

# Organizational Issues for Tax Administration

The Tenth IMF Japan High-Level Tax Conference For Asian Countries

**INDONESIA**

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Ministry of Finance

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**17,504**  
ISLANDS

**3,257,483** km<sup>2</sup>  
MARINE AREA (80%)

**34**  
PROVINCES

## Distribution of Operational Offices

**34** Regional Tax Office (RTO)

**352** Tax Office  
LTO | MTO | STO

**207** Tax Service, Counsel, and Consultation Office (Micro)

**45,928,008**  
Taxpayer (April 2019)

With 8 Million Potential Addition of Individual Tax Payer

## MACRO ECONOMICS in INDONESIA

**GDP**

2018  
IDR **14.837** quadrillion

2017  
IDR **13.587** quadrillion

**Economic Growth**

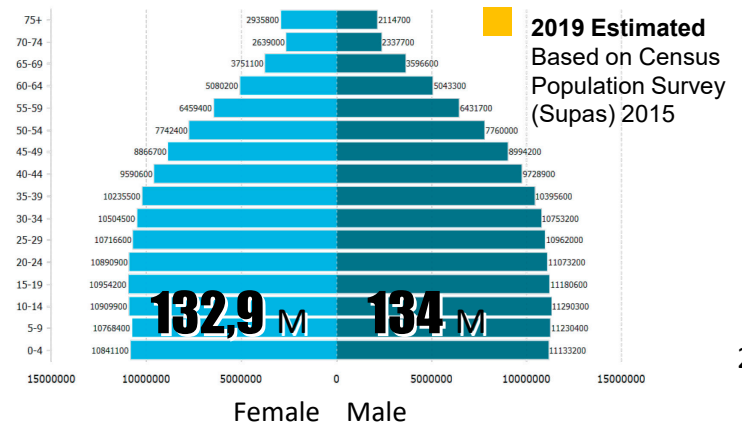
2018 **5.17%** y.o.y

2017 **5.07%** y.o.y

## POPULATION of INDONESIA

Source: databoks.katadata.co.id

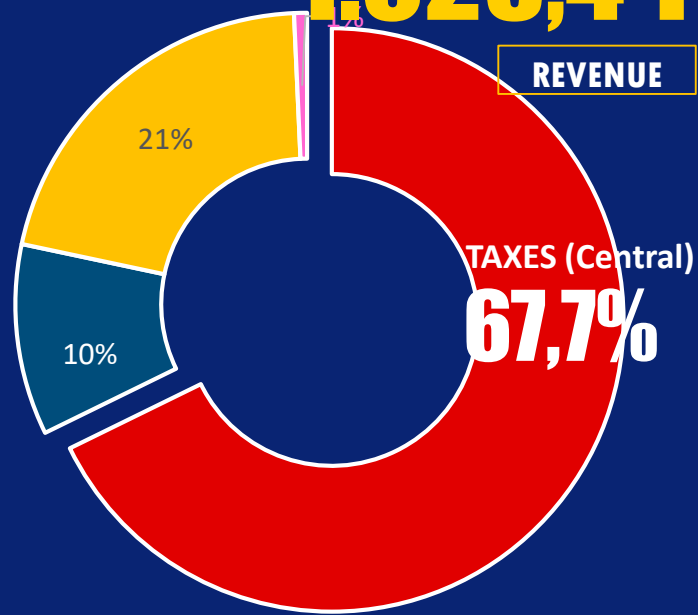
**266.91** M



**REALIZATION**  
**STATE BUDGET 2018**  
 s.d. 31 Desember 2018

**1.928,4 T**

**REVENUE**

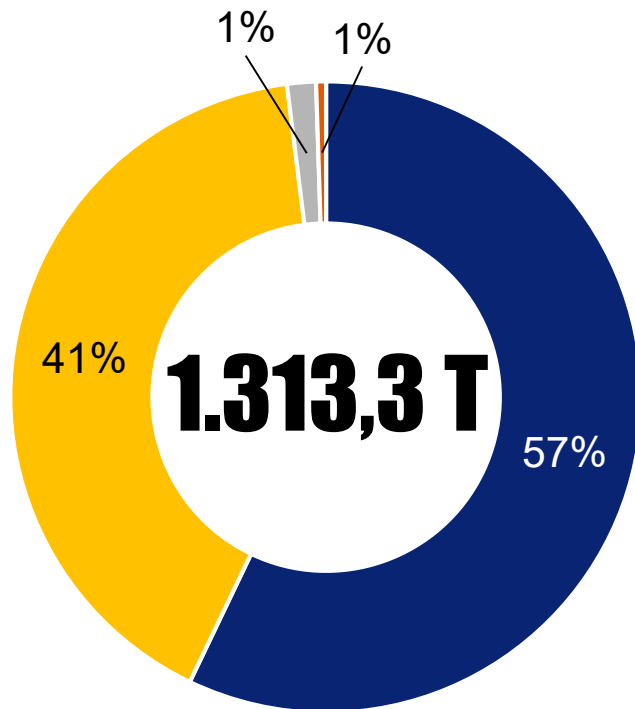


- Taxes
- Non Taxes Revenue
- Customs & Excise
- Grant

# Taxes Realization

**ON STATE BUDGET 2018**

Exclude local taxes that are administrated by local government



- Income Tax
- VAT
- Land and Building Tax
- Other Taxes

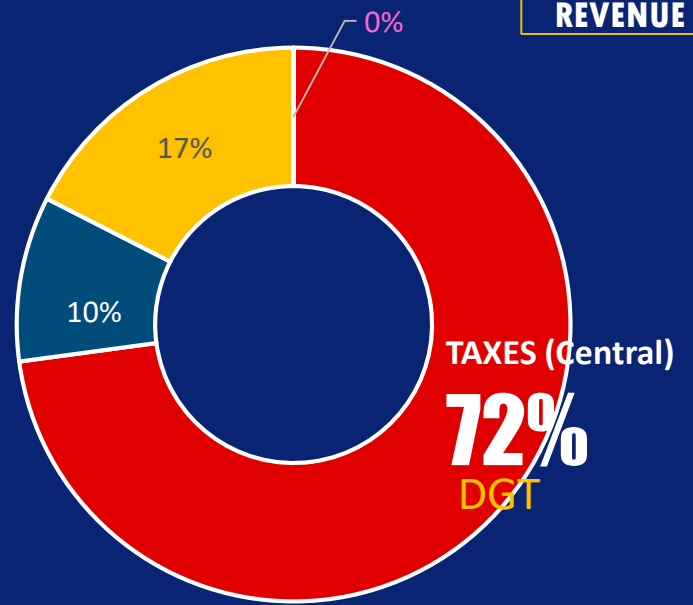
