

Synergy of Taxation on Economic Development in Indonesia

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Abstract:- The type of qualitative research through the phenomenological approach, the results showed that the tax has an important role to development, the consequences if the tax goes well then it will form the regional independence in To optimize its regional acceptance. The autonomy of the area makes the area to determine its own household and eventually taxes and retribution is used as a source of income. The area's acceptance is derived from the tax and regional retribution. Optimizing the acceptance of this area is very important for the region in order to support the financing of development independently and sustainably. The source of regional acceptance that can ensure continuity of development in the area can be realized in the form of indigenous revenue.

Keyword:- Taxes, Economic Community, Retribution, Synergy.

I. INTRODUCTION

The role of tax acceptance is very important for the country, therefore the Directorate General (Director General) of taxation is a government agency under the Department of Finance that acts as a manager of taxation system in Indonesia seeks to improve Tax reform, which aims to allow the taxation system to be simplified which includes tax rates, untaxable income, and a tax-voting system. In the implementation of tax law, the law number 28 of 2007 about the general provisions and taxation procedures that taxpayers are individuals or entities, such as taxpayers, tax cutters, and tax collectors who have and tax obligations in accordance with the provisions of taxation regulations. The public reaction form can be seen from the taxpayer's willingness to pay taxes. According to the tax law, Indonesia adheres to the self-assessment system which gives the trust to carry out taxation obligations both counting, calculating, paying, and reporting itself the amount of tax owed.

Taxes owed are tax payable in accordance with the provisions of taxation legislation. This system will be actively applied in a country when the condition of the conformity of the law exists in each society has been formed, so that there is a coercion of any party (Agustiantono, 2012). This self-calculation system is also a form of Indonesian Government's efforts to improve the quality of individuals belonging to Indonesian Citizens and to provide full confidence to the taxpayers to enroll In the Tax Service office (KPP) which will then obtain the Tax base number (NPWP), count the amount of the nominal to

be paid, deposit the result of the calculation, as well as to report its exposure obligations by mail (SPT) that has been shared by the Directorate General of Taxation (tax Director general). The Law on taxation clearly lists the obligation of the taxpayer paying the tax, if it does not fulfill the obligation then the sanction is expressly imposed. Sanctions are required to provide lessons for those who violate taxes. Therefore, it is hoped that taxation regulations are adhered to by taxpayers. Paying taxes is not an easy and simple act of paying to get something for the community. Basically nobody enjoys paying tax activities such as enjoying shopping (Hardaya, 2013). Some factors such as public awareness in paying taxes, knowledge and understanding of taxation regulations, good perception of the effectiveness of the taxation system, and the Poatnika service in serving the needs of taxpayers, have Likely to affect the taxpayer's willingness to pay taxes.

To organize the government and implement the development of the State, it takes enormous funds. The necessary funds increase with the increase in development needs itself. In an effort to reduce the dependence of external sources, the Indonesian government continuously seeks to increase the source of internal development financing, one of the sources of internal development financing is tax.

Tax pursuant to article 1 of Law No. 28-year 2007 on general provisions and procedures of taxation is a mandatory contribution of those who are owed by a personal person or a forced body under the law, by not obtaining For the benefit of people's prosperity. In addition, the tax is a dues of the people to the State Treasury based on the law that can be imposed by not getting reciprocal directly and used to pay general expenditure (Mardiasmo, 2011). According to the Official (2002) tax is imposed by the State both the central government and local governments based on or with the force of legislation and rules of implementation, which is allocated for government expenditures, Which, if from its insertion, there is still surplus, used to finance public investments.

