

## How is the Taxation Sector during the Pandemic Covid-19

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**Abstract.** This study aims to determine the impact of Covid19 on the taxation sector and what solutions must be taken to maintain the taxation sector amid the Covid-19 pandemic. The research method used in this study is qualitative. The results of this study are Covid-19 can affect the taxation sector. The government of course must immediately take action to minimize the risks that will occur during the Covid-19 pandemic, one of which is to do forecasting to see the prospects for the tax sector in the future so that the government can take the right policies. Many experts have predicted that the taxation sector will experience a drastic decline, especially in the Corporate Income Tax and OP Income Tax sectors because there will be many bankrupt business sectors which will result in employee layoffs. Many things must be done by the government to minimize the risks that will occur. The steps that must be taken are to (1) Giving businesses and individuals more time to pay taxes to help businesses and households to survive, (2) Temporary reductions to broad-based taxes to Boost demand in the economy to support economic recovery, And (3) Revenue-raising measures, ideally by broadening tax bases, or else by rate increases for Shore up the public finances.

### 1. Introduction

The Covid-19 pandemic that has occurred throughout the world is a very hard blow for every country. With the Covid-19 pandemic, the community is unable to carry out activities as they should. People are like being imprisoned during the Covid-19 pandemic due to government policies that implement a lockdown. Of course, the lockdown will have an impact on the economic sector. Economic activity in each country will be at a deadlock. This deadlock in economic activity will have an impact on economic growth in every country. The increased case of Covid-19 has affected the world economy including Indonesia. The Covid-19 pandemic that has been established by the UN, affects transportation, tourism, trade, health, and other sectors. The "lockdown" policy is taken by various countries to prevent the further spread of covid-19 so that economic activities are hindered and put pressure on the world's economic growth in the future including Indonesia's economic growth. The Government encourages the Ministry and institutions (K/L) as well as the local government (PEMDA) to accelerate spending primarily on the first quarter 2020 schedule. This was done to reduce the pressure on Indonesia's economic growth due to the pandemic Covid-19, as well as a decline in commodity prices [1].

The impact of the spread of Covid-19 which also entered Indonesia almost influenced all activities in terms of many aspects, economic, social, political, and legal. Many elements of the community were

affected by the existence of Covid-19, because to prevent the spread of this virus the government has issued a physical distancing policy and also a PSBB (Large-Scale Social Limitation). Because it aims to reduce social contact so that the spread of the Covid-19 virus is not more widespread. The community is significantly affected by the economy, ranging from reduced income (traders, etc.) and also salary cuts and layoffs, for employees/employees both public and private. Therefore the government issued one of the Relaxation Income Tax policies as a result of the Corona Virus Pandemic [2].

Based on data from the Ministry of Manpower (Kemnaker) as of April 7, 2020, as a result of the Covid-19 pandemic, 39,977 companies in the formal sector chose to lay off and lay off their workers. In total there are 1,010,579 workers affected by this. In detail, 873,090 workers from 17,224 companies were laid off, while 137,489 workers were laid off from 22,753 companies. Meanwhile, the number of companies and workers affected in the informal sector was 34,453 companies and 189,452 workers. However, in its policy note, the SMERU research team said that this figure did not reflect the overall unemployment rate because it did not include unemployment from the informal sector and newly unemployed workers. The SMERU research team then simulated the total increase in unemployment and calculated the amount of reduction in employment from each business sector due to the economic contraction until the end of March 2020. Citing SMERU's policy notes, the simulation results show that the TPT (Open Unemployment Rate) increased from 4.99 percent in February 2020 (BPS data) to around 6.17 percent-6.65 percent in March 2020. This percentage is equivalent to an increase in the number of reduced labor absorption reaching around 1.6 million to 2.3 million people [3].

