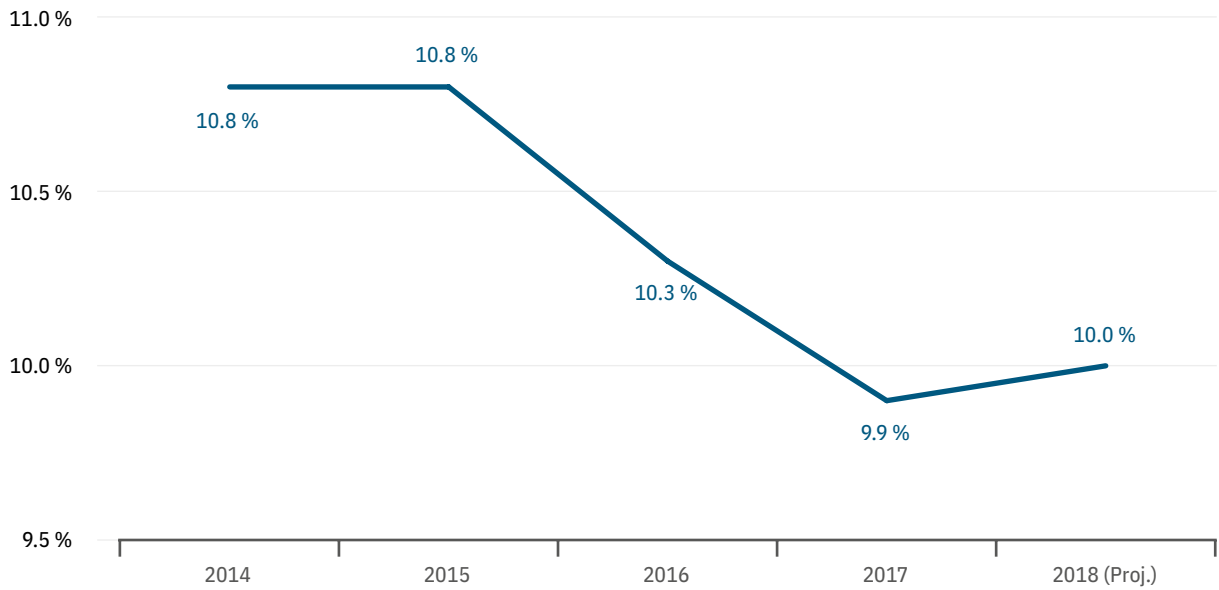




## Indonesia

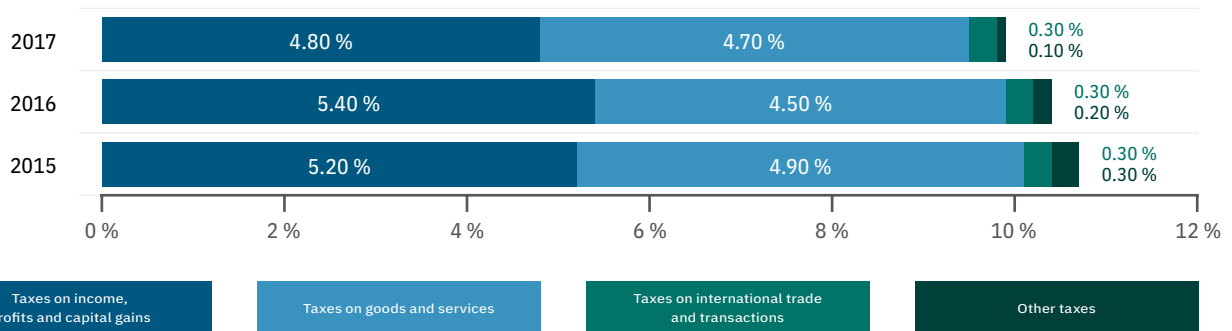
### Stepping up domestic revenue mobilisation



#### Tax revenues (% of GDP) (2014-2018)

Source: Government Finance Statistics (2019), 2017 IMF Article IV Consultation Report (2018 Projection)

\*Note: The tax ratio described above is based on a narrow scheme. Using a broad scheme that incorporates local tax and other governmental revenues such as the mining sector revenue results in a value for 2017 of 11.6%.