Based on the opinion of the experts, the tax is the contribution of the people to the State treasury based on the taxation law is forcing and does not get the reward directly. Taxes are the largest source of income for the country. Taxes play an important role for Indonesia's economy and development. Taxes also play an important role for the survival of the nation. Most of the country's expenditure budget (APBN) and regional expenditure budget (APBD)

are derived from taxpayer levy. In addition, tax roles for a country strongly support the course of government wheels and development financing. Awareness of paying taxes should be introduced to the public early. The more diligent the community pays the tax, the development of infrastructure will be more developed and smooth. Micro Small and Medium Enterprises (MSMES) is a business unit that is managed by the community and family that majority of Indonesian business people. The SME has a strategic role in national economic development, because in addition to contributing to the national economic growth, it can also be a large number of workers and promote the growth of exports (Lusty, 2012). Micro and Medium Enterprises (MSMES) are the most important part of the economy of a country or region, and Indonesia is no exception. MSMES contributes about 99 percent in the number of business entities in Indonesia and has a 99.6 percent supply in labor absorption. SMES have many important roles in the economy. One of the most crucial role in economic growth is to stimulate economic dynamization.

➤ *Problem*

How the tax role in encouraging development in Indonesia.

II. LITERATURE REVIEW

❖ *Tax Function*

1. *Tax History*

The history of tax collection underwent a change from time to time in accordance with the development of society and country both in the state and in the field of social and economic. At first the tax was not a vote, but only a voluntary grant by the people to the king in maintaining the interests of the State, such as maintaining state security against enemy attacks from the outside, making way for the public, financing Government officials and so on. For people who do not make deposits in the form of *Natura*, he is obliged to do the job-the job for the public interest for several days in a year. People who have high social status including wealthy people, can free themselves from the obligation to do the work for the public, by paying the compensation. The amount of the indemnity payment is determined in accordance with the amounts of money required to pay others replacing the work, which is supposed to be done alone by the rich people who have a high social status and the people The rich.

2. *Tax Definition*

According to Prof. Adriani Tax is a contribution to the state (which can be imposed) that is owed by the obligation to pay according to the regulations, with no return accomplishment, which can directly be appointed and the point is to finance General expenditures relating to state duties to conduct government.

Dr. Soeparman Soemahamidjaja (in a dissertation at the University of Padjajaran in 1964) argues that taxes are

mandatory dues, of money or goods, imposed by rulers based on legal norms, in order to cover the cost of production of goods and Collective services in achieving the general welfare.

As for Rochmat Sumitro argued that taxes are a dues of the people to State Treasury based on legislation (which can be imposed) by not getting lead services (counter-accomplishment), which can directly be demonstrated and which is used to Pay a general expenditure.

The tax is defined as a levy by the government based on legislation, which results are used for general expenditure financing of the Government, whose services are not directly awarded to the payment, and its implementation where it needs to be enforced.

Taxes are one form of state income which contributes the largest percentage compared with other sectors of income. Therefore, the success of a country in collecting taxes from its citizens will generate economic stability from the country concerned. But in fact, the citizens who carry out their obligations as taxpayers are still lacking so that the government always play an active role in the tax collection through various programs or work plans that include Sunset Policy.

In addition to taxes, there are also known various dues imposed on citizens. But the dues are different from taxes, such as the levy which in general the relationship with the return accomplishment is direct. Because the payment is intended to be solely by the payer to obtain a certain achievement from the government.

The tax law, also called the law of fiscal, is the whole of the regulations that include the authority of the Government to take away the wealth of one and surrender it back to society by through the State treasury, so that it is Part of the public law, which governs the legal relations between the State and the persons or entities (law) who are obligated to pay taxes (hereinafter referred to as taxpayers).

3. *Tax Function*

Taxes have a very important role in the life of the nation and state because of its function. In general the tax has two functions, namely the budget function and set functions.

a. *Budgetair Function*

Budget function is a financing function for the development and maintenance of the country. Typically, tax receipts as the implementation of budgetary functions are reflected in the APBN.

b. *Regulerend Function*

In addition to carrying out the state acceptance function, the tax also serves as a *Ekonomi-politik* policy tool that will affect the economic growth or growth rate of public consumption. For example, to protect domestic production, the country can apply customs tariffs, so that the purchasing power of low-income people, countries can

provide facilities in the form of tax borne government and so on.