source: [www.kemenkeu.go.id/media/11668/apbn-kita-januari-2019.pdf](http://www.kemenkeu.go.id/media/11668/apbn-kita-januari-2019.pdf)

TAXES IN

# STATE BUDGET 2019

**2.165,1 T**

REVENUE

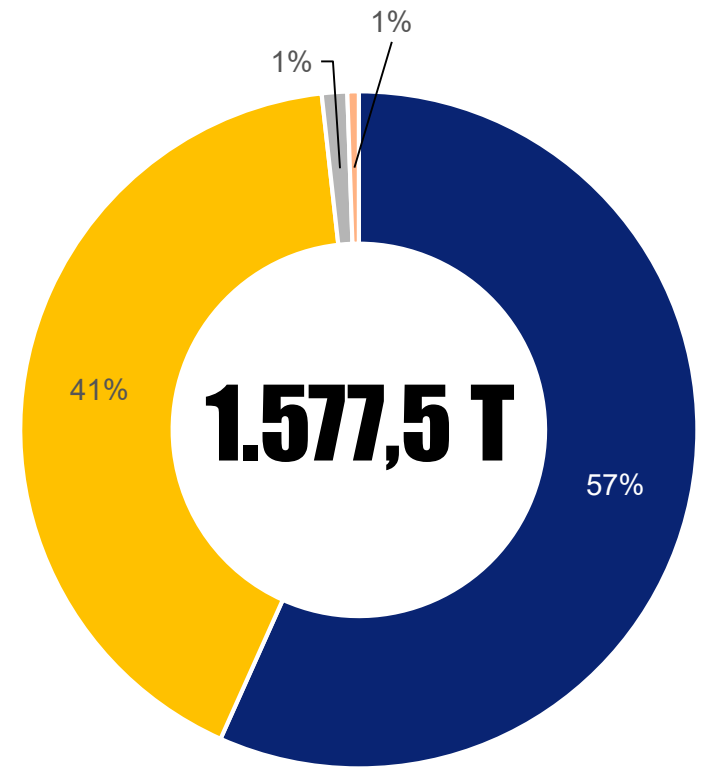


- Taxes
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# Taxes

ON STATE BUDGET 2019

Exclude local taxes that are administrated by local government



- Income Tax
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source: [www.kemenkeu.go.id/media/11668/apbn-kita-januari-2019.pdf](http://www.kemenkeu.go.id/media/11668/apbn-kita-januari-2019.pdf)

# 2018 TOP 5

Contribution to GDP and their contribution to taxes

**21.93%** ON GDP  
MANUFACTURE

**28.38%** ON TAXES

**13.77%** ON GDP  
TRADE

**18.42%** ON TAXES

**13.07%** ON GDP  
AGRICULTURE, FORESTRY & FISHERIES

**1.59%** ON TAXES

**10.48%** ON GDP  
CONSTRUCTION

**4.91%** ON TAXES

**7.96%** ON GDP  
MINING

**11.82%** ON TAXES

Source: Central Bureau of Statistic and DGT

# CHALLENGES

*current and potential challenges should be addressed*

## Rising Globalization

- Increasing recognition of the importance of FDI to create jobs and economic development
- Increasing investment/transactions between countries
- Increasing tax rate competition

## Shifting Business Model

- Transfer pricing
- Intangible goods and services
- Increasing multinational e-commerce
- Simplicity in doing business such as no "*Permanent Establishment*" requirement in a country.

