



# Tax Administration Reform

Medium-Term Revenue Strategy

Directorate of Tax Potential, Compliance and Revenue  
April 2019 - DGT



# Medium Term Revenue Strategy

## in-brief



# **an Approach of Tax System Reform**

To meet government's revenue goals during  
next five years

# Why does Indonesia need MTRS?



1

Low compliance rate<sup>1)</sup>

2

Low tax-to-GDP ratio<sup>2)</sup>

3

Increasing budget need to support infrastructure & HR focus

1) For Tax Year 2016-17 the compliance rates were around 62-63%, while in 2018 it was increasing to 69%

2) According to OECD report (2016) Indonesia's tax-to-GDP ratio was 11,6%. On the other hand, Malaysia was 14,3%, Thailand 16% and The Philippines 17%

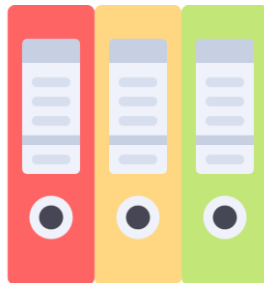
# IMF's Recommended Guidelines

Setting a revenue mobilization target



Committing political support & reform management

Designing a comprehensive set of tax reforms



Securing support for implementation



# Indonesia's Tax Reforms

# Tax Reform | Milestones

- The basic principle of taxation;
- Simplify the type of tax;
- Encouraging the economy in remote areas
- Increasing FDI;
- Expanding the taxation aspect;
- Supports state financing and development of taxes.

**1991-2000**

**1983**

Changing in fundamental system (from official to self assessment)

- Determination of vision and mission;
  - Blue print.
- 2000-2001**

- 2002-2008**
- Modernization of tax administration;
  - Amendment of tax laws;
  - Intensification and extensification.

- 2009-2014**
- ICT enhancement
  - Internal Control System improvement

- Institutional transformation
- 2014-2016**

**Tax Amnesty Law**

- Consolidation and acceleration of taxation reform
- 2016-2019**

# IMF's Recommendation in MTRS



**I.**  
**Taxpayer's  
Compliance  
Management**



**II.**  
**Institutional Reforms  
in Tax Administration**



# I. Taxpayer's Compliance Management:



Value-Added Tax



Withholding Tax Compliance Improvement Plan



Wealthy Indonesian: Professionals, Other  
High Earners & HWI

# Tax Reform



## Value-Added Tax

### Registration

- Electronic Certificates for e-Tax Invoice
- Enforcement on suspected fraud VAT registrants

### Filing

VAT Electronic Return

### Payment

Tax e-Billing

### Correct Reporting

Joint program with DG Customs  
Deep analysis from third-party data

## Tax Reform



# Withholding Tax Compliance Improvement Plan



**Integration of  
taxes withheld by  
employers into  
employee's tax  
account**



**Automation of tax  
returns filling and  
Notice of Tax  
Collection (STP)  
issuance using  
withholding data**



**Simplification of  
rules regarding  
withholding tax**

## Tax Reform



# Wealthy Individuals: Professionals, Other High Earners & HWI

**Better  
Service**



**Risk-based  
Monitoring**



**Rules Simplification  
and Easier refund**



## II: Institutional Reforms



Implementing Core Tax System (CoTS)



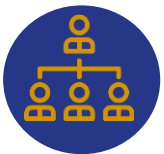
Establishing *Data Management Unit* (DMU)



Simplifying business process



Implementing *Compliance Risk Management* (CRM)



Restructuring organization and enhancing human resource capacity

# Political Support, examples:

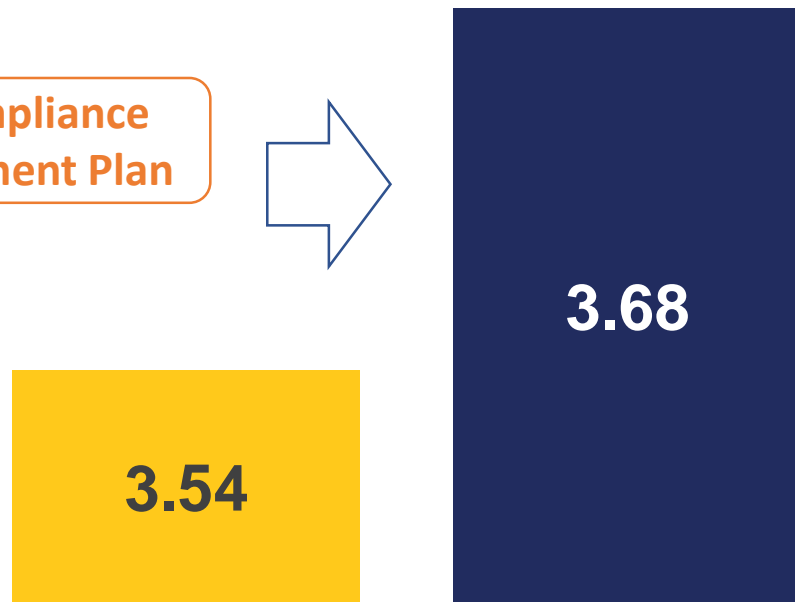
Direct participation in massive campaigns of Tax Amnesty Program from the President

Tax has taken stage as one of the central issues in debates among the candidates in the presidential and parliament members election in April 2019

# Evidence

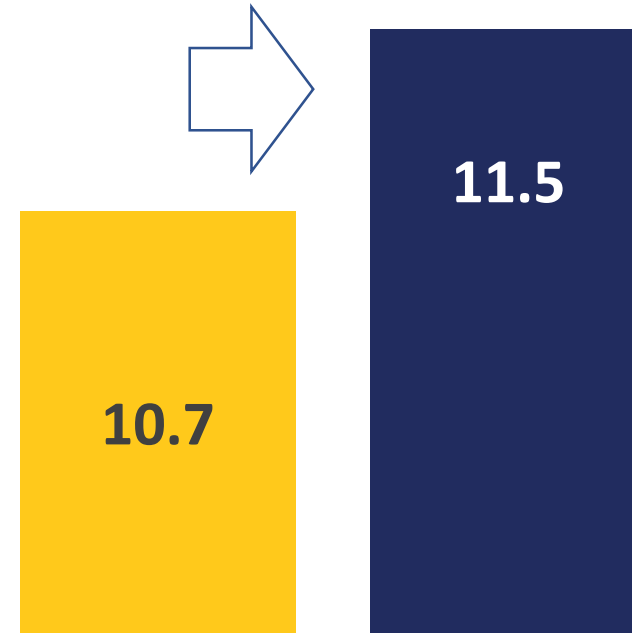
## VAT to GDP Ratio

VAT Compliance Improvement Plan



■ 2017 ■ 2018

## Indonesia's Tax Ratio



■ 2017 ■ 2018



**Thank You**