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Implementation of Indonesian state fiscal policy during the early period of the pandemic

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ABSTRACT

The spread of the Covid-19 virus is challenging for the government from the economic side. This is because various economic activities have slowed down or even stopped entirely so that, as a result, economic movement is significantly reduced. This led to the need for the government to adjust its various policies, including fiscal policy. This study aims to see how the government's policies in Indonesia regarding fiscal policy at the beginning of the pandemic. This research will be carried out using a qualitative approach. The data obtained came from various research results and previous studies. This study found that the government adjusts the state's fiscal policy in receiving and issuing state revenues. In terms of revenue, the government focuses on corporate income tax and corporate income tax as the primary source of state revenue. As for the expenditure side, the government focuses on realizing the use of funds so that the results are right on target. Both of these are done to maintain economic stability in Indonesia.

INTRODUCTION

The impact of the Covid-19 pandemic or the spread of the coronavirus is rather widespread in terms of economic activities conducted by community and economic actors, particularly in the tourism and manufacturing sectors. This virus began spreading in Indonesia on 2 March 2020 (Djalante et al., 2020). President Joko Widodo announced this statement. Over time, the spread of Covid-19 has experienced a significant increase and is most common on the island of Java. Data obtained as of 27 May 2020 showed that there were 23,851 positive patients, 6,057 recovered patients, and 1,473 who died (Caraka et al., 2020). The coronavirus infection rate is increasing everyday, prompting the government to issue numerous requests to maintain social distance or social distancing in order to implement Large-Scale Social Restrictions (PSBB) in multiple locations beginning in Jakarta City on 10 April 2020. This circumstance undoubtedly has an effect on the domestic economy's rotation. The global economy will be irreversibly disrupted (Rahman, 2021).

The government's involvement in promoting economic development and growth, particularly in emerging countries, is exemplified by monetary and fiscal policies. The government can impact national income, job opportunities, national investment, and national income distribution through fiscal policy. Referring to the harmful impact of Covid-19, Minister of Finance Sri Mulyani predicts a decline in state revenue by 10 percent this year (Sunde, 2017). The decline in income due to the Covid-19 outbreak will mainly occur on the tax revenue. Tax collection declined as a result of bad economic conditions, increased support for tax benefits, and reduced tax rates on income. The loss in PNBP as a result of the collapse in commodities prices caused by the Covid-19 pandemic has put the financial system under peril, as seen by the decline in various domestic economic activity (De Villiers et al., 2020). On the expenditure side, Covid-19 has a considerable influence. It is hoped that resolving the issues raised by Covid-19 will not place an undue strain on the state budget deficit (Pathak & Joshi, 2021).

This study aims to find out how the Indonesian government implemented fiscal policies during the initial period of the pandemic. This is because the initial period of the pandemic is quite critical, so the implementation of good policies is very much needed so that in the future, the Indonesian state can deal with the problems of the Covid-19 pandemic from an economic perspective.

RESEARCH METHODS

This research will be carried out using a qualitative approach with a descriptive type of research. The data obtained from this research are sourced from various previous studies or studies that are still related to this research. The research data that has been successfully collected will be analyzed, hoping that the desired conclusions will be obtained.

RESULTS AND DISCUSSION

Government Fiscal Policy in Receiving State Revenue

Prior to March 2020, tax income was boosted in part through taxes on home consumption. As a result of lower industrial and international trade activity, as well as the spread of Covid-19, tax receipts were still reduced. There has been a significant slowdown in corporate activity since the end of March 2020, which has the potential to reduce domestic deliveries and thus reduce domestic value added tax (PPN DN) collections in April 2020.

This situation is likely to persist and contract further in May, given that numerous regions imposed Large-Scale Social Restrictions (PSBB) in various afflicted districts in April. To address this impact, the government provides tax incentives through the easing of the payment of PPh Article 29 OP and the reporting of SPT PPh OP. It is hoped that macro-micro policies to overcome the Covid-19 outbreak will maintain positive expectations of all economic entities, both domestically and abroad. This lockdown decision was not implemented for various reasons, including the state's readiness to bear the risk if a lockdown occurs. As was the case in Indonesia, tax revenue contracted by 2.5 percent in the first quarter of 2020. Several tax instruments, including Corporate Income Tax and Import Taxes (PDRI), which include several categories, including Income Tax (PPh) article 22 imports, Income Tax (PPh) article 22 exports, Import Value Added Tax (VAT), and Sales Tax on Luxury Goods (PPnBM), are minus after being used to handle Covid-19.