Taxes with various facilities and lightening offered also be an effective means to maintain stability and become a good revenue redistribution tool. A good tax-collection system, fair taxation rules and professional support are the pillars of tax as a means of redistribution of empowered income. Taxes that are managed and accounted for well are the means of the common good and welfare (Yustinus Prastowo, 2009:9).

While in Erly Suandy (2008:13-14) Not much different from the above opinion that the tax basically has two functions, namely:

- a. Budgetary/financial function is to put as much money into the state treasury, with the aim to finance the country's expenses. The acceptance of the tax sector today becomes the backbone of the state's acceptance in the State budget (APBN). In an effort to improve the acceptance of taxation, the Government consistently performs various housekeeping, both aspects of policy and system aspects and tax administration through:
 - 1) Amendment of taxation law;
 - 2) Modernization of tax offices;
 - 3) extensibility and intensification;
 - 4) Extra efforts in tax check and collection;
 - 5) Integrated database development;
 - 6) Provision of services through the utilization of information technology; and
 - 7) Enforcement of Officers ' code of ethics to improve discipline and good governance of tax.
- b. Regulerend function/regulating tax is used as a tool to manage both the community both in economic, social and political areas with a specific purpose. The tax used as a tool to achieve certain objectives can be seen in the example as follows:
 - 1) Granting of tax incentives (e.g. tax holiday, accelerated depreciation) in order to increase the inventory of both domestic and foreign investments.
 - 2) The imposition of export taxes for certain products in order to meet domestic needs.

III. RESEARCH METHODS

Types of qualitative research through the phenomenological approach.

IV. DISCUSSION

"Tax talk, concerning the self-reliance economy of a nation measured by the independence of government expenditure financing reflected in the State budget (SOETRIESNO; 1984, author of the book).

Can be taken explanation from the quotation above. That the independence of the State budget also affects the stability of the world economy then relatively fast to do economic recovery. The understand and ideological

ideology of labor finance will reduce pressure on direction, objectives, and national development goals, so that the goal of independence will be achieved faster. A self-reliant country budget if all government expenditures themselves. One of the government's ability to raise communities is through a tool to measure a measuring object or collect data about a tax variable.

1. The Role of Tax in Development

When talking about the role of tax in the economy, it will directly relate to economic efficiency and revenue distribution. Why so? First, as some of the tax revenues are utilized by governments to build infrastructure, such as highways, bridges, and other infrastructures to accelerate the pace of the economy. By accelerating the economy, economic efficiencies are expected to be realized.

Next from the revenue distribution side. We can take reference to the imposition of income tax rate. Please be aware that the income tax rate using progressive principle means the greater the income of one, the greater the tax imposed on it. The application of progressive tax rates is expected to meet aspects of fairness in revenue distribution.

Then this aspect is realized in the form of development of public facilities, such as education, health, housing, and the staff, whose benefits can be enjoyed by all walks of life.

2. Tax from Year 2018

The tax recorded tax revenues reached Rp 760.57 trillion until 20 August 2018. This realization equals 53.41 percent of the 2018 target of Rp 1,424 trillion. Director general of Tax Robert Pakpahan stated, the amount rose 10.68 percent from the position of acceptance of 31 July 2018. Then when compared to the same period in 2017 the figure also increased by 15.49 percent. Based on the type of industry, acceptance from various major sectors also demonstrates growth. Where the processing and trading industries are the two sectors the biggest contributor of acceptance grows respectively 13.08 percent and 29.75 percent. Meanwhile, the projected tax revenues of 2019 based on the Outlook of Rp 1,572.3 trillion was assessed a realistic target to achieve. Where the growth rate reaches 16.4 percent of the realization view this year.

Tax acceptance of the first Semester of the APBN 2018 has reached 40.4 percent of the target of the APBN 2018 or better than the same period in 2017. This suggests that dynamics and economic activity are increasing, because people are unlikely to pay taxes if the economy does not grow. Sri Mulyani delivered this during the press release date of 17 July 2018 about the BUDGET Performance and fact (APBN KiTa) for achievement until June 2018.