## Structurally Declining Commodity Price

- Declining global economic growth, particularly BRICS.
- Increasing fuel efficiency and green technology innovation, such as electric vehicle, will keep pushing down oil and gas price.

## Aggressive Tax Planning

- Indonesia heavily relies on Corporate Income Tax.
- Various techniques have been used to divert business function and risk to jurisdiction with lower tax.
- The increase of financial innovation use to decrease tax obligation by changing type and source of income.

# Job Division

To Collect State Revenues in Indonesia



MINISTRY OF FINANCE

## DG Taxes

Tax  
Administration

### Organizational Needs

- A more efficient, efficient, and adaptive tax administration system.
- A strong, credible, and accountable organization of DGT.
- Broadening the coverage of tax supervision.

## Fiscal Policy Agency

Tax  
Policy

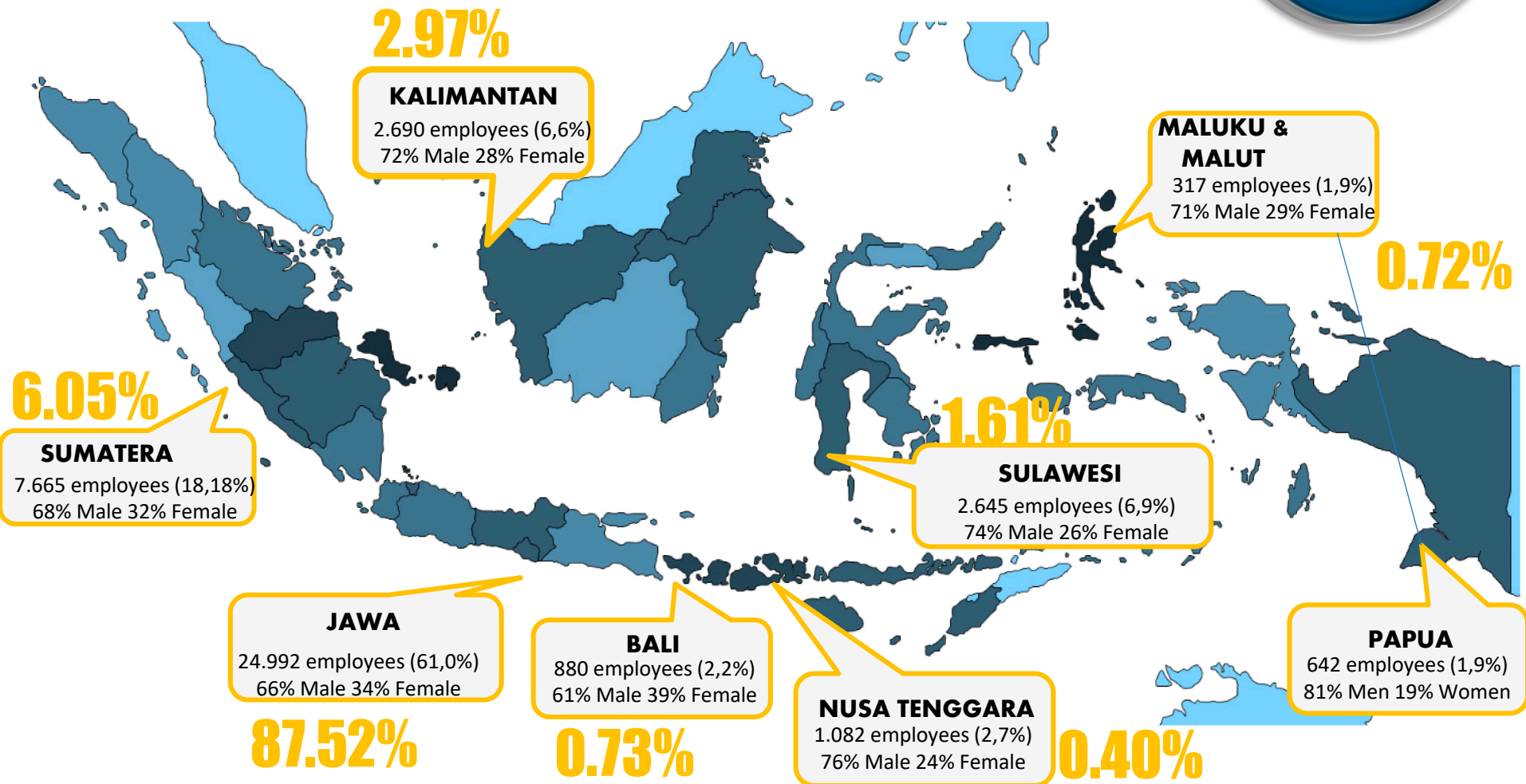
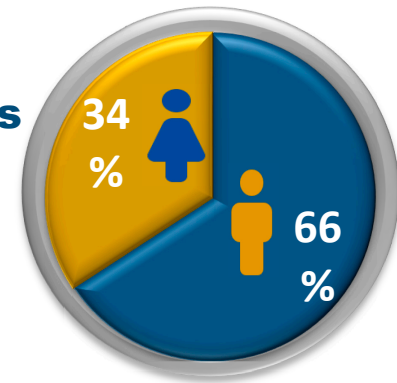