The current situation of the impact of the Covid-19 pandemic is very unfavorable to achieving the tax revenue target. So the government needs to anticipate it by revising the tax revenue target, economic growth projections, and other macro assumptions. Moreover, the current government also issued a lot of incentives. The government rearranges the allocation of state revenues in the 2020 APBN because the APBN target is difficult to achieve. Tax revenue in 2020 is estimated to decrease by IDR 403.1 trillion. In the APBN, tax revenue is pegged at IDR 1,865.7 trillion to IDR 1,462.7 trillion. Tax collection declined as a result of bad economic conditions, increased support for tax benefits, and reduced tax rates on income. PNBP declined as commodities prices fell.

Tax Incentives for Taxpayers Affected by the Covid-19 Virus Outbreak under Minister of Finance Regulation No. 23 of 2020 (PMK 23 of 2020). The government is providing these incentives in reaction to the lowering productivity of business actors as a result of the significant decline in the economy of taxpayers caused by this epidemic.

The following are some of the regulations that the government changed as a result of the pandemic:

a) Income Tax (PPh) Article 21
This incentive will have an effect on each employee's earnings during the next six months. If the employee was previously deducted from income tax under article 21 for income, the employee would get the income tax deduction for 21 from April to September 2020. The deduction is made in conjunction with the employee's monthly salary. Previously, the beneficiary of the income was responsible for paying the tax, which was referred to as the Government Borne Tax (PDP). As a result, employers who break the rules controlling this PMK face legal repercussions.

b) Income Tax Article 22 Import
In accordance with Article 22 of the PPh, tax breaks are granted to imports. In order to prevent the virus from spreading in Indonesia, there has been a decrease in the amount of goods being delivered into the country, either through a temporary suspension from the site of origin or a reduction in shopping activities by importers in Indonesia. Because Indonesia's trade balance will be adversely affected by this decrease in import activity, it is imperative to administer a stimulant in the form of incentives to encourage taxpayers who are business actors to resume their excitement for conducting business in an unfavorable circumstance like this. For six months, taxpayers who engage in import activities will be exempt from Article 22 of the PPh imports. This facility is made

available to taxpayers via a Certificate of Exemption (SKB) under Article 22 Imported Income Tax.

c) Article 25 Income Tax Installment
Article 25 of the tax code will have its payments reduced by 30% over the following six months as a result of the incentives. This rule includes Article 25 income tax because many business players have begun to pull back or even temporarily halt operations in the absence of an end to the pandemic. When this condition exists, taxpayers' productivity declines. It would be unjust if people who have been paying this form of tax in installments were not provided incentives. This regulation does not require taxpayers to apply for reduced installments, as they will be applied automatically.

d) Value Added Tax (VAT) Refunds
VAT incentive program in the aftermath of the Covid-19 outbreak. Incentives are treated differently for VAT than for the preceding three forms of taxes. The VAT incentive is based on the ease with which PKP can be repaid, as decided in PMK 23 of 2020 for the next six months beginning in April. The nominal limit for reimbursement is different for PKP Exporters and PKP Non-Exporters. There is no notional limit on the amount of VAT that will be reimbursed to PKP acting as an exporter. Simultaneously, PKP Non-Exporters receive accelerated restitution of up to 5 billion rupiahs. To PKP Exporters now have unlimited opportunities to seek for compensation. This is updated to reflect the VAT rate provided by exporters. There is no requirement to apply to the registered KPP for a low-risk PKP determination for PKPs included in the categorization that qualifies for tax benefits.

The government will increase state revenue by implementing a digital tax or Trade Through Electronic Systems (PMSE). The PMSE scheme will collect digital taxes like as value-added tax (VAT) and PPh in Perppu Number 1 of 2020. Regulations limiting the scope of digital taxes will be issued promptly if they are quickly approved by the tax authorities. Now, the tax authorities and the Ministry of Finance are working together on a Minister of Finance Regulation (PMK) that would serve as the legal framework for the VAT base in PMSE. Meanwhile, a Government Regulation (PP) will be established for PPh and taxes on digital transactions.

