

Analysis On the Implementation of Income Tax Article 21 Incentives Policy for Taxpayers Affected by The Covid-19 Pandemic

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Abstract. In response to the crisis caused by Covid- 2019 outbreak, the government issued the Minister of Finance Regulation Number 23/PMK.03/2020 regarding tax incentives for taxpayers affected by the coronavirus outbreak as part of the national economic recovery program, which along with the pandemic situation has been amended or replaced several times. One of the incentives provided is the Income Tax Article 21 incentive. This research examines to give a comprehensive review and analysis of the implementation of the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 Pandemic and the problems encountered throughout the policy's implementation. This study uses a descriptive qualitative approach to explain objectively, in detail, and in-depth the results obtained. Observation, in-depth interviews, and documentation techniques were used in collecting the data. This study indicates that although the Income Tax Article 21 incentive is beneficial for the recipients in spending during the pandemic, its implementation faces various challenges. In terms of the realization of this incentive, it is relatively low compared to the initial budget allocation, so it is doubtful that it will provide the expected multiplier effect on economic growth, as the objective of this policy. Thus, the improvement in economic and public consumption growth cannot be linked directly to the contribution of the Income Tax Article 21 incentives policy alone because many other things and policies can affect the economy.

Keywords: Covid-19; Income Tax; Tax Incentive; Policy Implementation

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INTRODUCTION

The World Health Organisation (WHO) declared SARS-CoV-2 epidemic disease as coronavirus disease 2019 (Covid-19) (Ge et al., 2020). The WHO formally announced the Covid-19 epidemic on March 11, 2020, as a pandemic due to the disease's global spread and seriousness (Açıkgöz & Günay, 2020). The coronavirus outbreak has led to an unprecedented health crisis and economic slowdown in modern history (OECD, 2020b). Indonesia initially reported the Covid-19 case on March 2, 2020, with two positive instances, and the total has increased to 1,414 positive cases by March 30, 2020, according to statistics from the Task Force for the Acceleration of Covid-19 Handling (Idhom, 2020).

The Covid-2019 epidemic is a national crisis that threatens national economic stability and productivity. It causes long-term instability, causing investment to decline and business to cease. Economic growth has also been hampered because of the epidemic caused by the Covid-19. The

slowdown in economic growth can be seen from the quarterly cumulative growth rate of gross domestic product (GDP). Based on economic growth data obtained from Statistics Indonesia (BPS), the economic growth in the first quarter (Q1) of 2020 is 2.97 percent. This figure reflects a substantial decline from the preceding quarter's 4.97 percent GDP growth. Economic growth slows drastically in the second quarter (Q2) of 2020, falling to -5.32 percent annually (YoY). It was worse than the 2.97 percent in the first quarter of 2020 and 5.05 percent in the second quarter of 2019.

Covid-19 also profoundly affects the purchasing power or household consumption, representing a 60 percent contribution to the economy. According to Statistics Indonesia (BPS) data, household consumption decreased by 5.02 percent and 2.84 percent in the first quarters of 2019 and 2020, respectively. The decline in the consumption and purchasing power of the people has had a systematic impact on the business world. The low absorption of consumption has resulted in business actors carrying out efficiency, such as reducing the quantity of production, reducing the selling price of goods, and reducing production costs.

All countries have experienced this disaster's effects so that all government has paid attention to various sectors to suppress turmoil in society over this outbreak's impact. According to the OECD (2020b), there are challenges in developing policies related to pandemics. It must meet several objectives, including supporting measures to alleviate the health crisis, limiting the detrimental impact on households and industries from containment and reduction steps, promoting economic stability, making sure that the recovery from the recession is as smooth as possible, and reinforcing the resilience of health and economic systems. Regarding financial problems, the government strives to ensure that every household has purchasing power and that each business entity has the liquidity to survive amidst various pressures. In this regard, taxation policy is an option that is often used by various countries (OECD, 2020b).