Overall, in this semester 2018, the APBN 2018 showed positive performance. When compared to last year, state revenues grew by 16 percent and state spending absorption grew by 5.7 percent. With such achievement,

the primary balance or state acceptance minus the spending of the country outside of the debt interest payment experienced a surplus of Rp 10 trillion, better than last year that had a deficit of Rp 68.2 trillion. As for the overall deficit is Rp 110.6 trillion, smaller than the last year of Rp 175.1 trillion. With a declining deficit, debt financing of the first semester 2018 was also smaller that amounted to Rp 176 trillion compared to the last year reaching Rp 207.8 trillion.

3. Tax Benefits for Society and the State

Tax is the mandatory contribution of the people to the owed country, whether as a private person or a forced business entity under law, by not obtaining directly and in use for state Prosperity of people. Tax payments are an embodiment of obligations and roles and taxpayers to participate directly and jointly implement state financing and national development. According to the philosophy of taxation law, paying taxes is not only an obligation, but it is the right of every citizen to participate and participated in state financing and national development.

National development is a continuous and ongoing development that aims to improve the welfare of the people both materially and spiritually. To be able to realize this goal, the state must dig the source of funds from within the tax form.

Benefit from the use of taxes ranging from employee spending to financing various development projects. Construction of public facilities such as roads, bridges, schools, hospitals, health centers, and police stations are financed from the tax. Infrastructure development, tuition fees, health costs, fuel subsidies, negary officers ' salaries, and public facilities development are all financed from taxes. The more taxes are imposed, the more facilities and infrastructure are built. Therefore, taxes are spearheading the development of a country. So, it is appropriate to be a good citizen to obey the tax. The Indonesian government has provided convenience to the public to pay taxes.

With the equitable development of all Indonesians can feel the benefits and tax functions. From the economic aspects of the people of Indonesia can make it easier to export to various countries.

4. Importance of Paying State Taxes

During this continuous development undertaken by the Government is no other purpose for the welfare of the people. Well, of course, it requires a budget that is not playful. To realize the development need to dig a source of funds originating from the country, namely tax. Taxes are used to finance development that is useful for common interests.

Tax is the dominant source of acceptance of funds in the State budget (APBN). Nearly 70% of receipts from government funds came from the tax sector. State revenue from year to age has always increased. Because the community's standard of living will increase when the budget also increases.

We as citizens should be proud to pay taxes. Because tax is the income of the state that can be said to boost the revenue of the country so that we can feel the development of government that later also useful for the common interest.

5. Relationship between Tax Function and Regional Development

Development in an area is intended to build a whole community, therefore it is hoped that the development will not only pursue the regional progress, but it covers the overall aspects of the life of society that can run in harmony and Balanced in all areas in order to create a fair and prosperous society that is evenly material and spiritual. National development and regional development are the responsibilities of the citizens and their people. In relation to regional development in the framework of regional autonomy, regional income becomes very important because it can improve the life and welfare of the community. With a harmonious and integrated regional development with good development planning, efficient and effective, it will create regional independence and equitable progress throughout the territory of Indonesia.

The implementation of the development in the area depends heavily on local revenue as well as the management of the area itself. The presence of Law No. 12 of 2008 on the Second Amendment to Law No. 32 year 2004 on local governments brought such a major change to the implementation of regional development. It expressly authorizes the region to organize and manage the interests of local communities according to its own initiative based on community aspirations or in other words the region under Law No. 12 of years 2008 has been granted autonomy. Government efforts to build should be improved by conducting coaching and directing to all communities so that it can materialize the purpose of the development itself, in addition to community participation to support the smooth process Development. To implement sustainable development, the region/city is more demanded to be able to dig as optimally as possible financial resources, such as; Levy or levies which are the sources of indigenous revenue, as referred to in Law No. 32 of 2004. Taxes that are imposed by the state will be used to finance all public interest, as well as to finance the development so as to open employment opportunities, which will eventually be able to increase public income.