This activity is critical to conduct in light of economic actors' rising online engagement through PSBB and a lack of contact with friends and family. During this epidemic, the use of the Zoom application has increased significantly, which necessitates the implementation of a price. Online trading, which tax collectors cannot now get, can be regulated or subject to severe laws to ensure that traders who conduct business via electronic media adhere with their obligations as taxpayers.

Government Fiscal Policy in Regulating State Expenditure

As a response to the Covid-19 epidemic, the government implemented several policies, including support for the health sector, monthly incentives for medical personnel, social protection and increased electricity tariffs. Additionally, the government anticipated the APBN deficit, KUR customers were given installment relief, the non-fiscal sector was refocused and redirected spending, and regulations were developed to address the APBN deficit. The government, pursuant to Government Regulation in Lieu of Law (Perppu) No.1/2020, has the authority to conduct activities that result in State Budget expenditures when the budget for such expenditures is yet unavailable or insufficient. Additionally, the government has the authority to regulate the procedure and technique of acquiring goods and services, streamlining the mechanism and streamlining state finance papers. According to Minister of Finance Regulation (PMK) No. 43/2020, funding to combat the Covid-19 epidemic are to be allocated through the budget implementation list (DIPA) of ministries and institutions (K/L).

The DIPA allocates funds for activities related to the Covid-19 epidemic. If necessary, treasury officials may take actions that result in State Budget expenditures for which funds are either unavailable or insufficient. Meanwhile, expenditures with this critical condition can only be made for Covid-19 handling activities in the form of health care facilities and infrastructure as well as human resources, as well as other operations associated to Covid-19 management.The government's decision to allocate a large budget for the Covid-19 outbreak is not much different from developed countries that recorded the highest positive cases and deaths due to corona in the world.

The Government of Indonesia has allotted a sizable fund to cope with the Covid-19 epidemic and affected sectors. Indonesia, with a national GDP of approximately Rp. 15,000 trillion, dares to budget approximately Rp. 400 trillion. President Joko Widodo issued a Government Regulation in Lieu of Law, or Perppu, authorizing an increase in the state budget for 2020. (APBN). This regulation became effective on March 31, 2020. Due to the impact of the Covid-19 pandemic, the government anticipates an increase in budget financing of Rp. 852.9 Trillion. This sum has been increased by Rp. 547 Trillion from the 2020 Budget Revenue and Expenditure (APBN). The deficit in the APBN increased to 5.07 percent of GDP. Additionally, investment funding has risen from - 74.2 trillion to minus 229.3 trillion.

The government has launched fiscal stimulus three times, namely:

a) In February, the government provided an incentive of Rp. 8.5 trillion to strengthen the domestic economy through the tourism sector.
b) In mid-March, the government launched a further stimulus worth Rp 22.5 trillion. This stimulus is in fiscal and non-fiscal policies to support the industrial sector and facilitate export-import.
c) At the end of March, the government established large-scale social restrictions (PSBB) to deal with the spread of the virus. A stimulus of Rp 405.1 trillion was also issued to accompany the health policy. The funds will be allocated for:
    1) Approximately Rp 150 trillion to finance national economic recovery measures, including loan restructuring and guaranteeing, as well as financing for MSMEs and the corporate world. According to Ika, the government needs to take an aggressive fiscal policy to deal with the coronavirus. This is because conventional monetary policy is considered unlikely to be sufficient to mitigate the economic downturn. Coupled with the friction in the credit market and interest rates that tend to fall (Khan et al., 2020).
    2) Rp75 trillion for the health industry, including protection of health workers, medical device purchases, facility improvements, and physician incentives.
    3) Rp110 trillion for a social safety net to increase social assistance benefits, exemption from electricity costs, and support for basic needs.
    4) IDR 70.1 Trillion for income tax reduction and deferment of KUR payment. According to Nainggolan, monetary policy must be coordinated with fiscal policy in order to mitigate the economic impact of Covid-19. As a result, the monetary authority must maintain the rupiah exchange rate, contain inflation, and stimulate the economy. It is hoped that the provision of bank credit would be relaxed and the distribution of People's Business Credit will be stepped up (KUR).