**\*DG Customs & Excises for customs and excise | DG of Budget for Non Tax Revenues**

# EMPLOYEES AND TAX REVENUE PER ISLAND COMPOSITION

• DATA PER 14 MARCH 2019

**45,158**  
Employees





# Organizational Structure

Headquarters

## Director General of Taxes

Assistant of Minister for Tax  
Compliance

Assistant of Minister for Tax  
Supervisory

Assistant of Minister for Tax  
Regulation and Law Enforcement

1 Secretariat of the Directorate  
General

4 Senior Advisors

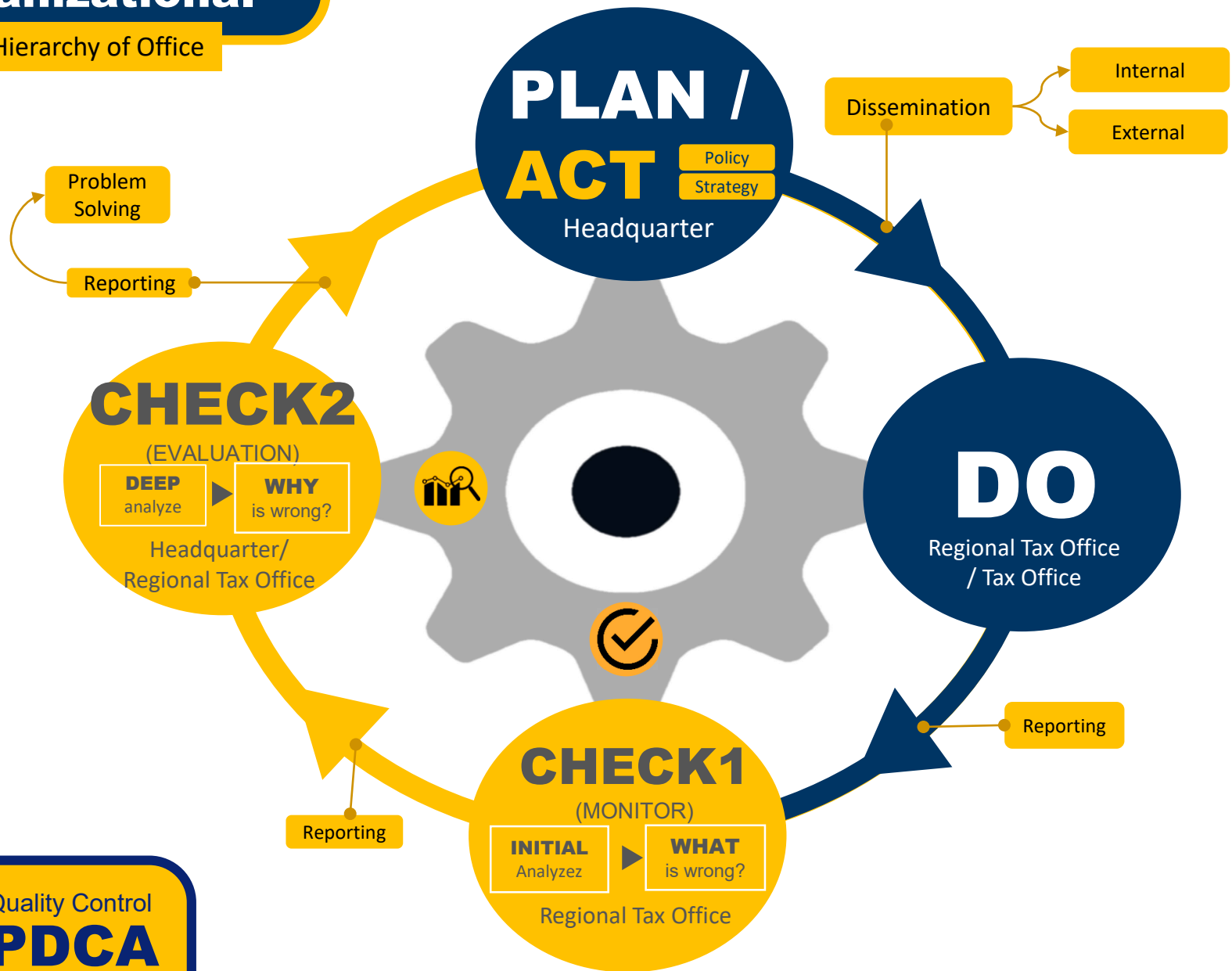
1. Senior Advisor of Tax Extensification and Intensification
2. Senior Advisor of Tax Supervision and Law Enforcement
3. Senior Advisor of Tax Services
4. Senior Advisor of Human Resources Development