One source of regional genuine income (PAD) is the local tax that has a very important contribution in financing government and regional development because local tax is beneficial in improving the acceptance capability of PAD and also encourages Rate of regional economic growth (Rina Rahmawati Ruswadi, 2009:18).

Local tax is a type of tax imposed by the local government and used to finance its regional households. According to Law No. 28 of 2009 on local tax and regional restrictions, regional tax hereinafter referred to as a mandatory contribution to the area owned by a private person or a compel-based entity, with is not rewarded

directly and used for regional purposes for the greatest prosperity of the people. In this case the characteristics of the tax area include (Kaho, 1995) in (Imam Mukhlis, 2010:2); Local tax is derived from the state tax submitted to the area as local tax, the submission is made based on legislation, local tax imposed by the region based on the power of laws and/or other legal regulations, the results of the levy Regional taxes are used to finance the implementation of regional household affairs or to finance regional expenditure as a political legal entity. In this case there is a benchmark to assess the local tax, such as (Davey, 1988) in (Imam Mukhlis, 2010:2); Outcomes, fairness, economic power, ability to carry out matches as a source of regional acceptance.

Tax is a major source of state acceptance. Without tax, most state activities are difficult to implement. Likewise with the region, along with the enactment of regional autonomy, the area also has its own responsibility to manage its exposure. The use of tax money includes ranging from employee spending to financing of various development projects. Development of public facilities such as roads, bridges, schools, hospitals/health centers, police stations financed using money derived from taxes. Tax money is also used for financing in order to provide security for all walks of life. Every citizen begins when he is born until he dies, enjoying the facilities or services of the Government that all are financed with money derived from taxes. It is thus clear that the role of tax acceptance for a region becomes very dominant in supporting the course of government wheels and financing development.

6. Tax Function on Regional Development

Under Law number 32 year 2004 about local government, regional autonomy is the authority of the autonomous region to regulate and manage the interests of local communities according to its own initiative based on the aspirations of the community in accordance with Legislation. The autonomous Region, hereinafter referred to as the area, is the unity of the legal community that has the boundaries of the area that is competent to govern and manage the affairs of local Government and interests according to its own initiative based on Community in the unitary State system of the Republic of Indonesia.

In law No. 28 of 2009 can be differentiated into two types, namely provincial tax and District tax.

a. The provincial tax type consists of:

- 1) motor vehicle tax;
- 2) Reimbursement of motor vehicle name;
- 3) motor vehicle fuel tax;
- 4) surface water tax, and
- 5) cigarette tax.

b. The district/city tax type consists of:

- 1) Hotel tax;
- 2) restaurant tax;
- 3) tax Hibura;
- 4) tax on billboards;
- 5) tax on street lighting;
- 6) Non-metallic and rock Mineral taxes;
- 7) Parking Tax;
- 8) groundwater tax;

- 9) tax Nest Swallow;
- 10) Earth and rural buildings tax, and
- 11) The acquisition of rights on land and building.

Pursuant to Act No. 28 year 2009 concerning amendment to law number 34 year 2000 concerning local tax and regional levy, the local tax is a mandatory contribution to the area owned by a private person or entity Which is pushy under the law, by not getting directly rewarded and used for regional purposes for the maximum prosperity of people. [8] From that definition it is clear that local taxes are mandatory dues that can be imposed on everyone (taxpayers) without exception. It is confirmed that the results of this local tax are for the implementation of Government and regional development.

The implementation of legislation on regional autonomy and fiscal decentralization brings consequences to regional independence in optimizing the acceptance of its region. The autonomy of the area makes the area to determine its own household and eventually taxes and retribution is used as a source of income. The area's acceptance is derived from the tax and regional retribution. Optimizing the acceptance of this area is very important for the region in order to support the financing of development independently and sustainably. The source of regional acceptance that can ensure continuity of development in the area can be realized in the form of regional genuine income (PAD).

