Effect of Tax Amnesty and Government Expenditures on Economic Growth in Indonesia

Rizka Elvira Parinduri[1], HB. Tarmizi[2], Ahmad Albar Tanjung[3], Lestari Sihite[4]

[1,2,3,4]Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia

Corresponding Author: Rizka Elvira Parinduri

ABSTRACT

This study is to see how much effect of tax, tax amnesty, and government expenditures on economic growth in Indonesia. The research data were taken from the years 1984-2018. The research method used is to use quantitative secondary data with a descriptive design. This study uses the ordinary least square method of analysis with multiple linear regression. The results showed that tax has a positive and insignificant effect on economic growth. Tax amnesty has a negative and insignificant effect on economic growth. Government expenditures has a positive and significant effect on economic growth.

Keywords: Tax, Tax Amnesty, Government Expenditures, Economic Growth

INTRODUCTION

Fiscal policy is an economic policy carried out by the government to increase economic growth and improve the country's economic conditions to be better or more productive than before. The main instrument of fiscal policy is income from taxes and also state expenditures (Sukirno, 2016:234).

This policy is carried out by changing the pattern of revenues (in the form of taxes) and state expenditures carried out by the government. In practice, this policy is carried out by regulating the State Expenditure Budget (APBN) and changing the figures in it to obtain the existing conditions for the purpose of preparing the APBN (Soediyono, 2012).

Fiscal policy is different from Monetary Policy, which has the same objective, namely to improve economic conditions. Fiscal policy is a policy to regulate the economy by managing state income and expenditure through regulating the level of taxes and state expenditures, while monetary policy is a policy to regulate the economy by regulating the amount of money in circulation and interest rates. In developing countries in achieving economic growth, there is a dependence on fiscal policy. Where people are charged with paying taxes, which is one of the state's revenues in the welfare of their country. Tax revenue is a major source of economic progress and development and a major source of state revenue which continues to grow in accordance with state income.

However, people are sometimes less aware of fulfilling their obligations to pay taxes. Recently, the government's efforts to improve the economic condition of the Indonesian tax system have begun. Several government policies have been introduced and one of the government revenues in fiscal policy is in the form of income from income tax against consumption tax. Fiscal policies are taken from the experiences of countries that have applied tax systems so that the achievement of economic development in the country will have a significant impact on economic growth in Indonesia. Government spending is also related to economic growth. If the government plans to increase economic growth to reduce unemployment, the government can increase its spending. Government expenditure consists of routine expenditure or expenditure for regional apparatus and development expenditure or

public service expenditure (Anitasari, 2012:120).

Government policy in the economic system in Indonesia to increase tax revenue is the tax amnesty policy.

Actually, this tax amnesty has been carried out by the government for a long time since independence, namely the first time it was carried out in 1964, Indonesia experienced a very serious tax problem. Indonesia had launched tax amnesty programs in 1964, 1984 and 2008 but all tax amnesty programs failed due to weak legal issues. The third tax amnesty was able to collect 7.46 trillion rupiah from 5,635,128 people but the amount collected was lower than the amount targeted by the tax service office (Ahmed, 2016).

The government strives to achieve the level of economic growth in Indonesia from fiscal policy, namely government revenue and expenditure. Tax is one of the revenues in increasing economic growth in various sectors, both income from companies and individual income, in order to achieve general economic stability. The role of the government in regulating and having a share in the improvement and welfare of its people in the world of economy and supporting the people, the government takes certain fiscal policies for the country. To get a good tax revenue result through tax amnesty, first look at the factors that can support a stable socio-economic political situation, so that people can also voluntarily pay their taxes.

The government strives from year to year to improve the order of legal regulations and administrative sanctions for people who do not want to report individual taxes or a corporate tax, because the sanctions given to the community are still very weak, viewed from the perspective of different public knowledge.

Economic growth means that there is an increase in production so that increasing existing jobs will ultimately reduce poverty.