Tax incentives are one of the measures used by the Indonesian government to combat the economic slowdown caused by the Covid-19 pandemic. One of the tax functions is raising state revenue and using it for the development of the country. However, according to Mardiasmo in Budhiartama (2016), tax can also be used to regulate or enforce government actions in economic and social matters. Thus, in response to the crisis caused by the coronavirus disease 2019 outbreak, the government published a new provision on March 21, 2020, under the Minister of Finance Regulation Number 23 of 2020 (PMK-23/PMK.03/2020) regarding tax incentives for taxpayers affected by the coronavirus outbreak. This legislation attempts to preserve economic growth stability, consumer buying power, and productivity in specific industries affected by the

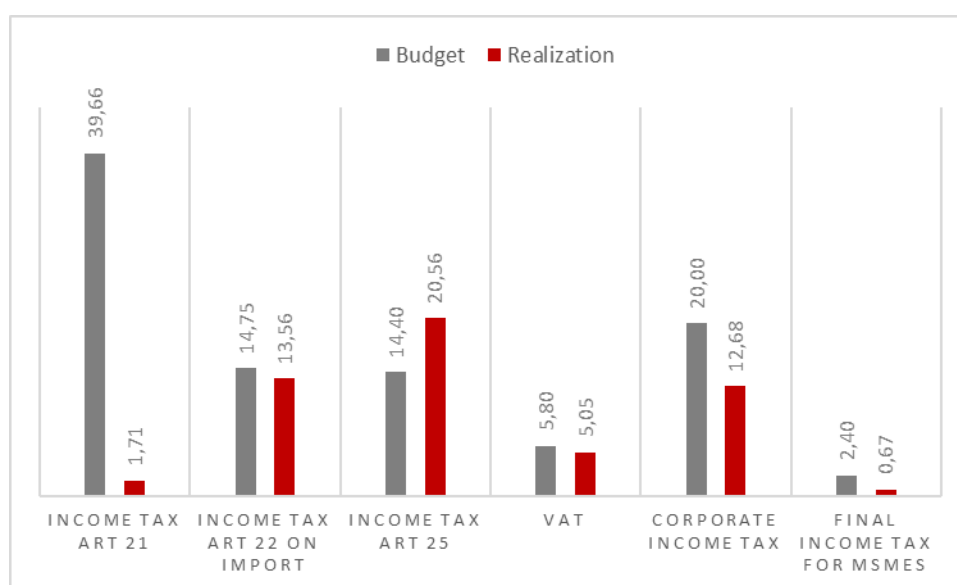
coronavirus epidemic. Furthermore, along with the pandemic situation, this regulation has been amended or replaced several times, most recently through Minister of Finance Regulation Number 9 of 2021 (PMK-9/2021).

The Income Tax Article 21 borne by the government is one of the incentives for the business sector provided in the regulation. As a part of the National Economic Recovery program (PEN), the allocation of funds prepared by the government for this incentive is 39.66 trillion Rupiah (consist of an initial budget of 25.66 trillion Rupiah plus an additional for expansion of the business sector of 14 trillion Rupiah), which is the largest allocation of the government's total tax incentive budget of 123.01 trillion Rupiah for the business sector (Pangastuti, 2020). The recipient of this incentive is the employee who works for an employer who has a Business Field Classification code (KLU) as listed in the attachment of the regulation. Employees eligible for this incentive are taxpayers with a gross annual income of less than or equal to 200 million rupiahs. This incentive will affect the income that each employee will receive. Usually, an employee's income will be deducted by Income Tax Article 21. However, with this incentive, the government will bear income tax, and employees will receive their take-home pay in full amount without tax deduction. As a result, the extra money is anticipated to be spent on consumption or to preserve an employee's purchasing power.

Income Tax Article 21 concerns large amounts of taxpayer base in Indonesia, which is currently still dominated by individual employee taxpayers. According to statistics from the Directorate General of Taxes (DGT, 2020), 13,819,918 registered employee individual taxpayers are obliged to file a tax return in 2019. When compared to corporate taxpayers (1,472,217 taxpayers) and non-employee individual taxpayers (3,042,548 taxpayers), this figure is considerably more significant. Apart from Value Added Tax and Corporate Income Tax, Income Tax Article 21 also contributes the most to tax revenue. In 2019, the revenue was 148,502.31 billion Rupiah, below the revenue of Value Added Tax and Income Tax Article 25/29 from Corporate with 531,560.40 and 252,162.02 billion Rupiah respectively. Thus, with a sufficiently large target recipient, it is hoped that the use of this incentive will have a significant impact on the policy's stated objectives, namely preserving the purchasing power of the people in order to accelerate the nation's economic recovery.

However, business actors have not made extensive use of this policy. Based on the Ministry of Finance data, the total tax incentive realization figure as of December 2020 was recorded at 56.12 trillion rupiahs or only 46.53% of the total budget. The Income Tax Article 21 Incentive has the lowest realization compared to other incentives, where its utilization was

recorded at 1.71 trillion Rupiah or only 4.3% of the total initial budget. It is in contrast to allocating funds budgeted for this incentive, which is the largest allocation compared to the budget for other tax incentives given to the business sector. Meanwhile, per March 2021, the Income Tax Article 21 incentive utilization is still relatively modest, amounting to only 615 billion rupiahs from the 2.82 trillion-rupiah budget. The comparison between the budget and the actual usage of tax incentives in the 2020 National Economic Recovery Program (PEN) is illustrated in Picture 1.