PAD has an important role in the framework of financing development in the region. Based on the potential that each region has, the increase in acceptance of this PAD will be able to improve the area's financial capabilities. Along with the development of the economy is increasingly integrated with the national and international economy, the regional ability to optimize the utilization of the sources of acceptance PAD becomes very important (Imam Mukhlis, 2010:3).

As explained (Rochmat Soemitro, 1990:53-54) states that the use of tax proceeds, through regulated government expenditure varies, may affect the economic sphere. Also taxes can be used to encourage, improve, develop the capital market as never done by the Republic of Indonesia. Combining tax discretion with monetary discretion, debt wisdom and balance of payments, can have a huge impact on the state's economic state. The use and utilization of tax is entirely located at the government. Taxes that are heavily affected by the public can refer to the economy, the pattern of life can change because of that, consumption patterns can also shift.

From the above exposure if we can conclude that the tax has an important role to the development of the area. As in the explanation of the law No. 28 of year 2009 that it is expected with this law that taxes can provide additional to regional income to avoid dependence on the center. [9] The previous law of law No. 34 year 2000 only provides autonomy for the region in managing local tax but the district authority has not been maximized in obtaining PAD from tax.

With the tax levy and the public awareness of an area to pay tax in accordance with its obligations, the area will be developed with the forward and the community will prosper, because the tax is used and given to Community interests such as:

- School development;
- The construction of hospitals;
- Highway construction;
- Market development;

Success in terms of taxation is certainly there must be cooperation between the Government as (Fiscus) and also the community. So the government optimizes the outcome of such taxes for the country's interests and welfare of the people, not even the tax was compromised. In any case, people have to be aware of the importance of tax because the tax that has to be paid is usually the company or the body of the government with the tax Officer (Fiscus) as it is now much happened.

7. Role of Tax in Development

The government has lately made various efforts to increase the acceptance of the tax sector. Determination of a very high acceptance target and always increasing significantly from year to year is one of the evidence, tax is a primadonna for the country's revenue source.

The need for funding to run government wheels and public services, as well as the increasingly limited alternative financial resources of the State, did require the government to increase the acceptance of the tax sector. No wonder the current tax plays a very important role in the state acceptance structure.

For the year 2007 the proportion of tax revenues is estimated at 70.7 percent of the state BUDGET. From that magnitude can be imagined, how important the tax for the passage of government system and ability to provide services to the community.

Taxes, conceptually, has two main functions, namely budget function, and regulation. The budget function relates to the role of tax in supporting all government activities and public services. While the regulatory functions are tax-related to regulate the allocation of economic resources, economic stability, income distribution for various groups of people, and consumption.

In this function, tax is one of the instruments that can be used to regulate the economy, so that the dynamics of the national economy goes as expected. There are still people who associate tax payments with direct benefits received.

8. Distributing

The utilization of tax funds is stipulated in the State BUDGET. The fund of the APBN is distributed to each department as the responsible utilization of the Fund. In other words, the tax paid will return to the community in the form of public facilities given by the government. For example damaged road repairs and toll road construction,

national education organizing, public health maintenance, natural disaster management, defence and security.

Tax system is said to be effective when taxes are able to provide maximum benefits for community development and welfare. This will happen if, firstly, adequate, so as to support various government activities to perform the function of Government and public service. Secondly, the structure reflects fairness in taxation, meaning richer people are subject to higher tax burdens compared to poorer people. Thirdly, its use is on target. Government duties, convincing the community if taxes imposed from the community fulfill the Azas justice in taxation.

V. CONCLUSION

Tax is expected to provide maximum benefit for the development and welfare of the community. This will happen if, firstly, adequate, so as to support various government activities to perform the function of Government and public service. Secondly, the structure reflects fairness in taxation, meaning richer people are subject to higher tax burdens compared to poorer people. Thirdly, its use is on target. Government duties, convincing the community if taxes imposed from the community fulfill the justice of the Fairness in taxation

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