To finance the stimulus package, the government is exploring financial options, including reallocating state funds, issuing securities, borrowing from multilateral institutions (IMF), and bilateral loans.

Policy options and the government's willingness to respond to the outbreak will be the most important factors in overcoming the economic impact of the Covid-19 pandemic in Indonesia. There is a lesson to be learned from the variance in death rates between countries, as well as the relevance of government policy, system support, and community conduct.

The government should take several steps for efficiency on the expenditure side, namely:

a) Issuance of Debt Instruments (SUN) in Rupiah Numbers to Suppress Interest Payments.
   The impact of Covid-19, which has caused economic uncertainty, has made the interest in buying SUN very low. This makes it better for the government to issue the SUN in rupiah figures. If the government insists on giving global SUN during the current conditions, the coupon interest will be higher, and the tenor will also be longer.
b) Not in a hurry to increase the supply of the US dollar
   Although the rupiah is under pressure from weakening due to uncertainty in global financial markets, the government does not need to rush to increase the supply of US dollars by issuing global government securities. This is because the current position of foreign exchange reserves is still relatively large enough to finance Bank Indonesia's intervention in the context of stabilizing the exchange rate. In addition to foreign exchange reserves, BI also has a second line of defense in the form of loan facilities to the International Monetary Fund (IMF), cooperation agreements on swap arrangements with several central banks, as well as a Repo Line facility from the Fed.
c) Refocusing the 2020 State Budget
   Joko Widodo, President of the Republic of Indonesia, issued Presidential Instruction No. 4/2020, instructing all Ministers / Leaders / Governors / Regents / Mayors to expedite activity refocusing, budget reallocation, and procurement of products and services for Covid19 management. In accordance with Presidential Instruction No. 4 of 2020 on refocusing activities, reallocating the

budget, and procuring goods and services in order to expedite the resolution of COVID-19, the government must establish a priority scale by categorizing the spending budget by level of urgency. The government can refocus on the budget, especially the health and social sectors. This budget refocusing is also necessary because of the declining revenue budget assumptions. In facilitating the planning of activities, coordinating the implementation, as well as monitoring and evaluating the performance of handling the Covid-19 pandemic, the allocation of funds for addressing the pandemic is grouped into a special Covid-19 account classification technical guidance, counseling, and the like to be diverted to handling Covid-19, namely official travel costs, capital expenditure costs.

d) Legal Consequences of Misappropriation of Covid-19 Management Funds
With the legal consequences for the misappropriation of Covid-19 relief funds, it is hoped that they will be able to monitor the realization of the use of these funds, namely the Corruption Crime Act (UUTPK), which implies the death penalty for corruptors who manipulate the Covid-19 budget and Circular Letter No. 8 of 2020 of the Corruption Eradication Commission on the Use of Budget for Procurement of Goods/Services in the Context of Accelerating the Handling of Corona Virus Disease 2019 (Covid-19) Related to the Prevention of Corruption Crimes. The KPK is coordinating with the National Police and the Attorney General's Office to monitor the aid monies' disbursement to the appropriate Ministries.

Throughout this epidemic, the government's goal should be stopping the spread of the Covid-19 virus. Because social and commercial interests are not synonymous. The government is confronted with a pandemic that would necessitate the use of hospitals, health facilities, and a large number of medical staff. After the pandemic situation subsides, the activities of economic actors/communities will slowly be able to run again. The current pre-employment card program doesn't seem to be adaptive during the pandemic because the health quarantine/social distancing/PSBB policies make people lose their livelihoods/unemployment increases. At the same time, the necessities of life must be met.

So what is needed now is food needs for daily needs. The government should modify the benefits of this program, so the target must be adjusted to the community's current conditions. Various government assistance programs are expected to be distributed evenly to people affected by Covid-19. However, data collection on the people who will receive the assistance has not been efficient, so there are still people who feel that they are not registered and do not receive the aid.

CONCLUSION

In response to the Covid-19 epidemic, the government established a budgetary policy aimed at balancing state revenues and expenditures in order to sustain economic growth and stability. On the revenue side, the government must prioritize collection from VAT and Corporate Income Tax, which have historically been the government's primary sources of revenue. On the expenditure side, the government must monitor the implementation of these monies to ensure they are spent appropriately and prioritize key activities for preventing the Covid-19 epidemic.

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