14 Directorates

- |   |  |  |
|---|--|--|
| 1. Directorate of Taxation Regulations I            | 7. Directorate of Tax Objections And Appeals                     | 11. Directorate of Internal Compliance & Apparatus Transformation        |
| 2. Directorate of Taxation Regulations II           | 8. Directorate of Tax Potential, Compliance, and Revenue         | 12. Directorate of Information & Communication Technology Transformation |
| 3. Directorate of Tax Audit and Collection          | 9. Directorate of Tax Dissemination, Services & Public Relations | 13. Directorate of Business Process Transformation                       |
| 4. Directorate of Law Enforcement                   | 10. Directorate of Tax Information Technology                    | 14. Directorate of International Taxation                                |
| 5. Directorate of Tax Extensification and Valuation |  |  |
| 6. Directorate of Tax Intelligence                  |  |  |

# Organizational

Hierarchy of Office



Quality Control  
**PDCA**

# Self Assessment

Tax Collection System in Indonesia

The state entrust taxpayers to:

**registerate, calculate, pay  
and submit their tax return  
by themself**

# 4

**canons**  
OF ADAM SMITH

- Equity
- Certainty
- Convenience
- Economy

*Every taxpayer shall be obliged to pay tax payable pursuant to provisions of tax laws without waiting for the issuance of notice of tax assessment.*

Article 12 (1) General Provision and Tax Procedures



Corporate  
Taxpayer



Individual Taxpayer -  
Employee



Individual Taxpayer -  
Non Employee



Treasurer

# DGT's FUNCTION

## CORE FUNCTION

Tax Administration

1. **Registration, Payment, Tax Return, and Services**
2. **Supervision**
  - Tax Compliance Supervision
3. **Law Enforcement**
  - Tax Audit
  - Tax Valuation
  - Tax Collection
  - Investigation

## CORE SUPPORTING FUNCTION

1. Education and Public Relation
2. Research and Analysis
3. Data and Information
4. Domestic and International Tax
5. Business Processing
6. Law and Institutional Cooperation
7. Intelligence
8. Tax Dispute

## MANAGERIAL SUPPORTING FUNCTION

1. Logistic
2. Strategic Planning
3. Internal Control
4. Human Resources and Organization

# Organizational Focus

## Strengthening Tax Services

- a. Simplification of registration,
- b. expansion of service delivery (djponline site, Mobile Tax Unit, digitalization of services)
- c. Expansion of e-filing coverage, and
- d. Ease of tax refund

## Law Enforcement

- a. Fair law enforcement (checking the ability to pay)
- b. Quality improvement on tax audit (risk mapping, improvement on target selection)

## Tax Supervision

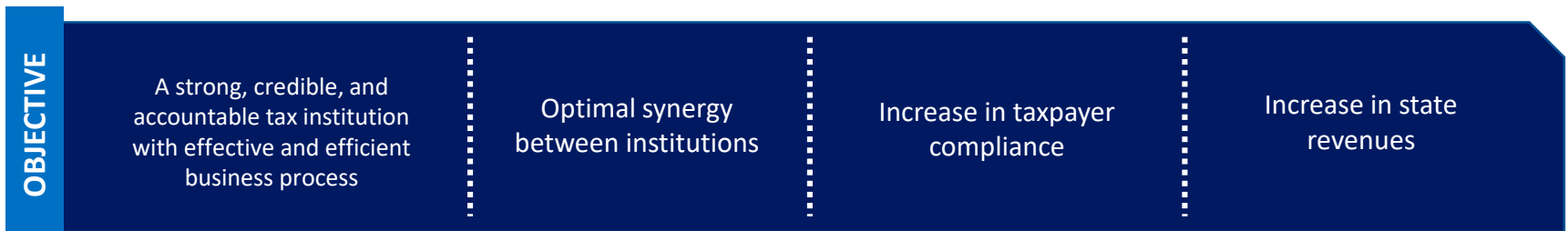
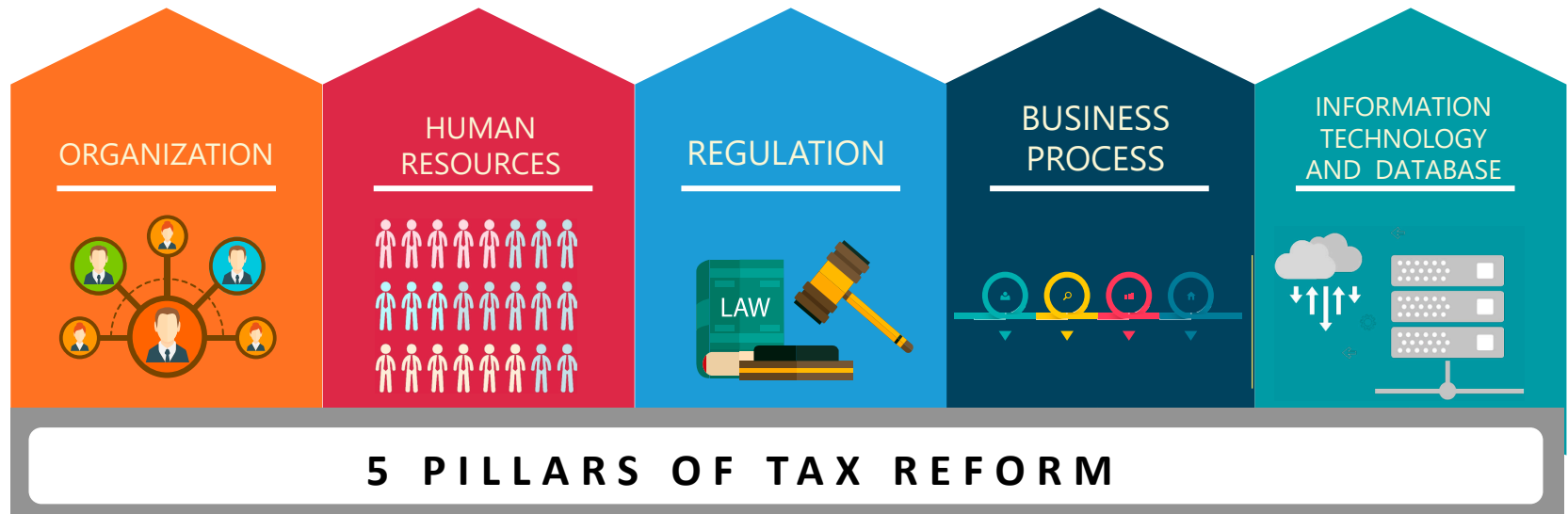
### through Tax Broadening and Intensification