With so many business sectors or companies going bankrupt which resulted in many workers being laid off. of course, it will also impact state revenues, especially in the tax sector. Taxation is the main source of revenue in the Indonesian state, of course, this will be a hard blow for the Indonesian state if tax revenue has decreased drastically. With the Covid-19 pandemic, of course, the country needs a lot of funds to finance the handling of this Covid-19 pandemic. If one of the revenue sources, namely the taxation sector, experienced a drastic decline, it would certainly be very detrimental to the state. The government certainly needs funds, natural resources, and human resources in financing the implementation of its functions, both the main economic function and the function as a whole. Capital in the form of funds other than the natural potential of a country also comes from state company profits, government royalties, levies, contributions, customs and excise, sanctions and fines, and comes from taxes which are the participation of citizens in carrying out government functions. The government's economic function related to taxes is public justice, wherewith the tax collected on citizens who can realize the welfare of the entire community. With this pandemic, of course, it will not go well. This phenomenon does not only occur in Indonesia, other countries also experience the same thing. Every country has very tough challenges in maintaining its economic stability, a country must have a very precise strategy to fight against the current crisis. The government must have policies that can improve the economy amid the COVID-19 pandemic.

Policy adaptation will be key. Focus can shift from support for limiting hardship and maintaining the economic capacity to stimulating economic recovery as containment and mitigation measures are relaxed. This progression towards recovery is unlikely to be linear and smooth, however, with containment and mitigation measures being phased out only gradually or partially. This can increase the risk of uneven recovery [4].

Various efforts have been made by each country, one of which is by conducting research and formulating strategies so that the economy amid a pandemic will survive. The following are some of the research results that have been conducted by experts in the world. it would not hurt if Indonesia implemented a policy of tax relaxation. Because in some countries, tax relaxation can succeed to improve the economic situation in a country [2]. Localities rely on property taxes for substantially more than half of their revenues. However, individual state localities such municipalities with more income-sensitive revenues and localities with greater exposure to tourism and other COVID19 sensitive industries are also projected to experience large revenue declines [5]. The fiscal response to

the COVID-19 pandemic will require policymakers to consider what revenue resources should be used to fill budget gaps. Tax policy experts have proposed wealth taxes, (global) corporate minimum taxes, excess profits taxes, and digital taxes as opportunities for governments to raise new revenues. Instead of designing novel taxes, however, governments should focus on neutral and competitive reforms to existing taxes for sustainable financing and support economic growth [6]. All options should be explored, including revamping old tools, introducing new ones, and bolstering ongoing efforts to address the international tax challenges posed by the digitalization of the economy [4] pandemic will bring a new normal where work practices should change. Usually, shocks trigger responses, and one of the responses here could be the automatization of tax and customs services over the medium term, and a massive acceleration in the use of digital and virtual technologies [7].

With the various problems that have occurred and based on previous studies, this study aims to determine the impact of Covid19 on the taxation sector and what solutions must be taken to maintain the taxation sector amid the Covid-19 pandemic.