The result shows that the impact of economic growth (PDB) on poverty is negative (Tanjung et al., 2019).

The Indonesian economy for economic growth in 2017 as measured by gross domestic product (GDP) at current prices reached Rp13,588.8 trillion. With a population of 261.8 million, Indonesia's GDP per capita reached Rp51.89 million, equivalent to US $3,876.8. The income of Indonesia's population last year increased 8.1% compared to the previous year, which was only Rp47.97 million/year.

From the government's policy in increasing state revenue which is very supportive of the increase and development of Indonesia, it is seen from the income in the form of taxes, both from the overall results of tax revenue as a whole tax imposed on industries, companies, both individuals and international taxes. So that revenue from state taxes is a support for the growth of the Indonesian economy. And from the tax proceeds are channeled for the development of Indonesia fairly and evenly. In order to realize the welfare of the Indonesian people. Previous research by Tom (2009) shows that tax amnesty does not have a positive (negative) effect on tax revenue growth after taking into account other factors such as GDP and inflation which tend to affect tax revenue growth. For that to become revenue growth, tax amnesty needs to be followed by enforcement steps to ensure that the benefits of tax amnesty are realized in both the short and long term. Meanwhile, according to Said (2018) that one of the positive impacts of the tax amnesty policy is the increased revenue from the 2016 State Budget, which can be seen from the receipt of ransom money from the tax amnesty which reached Rp107 trillion. The purpose of this assessment is to describe the implementation of the tax amnesty and its impact on the Indonesian economy, as well as to facilitate entrepreneurs in the development of SMEs. According to research by Ibrahim et al. (2017) research in 9 Asian countries concludes that Indonesia is the country that collects the highest amount of tax revenue from tax amnesty, although the frequency of tax amnesty is limited.

This study is in line with previous research which found that too frequent tax amnesty will have a negative impact on taxpayer behavior (Parle and Hirlinger, 1986). It is predicted that the tax amnesty will make tax evaders wait until future tax amnesties give them the best tax rates.

RESEARCH METHODS

The research was conducted in 33 provinces in Indonesia, and the time of the research was carried out from 1984 to 2018.

RESULT
Suitability Test

Table 1. Regression Test Results

Dependent Variable: NPDB			
Method: Least Squares			
Date: 08/13/20 Time: 04:06			
Sample: 1985 2018			
Included observations: 34			
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-13324.31	251992.9	-0.052876	0.9582
NGE	2.979544	0.895002	3.329094	0.0023
NTAX	0.939650	0.996530	0.942921	0.3533
NTA	-80044.34	614494.8	-0.130260	0.8972
R-squared	0.523219	Mean dependent var	944381.5
Adjusted R-squared	0.475541	S.D. dependent var	1511889.
S.E. of regression	1094903.	Akaike info criterion	30.76036
Sum squared resid	3.60E+13	Schwarz criterion	30.93993
Log likelihood	-518.9261	Hannan-Quinn criter.	30.82160
F-statistic	10.97399	Durbin-Watson stat	1.644270
Prob(F-statistic)	0.000050		

Source: Research Results (2020)

Partial Test (t)

The t-statistic test is a test to determine whether there is a partial influence of the independent variable on the dependent variable.

Based on the regression results, the government expenditures (NGE) t-statistic value was obtained 3.329094 is greater than the t-table (3.329094>2.036). Conclusion Ha accepted, which means that the NGE variable partially has a significant effect on the economic growth variable, which is represented by GDP at the 95% confidence level.

Based on the regression results, the tax (NTAX) t-statistic value was obtained amounting to 0.942921 is greater than the t-table (0.942921<2.036). Conclusion Ho is accepted, which means that the NTAX variable partially does not have a significant

All data used in this study are secondary data obtained from systematic recording results in the form of time series data. Sources of data obtained from the publication of the Central Statistics Agency (BPS) with a descriptive design.