Picture 1.
Realization of Tax Incentives for the business sector in the 2020 National Economic Recovery Program (trillion rupiahs)

Source: BKF (2021), data has been reprocessed

With a sizeable initial allocation budget, the provision of Article 21 Income Tax Incentive is expected to be utilized by large numbers of taxpayers so that it can provide a significant multiplier effect in achieving the main objective of this incentive, namely, to maintain and increase people's purchasing power which leads to accelerating national economic recovery. However, the realization value of the Income Tax Article 21 Incentive's utilization is relatively low compared to its initial budget, indicating challenges in implementing this policy. Therefore, considering the background described, researchers are interested in analyzing the implementation of the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 pandemic. The question of this study is how the implementation of the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 pandemic is? Furthermore, what problems were encountered through the implementation of this policy?

This study reviewed existing literature in both national and international publications to assess the problems in this study. However, according to this review, relatively few studies specifically examine the provision of income tax article 21 incentives for taxpayers affected by the Covid-19 pandemic. The following is some literature related to providing income tax incentives for employees or Income Tax Article 21 incentives in several policies.

The first assessment of the research is drawn from an article published in *The American Economic Review* by Johnson et al. (2006) titled "Household Expenditures and The Income Tax Rebate of 2001". The study estimates the change in consumer spending caused by the 2001 federal income tax deductions and tests the permanent income notion using questions attached explicitly to the Consumer Expenditure Survey. This study uncovered empirical proof that households immediately spent a significant percentage of their 2001 income tax rebates upon receipt. Under conditions of liquidity constraints, expenditure reactions are considerably larger for families with limited liquid wealth or income. Additionally, this study implies that the refunds acted as a significant stimulant to the national economy in 2001, assisting in recovering from the recession.

The second literature review is taken from a thesis written by Hartini (2009) entitled "Analysis on Benefits of Reducing the Individual Income Tax Article 21 Rates and Income Tax Article 21 Borne by the Government Incentives in 2009 for Taxpayers". This study uses secondary data on the number of residents and foreign employees, salary standards based on business fields and positions, salary standards for foreign employees, and the 2009 Provincial Minimum Wage. The analysis concluded that providing a tax stimulus by lowering the Income Tax Article 21 rate is a pro-job and pro-poor strategic approach amid the present global financial crisis. The government intended this tax stimulus to increase workers' take-home pay to increase their purchasing power. However, this noble goal has not fully fulfilled the sense of justice. According to the study's findings, groups of workers who earn a higher salary under the progressive tax rate and income bracket provisions would benefit from a more significant rise in take-home pay.

The last literature review is a journal article by Evi and Pramesworo (2021) entitled "Providing Income Tax Article 21 Tax Incentives during the Covid-19 Pandemic for the Stability of Economic Growth in Indonesia ". This study aims to assess the policy implications of providing Article 21 income tax benefits to taxpayers impacted by the coronavirus (covid-19) outbreak to maintain economic growth stability. The study observes that, while the Income Tax Article 21 incentive does not have a macroeconomic stabilizing effect, it does alleviate taxpayers' tax

burdens, thereby increasing consumption optimism and taxpayer perceptions in the longer run. It analyzes the growth of the economic index components based on the Bank Indonesia's Consumer Survey. After incentives are given, there is a rise in income, an increase in employment availability, and an increase in expenditure on durable goods between April and September 2020.

Prior research on tax incentives for employment policy mentioned above did not examine the policy's implementation in detail, relying on a general theory of policy implementation models. A study of these concerns is necessary since, in general, policy implementation must emphasize the policy's effectiveness (Putera et al., 2020). Some measures to determine that a policy is being implemented effectively include examining the gap between the policy goals intended and the actual results (McConnell, 2015), the performance achieved, and the issues encountered during implementation (Hill & Hupe, 2002). Furthermore, prior research has mainly focused on assessing the benefits of the income tax incentive at different beneficiary levels using quantitative data (Johnson et al., 2006; Hartini, 2009). While the research by Evi and Pramesworo (2021) mainly analyzed policy achievement based on secondary data of economic index components from the Bank Indonesia's Consumer Survey.

The uniqueness of this study stems from the limitations of previous research. Based on prior research summarized above, this study is unique because the analysis is conducted within the context of policy implementation and focuses on implementing the Income Tax Article 21 for taxpayers affected by the Covid-19 pandemic. This study will analyze the implementation of this policy based on the general theory of policy implementation models. This distinction is the novelty of this research, which is intended to advance the study of administration and public policy.