- a. Implementation of AEoI and access to financial information
- b. Extensification and increased supervision as a follow-up to post tax amnesty
- c. End-to-end MSME handling through the Business Development Services (BDS) approach
- d. *Joint Program* DGT - DGCE
- e. Improvement of taxation database (organizational rearrangement on headquarter unit)
- f. *Compliance Risk Management /CRM*

## Tax Reform

Continuing comprehensive tax reform both concerning HR, tax regulations, IT, and business process improvement.

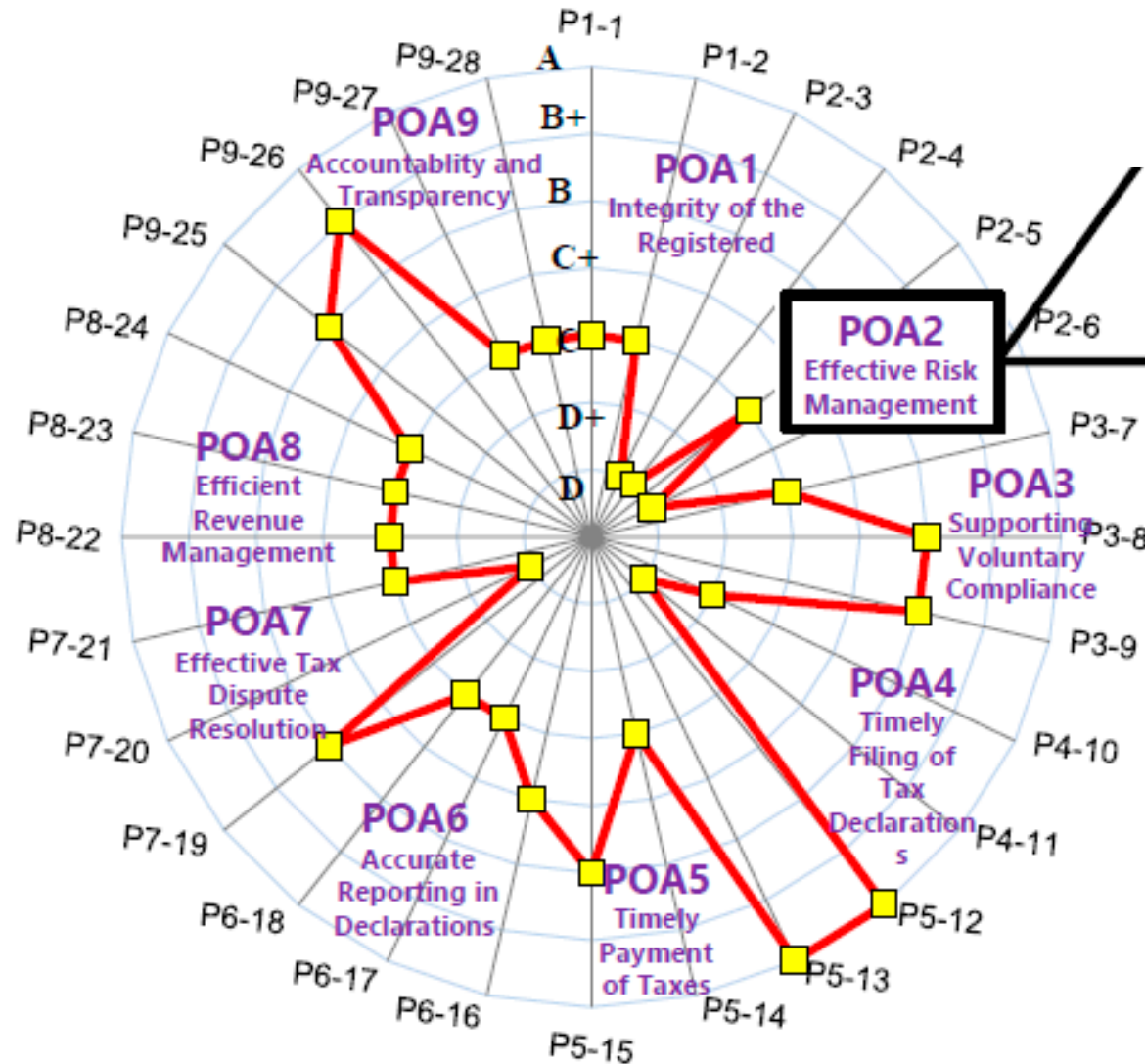
# 5 PILLARS OF TAX REFORM



DGT is implementing Tax Reform (2017-2024)

