the Directorate General of Tax Year 2020 – 2024

Resource Needs in the next five years pay attention to developments in technology and business processes, especially with the implementation plan of the core tax administration system that begins in 2022. Changes in business processes as well as regulatory model policies which is accompanied by changes in the organizational structure will affect the number and competency of required Apparatus Resources. Fulfillment this need for technical competency will be met through formation functional positions to carry out the main functions of DJP business processes, namely services, supervision, and law enforcement. The ratio between structural and functional will be narrowed through the formation of functional positions so that DJP Apparatus Resource projection is dominated by competent employees strong technical.

Apparatus Resources Roadmap 2020 – 2024

Along with the development of technology that also has an impact on change social lifestyle, this results in a necessary employee mindset shift well managed by the organization. Even more so with so many compositions DJP employees who belong to the millennial generation, then HR management is in the next five years will be carried out by prioritizing the use of technology as well as a performance-based culture in order to produce excellent performing human resources.

The direction of the Human Resources policy in the 2020 – 2024 timeframe refers on the Blueprint for Human Resource Management (CBMSDM) of the Directorate General Tax. There are 11 (eleven) strategic goals to be achieved in five years in the future, as stated in the CBMSDM, are as follows:

1. Formation of excellent performance employees;
2. Availability of planning, mapping and fulfillment of accurate human resources and comprehensive;
3. Realization of performance-based culture;
4. Availability of competency development to produce qualified human resources competitive;
5. Availability of effective career management and talented employees have high leadership and motivation;
6. Availability of excellent HR services with a favorable work environment conducive;
7. Availability of certainty for employees related to exit management;
8. Availability of reliable internal controls;
9. Availability of quality and technology-based HR administration integrated information;
10. Availability of effective internal communication; and
11. Availability of reliable internal HR Management resources.

CBMSDM is a guide for DJP HR management in carry out their duties and functions. Currently DJP's CBMSDM has been refined for the 2019-2024 period. As for the focus of DJP's HR management goals until 2024 is divided into 2 stages, namely:

- Phase 1 (2019 – 2021), with a focus on: developing competencies employees and performance management systems in the context of implementation career management based on qualifications, competencies and performance.

- Phase 2 (2022 – 2024), with a focus on: building a system of human resources management that are reliable and adaptive to organizational changes and based on technology and integration.

With good human resource management, it is hoped that The Directorate General of Taxes (DJP) The Ministry of Finance Republic Indonesia will be able to collect state revenue effectively. The tax revenue target is achieved, and in the end Indonesia's tax ratio will increase.

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