#### Tax revenues, by sources (% of GDP) (2015, 2016 & 2017)

**Public Expenditure and Financial Accounting (PEFA)**

**2017** (2016 framework)

**C+** Revenue administration

**A** Accounting for revenue

**2012** (2011 framework)

**B** Transparency of taxpayer obligations and liabilities

**C+** Effectiveness of measures for taxpayer registration and tax assessment

**C+** Effectiveness in collection of tax payments

*A = internationally-recognised level of good performance  
D = performance is below the basic level*

**Doing Business, Ease of Paying Taxes 2017 (DB 2018), values from 2016 (DB 2017) in parentheses**

Payments (number per year)	Time (hours per year)	Total tax rate (% of profit)	Postfiling Index (0-100)
43 (43)	207.5 (221)	30 (30.6)	68.82 (76.5)

**Overall ranking**  
**114 / 190** (104 / 190)

**Global Competitiveness Report (2017-2018), values from 2016-2017 in parentheses**

Effect of taxation on incentive to work  
**4.5/7; Rank 28/137** (4.2/7; Rank 43/138)

Effect of taxation on incentive to invest  
**4.2/7; Rank 37/137** (4.1/7; Rank 37/138)

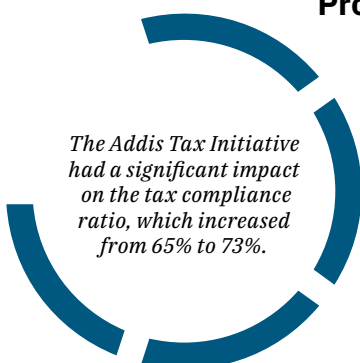
**Recent reform steps**

Indonesia has taken the following major steps towards enhancing domestic revenue mobilisation:

- Rolling out the Tax Amnesty Programme in 2016 to 2017 to **expand tax base**, enhancing the Director General of Taxation’s (DGT) data, improving tax compliance and developing a fresh relationship between taxpayers and the DGT;
- Implementing a **tax reform with five improvement pillars**: introducing a new core tax system in IT and improving the data management system, improving the business process, human resources, restructuring organisation, and improving regulations, tax services development.

**Progress achieved**

Indonesia has implement several tax reforms since 2000. After the completion of the Tax Amnesty Programme in 2017, Indonesia launched its third tax reform, focusing on the following five main topics: organisation, human resources, information, technology and database, business process, and regulation.



In terms of **taxpayers' compliance** management, Indonesia

- Improved value added tax (VAT) compliance, which covers improvement in terms of registration, filling, payment and correct reporting;
- Increased withholding tax compliance through filing automation and data matching between withholders and employees/taxpayers;
- Enhanced service and administration of wealthy individuals (professionals, high earners and high wealth individual).

Moreover, **institutional reforms**

- Improved the IT system through Core Tax System (CoTS);
- Developed both internal and external data management through the establishment of a *Data Management Unit (DMU)*;
- Simplified the business processes for quality of service improvement.

## Outlook: DRM priorities in 2019

Currently, Indonesia is enacting the outdated law (General Procedures, Income Tax and VAT Law) to catch up with the fast-growing business and digital environment. In addition, Indonesia emphasises institutional reform and leverages its resources to improve taxpayers' compliance.

<i>Priority activities</i>	<i>Expected outcomes</i>
<ul style="list-style-type: none"> <li>• Build a system to map taxpayers' compliance based on their risks (compliance risk management, CRM)</li> </ul>	<ul style="list-style-type: none"> <li>▶ DGT will be able to focus its resources to collect revenue in an effective and efficient way</li> </ul>
<ul style="list-style-type: none"> <li>• Improve service with online forms, easier refund, automation and data matching</li> </ul>	<ul style="list-style-type: none"> <li>▶ Taxpayers will be more comfortable with the tax authority, which will increase voluntary compliance in the near future</li> </ul>
<ul style="list-style-type: none"> <li>• Leverage third-party data as well as data gathered through Exchange of Information (EoI)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mobilising revenue from prominent individuals as well as offshore accounts will become easier</li> </ul>
<ul style="list-style-type: none"> <li>• Improve IT and data management</li> </ul>	<ul style="list-style-type: none"> <li>▶ State-of-the-art IT system and better data management to improve DGT's capability on mobilising revenue</li> </ul>
<ul style="list-style-type: none"> <li>• Simplify business processes</li> </ul>	
<ul style="list-style-type: none"> <li>• Organise reform and human resources capacity enhancement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Better quality of service, agile organisation and world-class tax officers</li> </ul>

## Ensuring policy coherence for development

Indonesia is working towards policy coherence by implementing EoI, a joint programme with other institutions (customs, local governments, the Central Bank etc.) and new IT system/COTs (including CRM). Further, Indonesia is working on human resources improvement management programmes, which tackle remuneration, capacity building, improvement rotation and promotion systems. In terms of international organisations, Indonesia is engaging with the IMF, the World Bank and the OECD (MTRS, Inclusive Framework, capacity building, development programme loans, and other assistances).