# TADAT Performance Assessment: Indonesia (*self-assessed*)

Source: KMK-360/KMK.03/2017

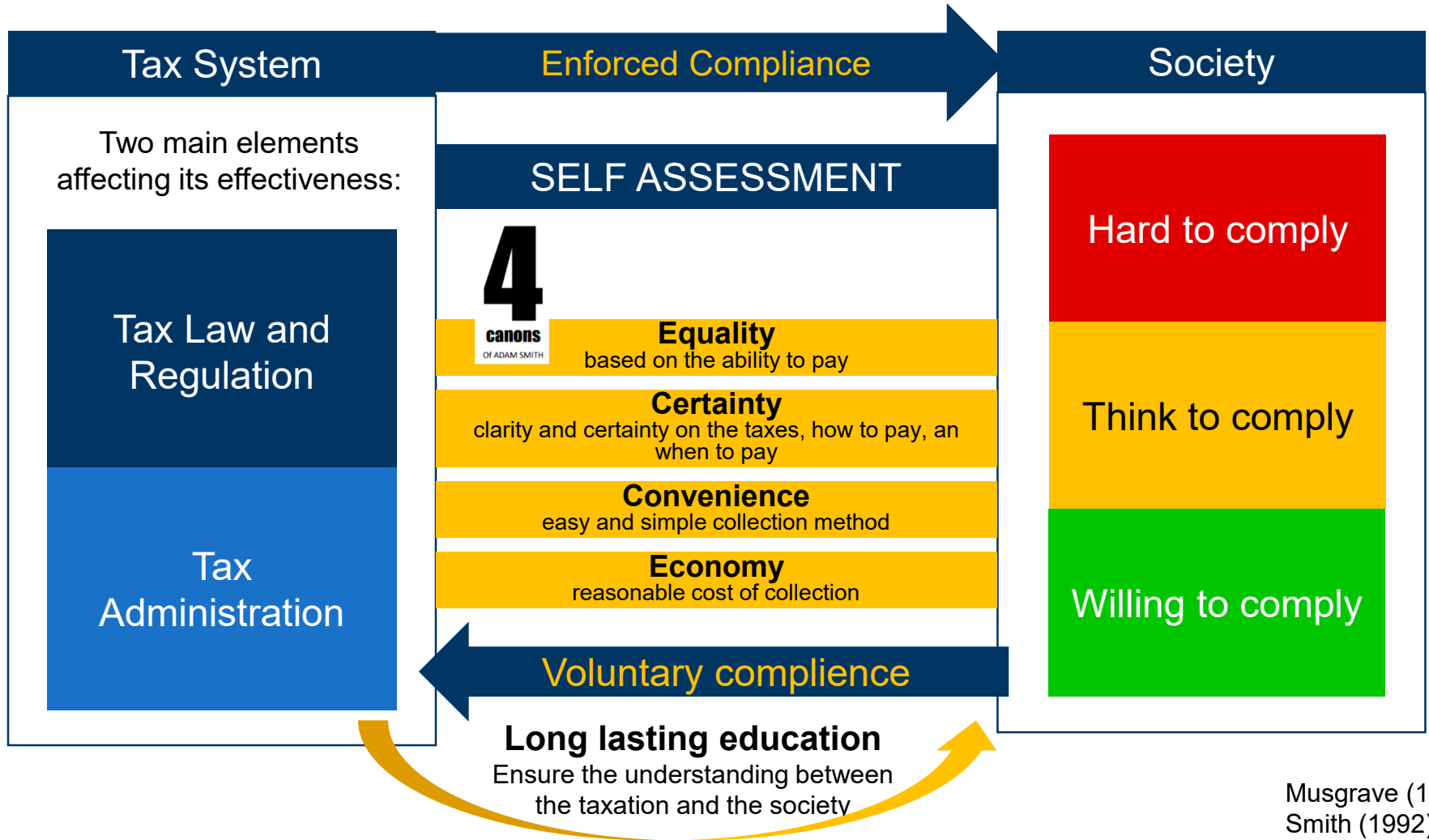


The Background of Tax Reform Phase III

Improvement of core tax system

# Tax System, Self Assessment, and Society

Tax system's effectiveness is measured by its capability in generating continuous tax revenue.