This study uses the ordinary least square method of analysis with multiple linear regression. The suitability test used according to Gujarati (2013) is the partial test (t) and simultaneous test (F).

effect on the economic growth variable as proxied by GDP at the 95% confidence level.

Based on the regression results, the tax amnesty (NTA) t-statistic value was -0.130260, smaller than the t-table (-0.130260<2.036). The conclusion of Ha is accepted, which means that the NTA variable partially does not have a significant effect on the economic growth variable, which is represented by GDP at the 95% confidence level.

Simultaneous Test (F)

This hypothesis test is conducted to determine whether the independent variables simultaneously affect the dependent variable or not. This F test uses a comparison between the F-table (critical value) with the results of the F-count and

the level of significance used (α = 0.05). The F-table value obtained by df1=2 and df2=32 is 3.295.

Based on the regression results, the F-statistic value of the regression model is 10.97399 greater than the F-table value (10.97399>3.295) with the F-statistic Prob=0.000050 smaller than the α level (0.05). Conclusion H1 is accepted, which means that there is a significant effect of the variables government expenditures, tax, tax amnesty simultaneously on the GDP variable with a significance level of 95 percent.

CONCLUSION AND SUGGESTION

This study uses the ordinary least square method of analysis with multiple linear regression. The results showed that tax has a positive and insignificant effect on economic growth. Tax amnesty has a negative and insignificant effect on economic growth. Government expenditures has a positive and significant effect on economic growth.

Suggestions from this research are as follows:

1. Tax amnesty results from this research are not significant because tax amnesty is not successful, so the government is expected to make the public, especially big businessmen and entrepreneurs who save their money abroad who are tax free to participate in paying the fine money from tax amnesty, taxpayers and impose sanctions.
2. The government conducts evaluations and investigations on tax riders or business people who put the proceeds from their income abroad to return to their homeland and will be given severe legal sanctions.
3. Research provides suggestions for researchers to use other analytical methods, in conducting similar research. In order to improve for further research.

REFERENCES

1. Ahmed. 2016. Pengaruh pelayanan fiskus terhadap kepatuhan wajib pajak melalui kepuasan wajib pajak (studi pada wajib pajak di wilayah kerja KPP Pratama Blitar). Jurnal Perpajakan (JEJAK), Vol. 11, No. 1, 2016: 1-10.
2. Anitasari. 2012. Pengaruh rasio keuangan daerah terhadap belanja modal untuk pelayanan public.
3. Gujarati, Damodar. 2013. Ekonometrika Dasar. Jakarta: Penerbit Erlangga.
4. Ibrahim, Muhammad Alishahdani, Rita Myrna, Ira Irawati, J. B. Kristiadi. 2017. A systematic literature review on tax amnesty in 9 Asian Countries. International Journal of Economics and Financial Issues, ISSN: 2146-4138 available at http: www.econjournals.com.
5. Parle & Hirlinger. 1986. Evaluating the use of tax amnesty by state governments. Public Administration Review, 246-55.
6. Said, Lina. 2018. Implementation of tax amnesty and its impact on Indonesia economics. Reports on Economics and Finance, Vol. 4, 2018, No. 1, 45–56 https://doi.org/10.12988/ref.2018.815 Hikari Ltd, www.m-hikari.com, Indonesia.
7. Soediyono. 2012. Pengantar Ekonomi Mikro: Edisi Millennium.Yogyakarta: BPFE.
8. Sukirno, Sadono. 2016. Makroekonomi: Teori Pengantar. Jakarta: PT. Rajagrafindo Persada.
9. Tanjung, A.A., Daulay M., Irsad, Ruslan, D. 2019. The impact of monetary and fiscal policy on poverty in Indonesia. Journal of Applied Economic Sciences, Volume XIV, Winter 4(66): 1068-1073. DOI: https://doi.org/10.14505/jaes.v14.4(66).12.
10. Tom, Mutemi Kilonzo. 2009. The effect of tax amnesty on revenue growth in Kenya.

******