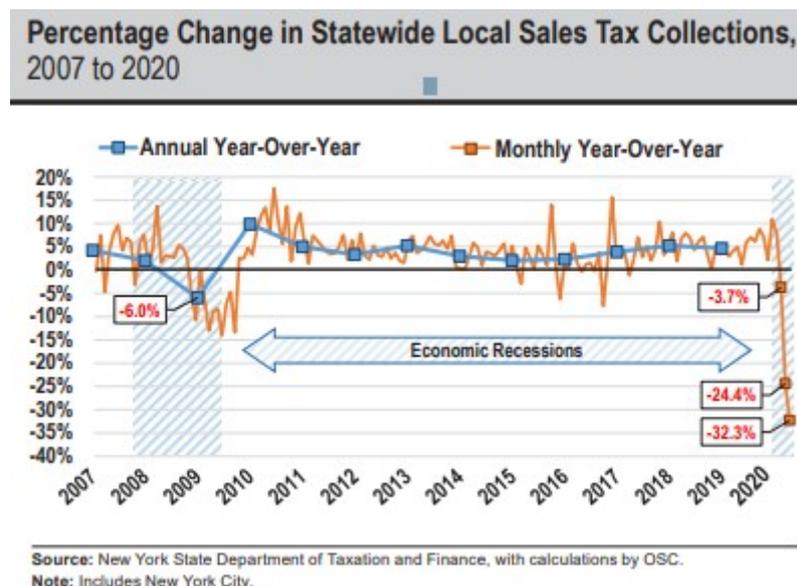
## 2. Method

The method used in this study is qualitative. Namely describing the fate of the taxation sector amid the Covid-19 pandemic and what is the solution so that the taxation sector can survive. The data source used in this study is to use secondary data sources. The data collection technique in this research is to use the documentation method.

## 3. Results and Discussion

The Covid-19 pandemic has hit almost all countries in the world, of course, it will hurt the economic sector, especially in the taxation sector. Of course, each country must have policies that can maintain economic stability in their respective countries.

Each country must do various ways to minimize the risks it will face. One of them is to use forecasting analysis to see what kind of risks will be faced in the future so that we can find the best solution to deal with these risks. For example, we can see in Figure 1.



**Figure 1.** Percentage Change in Statewide Local Sales Tax Collections [1]

We can see in Figure 1 that one of the tax revenues in America, namely the sales tax which is the largest source of state income in America, is projected to experience a drastic decline as a result of the Covid-19 pandemic. impact also on sales tax receipts in America. This will of course also happen in

Indonesia. The drop in tax revenue is in line with the sluggish economic performance, which this year is projected by several parties to be at a negative level. Data from the Directorate General of Taxation confirms that even though the pandemic only started in March 2020, until the end of the first quarter of 2020, tax revenues were only IDR 241.61 trillion [8]. Minister of Finance Sri Mulyani revealed that tax revenue in 2020 is predicted to decrease by 15 percent to Rp1,193.4 trillion from the target in the Presidential Decree 72/2020 APBN posture of Rp1,404.5 trillion [9].

#### PENERIMAAN PER JENIS PAJAK

Realisasi penerimaan pajak & kontribusinya	
<b>PPh 21</b>	Rp 36,58 T
	15,14 %
<b>PPh 22 Impor</b>	Rp 12,31 T
	5,09 %
<b>PPh OP</b>	Rp 3,08 T
	1,28 %
<b>PPh Badan</b>	Rp 34,54 T
	14,30 %
<b>PPh 26</b>	Rp 8,68 T
	3,59 %
<b>PPh Final</b>	Rp 28,49 T
	11,79 %
<b>PPN DN</b>	Rp 51,63 T
	21,37 %
<b>PPN Impor</b>	Rp 37,00 T
	15,32 %

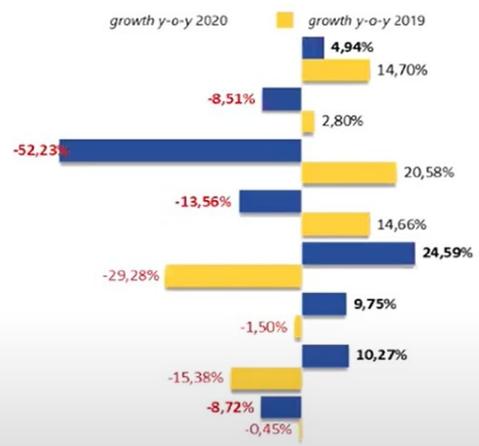


Figure 2. Actual tax revenue [10]

We can see in Figure 2 that almost all types of taxes in Indonesia have decreased, especially the PPh OP. Sri Mulyani said that the decrease in personal income tax receipts was due to an extension of the deadline for payment and reporting of annual tax returns to April 30 2020 due to the Covid-19 pandemic [3]. With this problem, of course, the government needs to issue a policy as soon as possible so that the taxation sector can survive the midst of the Covid -19 pandemic. Steps that can be taken by the government are as follows:

**1. Exploring options for tax policy in the aftermath of the crisis**

Tax revenues are likely to be significantly reduced for several years, due to the direct effects of the crisis as well as due to policy action during the crisis. The best way to boost tax revenue will be to support solid growth, including through sufficiently strong and sustained stimulus [4].