Musgrave (1989)  
Smith (1992)



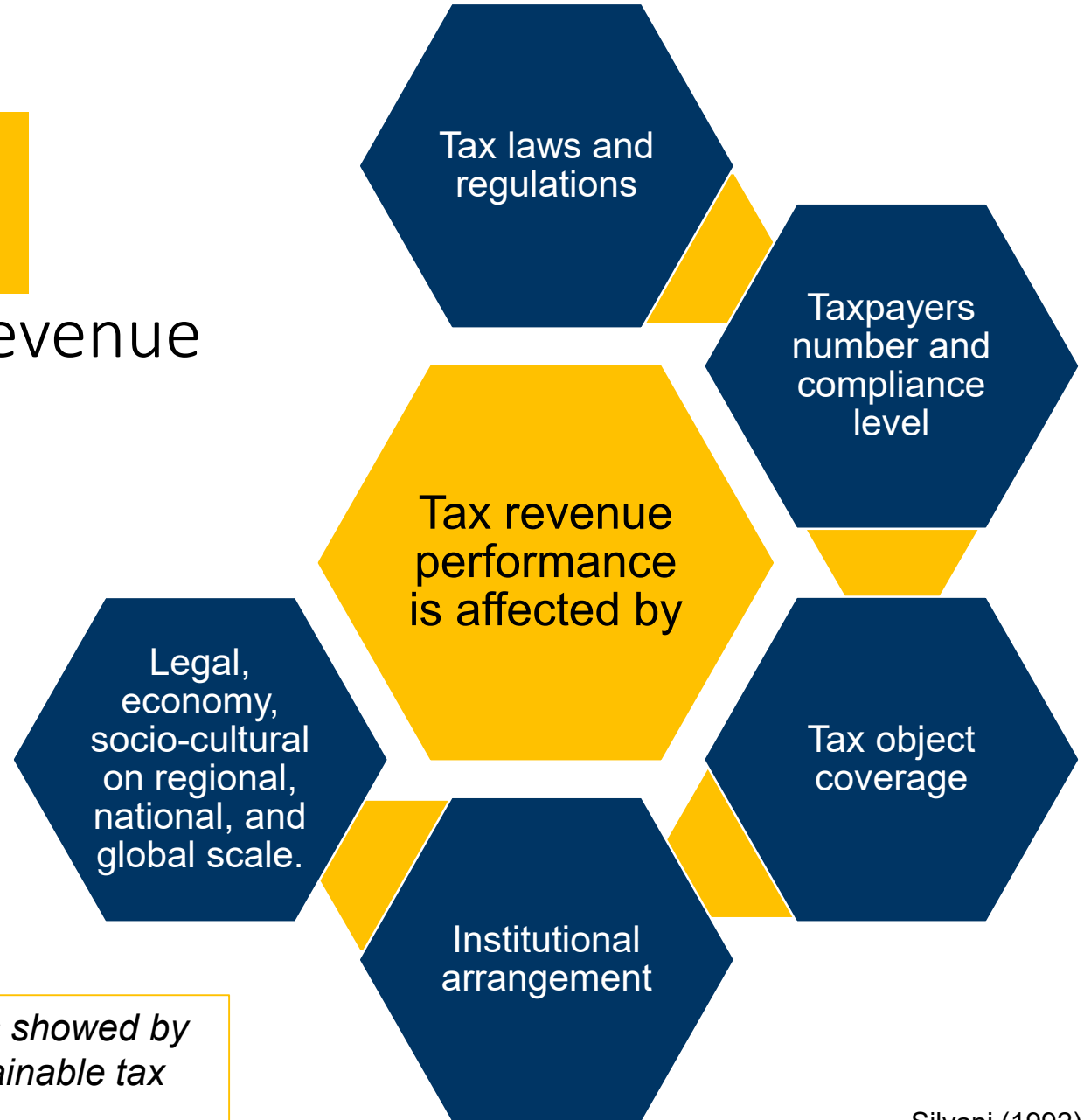
# Self Assessment:

Building the Voluntary Compliance



# Factors

## Affecting Tax Revenue



*Effectivity of a tax system is showed by its ability to generate sustainable tax revenue*

Silvani (1992)

**Thank**

**you**