**2. Tax policy can contribute to covering the costs of the crisis and policy responses to it.** Efforts to restore public finances should not come too early, but when they come tax will have a key role to play. Revenue levels and tax structure may need to be adapted after the pandemic. This can occur in tandem with other policies to smooth the costs of the crisis over time [4].

**3. The unprecedented nature of the crisis is prompting a reflection on whether some new tax measures could be contemplated and more traditional ones reconsidered.** This could include reflections on how to support the progressivity of the overall tax system. In consultation with member countries of the OECD/G20 Inclusive Framework on BEPS and other organizations, the OECD stands ready to explore and assess new ideas as well as revisit existing ones, e.g. solidarity levies, carbon taxes, etc [4].

**4. In a post-crisis environment, it is likely that addressing the tax challenges of the digitalization of the economy and ensuring that MNEs pay a minimum level of tax (Pillar 2) will become more prominent.** The work of the Inclusive Framework to address the tax challenges of the digitalization of the economy is ongoing and progressing, keeping track of the changing global economic circumstances [4].

5. The increased use of digital services and the need to collect more revenues could provide new impetus to efforts to reach agreement on Pillar 1 issues internationally. Governments could focus on incentivizing investment while strengthening the taxation of economic rents and boosting resilience. Tax cooperation will be more important to avoid that tax disputes trigger trade wars which would harm recovery. Increasing tax certainty, by improving dispute resolution and prevention mechanisms, is part of this effort [4].

**Table 1.** Suggested fiscal policy responses to coronavirus [11]

<b>Response</b>	<b>Example tax policies</b>	<b>Why</b>	<b>When</b>
Support	Giving businesses and individuals more time to pay taxes	Help Businesses and households to survive	Immediately
Stimulus (if required)	Temporary reductions to broad-based taxes	Boost demand in the economy to support economic recovery	After social distancing measures have been permanently lifted
Consolidation	Revenue-raising measures, ideally by broadening tax bases, or else by rate increases	Shore up the public finances	After economic recovery has been secured

Many steps can be taken by the government to maintain the taxation sector in Indonesia, some in the short and long term. What the government must do immediately is to provide support to business people so that they can survive amid the pandemic. With the persistence of businesspeople amid a pandemic, of course, there will be no employees who are laid off, which will affect the recipients of Corporate Income Tax and OP Income Tax. At this stage, the aim of tax policy and administrative measures should be to provide targeted support to the most affected businesses and individuals so that they can comply with social distancing measures and weather the current crisis. A general stimulus to the economy through broad-based tax cuts is unlikely to be effective when social distancing measures prevent people from working and spending as normal, and businesses are likely to be particularly risk-averse. Broad-based tax cuts would also risk losing valuable revenues needed to fund healthcare and support vulnerable households to survive the economic impact of coronavirus. The stimulus could even be counter-productive if it reduces the effectiveness of efforts to control the spread of coronavirus [11].

#### **4. Conclusion**

With the Covid -19 pandemic, it will certainly have an impact on the economic sector, especially in the taxation sector. The government of course must immediately take action to minimize the risks that will occur during the Covid -19 pandemic, one of which is to do forecasting to see the prospects for the tax sector in the future so that the government can take the right policies. Many experts have predicted that the taxation sector will experience a drastic decline, especially in the Corporate Income Tax and OP Income Tax sectors because there will be many bankrupt business sectors which will result in employee layoffs. Many things must be done by the government to minimize the risks that will occur. The steps that must be taken are to (1) Giving businesses and individuals more time to pay taxes to help businesses and households to survive, (2) Temporary reductions to broad-based taxes to Boost demand in the economy to support economic recovery, And (3) Revenue-raising measures, ideally by broadening tax bases, or else by rate increases for Shore up the public finances.

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