The term implementation is usually defined as an activity carried out to achieve specific goals. In Winarno (2014), Ripley and Franklin state that implementation happens after a law is enacted that gives authority to a program, policy, benefit, or tangible output type. According to Grindle (1980), implementation is a political and administrative process. Political process because implementation involves various policy actors in the decision-making process. Administrative process because implementation goes through general administrative implementation processes, which at some level can be researched.

Moreover, in Subarsono (2015), Edward states that communication, resources, disposition, and bureaucratic structure are all factors that impact policy implementation. These four aspects affect the success of implementing a policy program in achieving its goals. In addition, Sabatier (1986) mentions, after reviewing several implementation research six major

criteria are believed to be significant in determining whether an implementation succeeds or fails, namely: (a) clear and consistent policy goals or objectives; (b) a solid theoretical foundation for policy formulation; (c) a clear legal basis for policy implementation that ensures compliance by officials in the target group's field; (d) commitment and knowledge of policy implementers; (e) stakeholder assistance and (f) stability of economic, social, and political conditions.

The purpose of this study is to give a comprehensive review and analysis on the implementation of the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 pandemic and the problems encountered throughout the policy's implementation. This research is intended to advance the study of public administration and policy, particularly those that deal with the implementation of public policies.

METHODS

This study employs a qualitative approach in conjunction with a descriptive method. A qualitative approach is used to comprehend the phenomena holistically experienced by research subjects through descriptions and various natural methods (Moleong, 2018). Neuman (2014) states that descriptive research describes the situation, social situation, or relationship explicitly. Descriptive research departs from a problem formulated in questions and produces answers to questions and explains them in detail. For this reason, this study focuses on the actual problems that occur during the research. Researchers chose descriptive analysis based on the research objectives to understand the implementation of the Income Tax Article 21 for taxpayers affected by the Covid-19 Pandemic and the problems encountered throughout its implementation.

The data collection method utilized in this study is documentation review, which involves reading and collecting data from taxation legislation, policy regulations, papers, journal articles, books, news, and browsing the internet to get data and perspectives from various parties connected to the research issue. To supplement the data, researchers conducted in-depth interviews with key personnel from the Fiscal Policy Agency (FPA), the Directorate General of Taxes (DGT), tax practitioners, and taxpayers. Interviews are done following the interview guidelines that have been developed.

In conducting the analysis, three stages were carried out, namely simplifying (reduction) of data, presenting data, and drawing conclusions. After collecting data from various sources such as books, journals, and articles, the researcher will classify and separate it from unnecessary data. The goal is that researchers can focus and direct attention to data that is directly related to the research topic. The sorted information is then read repeatedly, and a list of questions that are

relevant to the phenomenon to be studied is made. The answers from the key informants to the questions posed by the researcher, along with the sorted data, were then analyzed and compared with the theories used. Furthermore, the researcher will conclude the analysis of these data.

RESULTS AND DISCUSSION

Implementation of public policy is among the phases of the public policy process and a critical area of research. It is critical because regardless of how excellent a policy is, its implementation is not properly prepared and planned, its goals will not be achieved. Additionally, regardless of how well designed and planned the implementation of a policy is, if it is not correctly formulated, the policy goals will not be achieved (Widodo, 2007).

There are many theories from experts who provide models in policy implementation, including Merilee S. Grindle (1980), Daniel A. Mazmanian and Paul A. Sabatier (1983) and George C. Edwards III (1980). However, in measuring the success of implementing the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 Pandemic, the researcher emphasizes the concept of policy implementation from Ripley and Franklin (1986). The researcher uses this theory because this research is carried out when the implementation of the policy is in progress so that it places more emphasis on the process that occurs. Ripley and Franklin argue that the criteria for measuring the success of policy implementation are based on three aspects, namely the level of compliance with applicable regulations, smooth implementation of routines, and achieving the desired goals and objectives of the policy (Tahir, 2014). Of the three indicators, it will be analyzed whether there are problems encountered related to the implementation of this policy.

Compliance level analysis

Implementer compliance is one of the measuring tools to see the success of policy implementation. Likewise, with the implementation of the Income Tax Article 21 borne by the government incentive policy, if the implementor apparatus does not comply and the individuals who are the policy's target do not comply with the rules that have been set, the policy's implementation will fail. Turner and Hulme (1997) argue that one of the criteria affecting policy implementation success is compliance with the agreements and objectives set during implementation, where such compliance has a positive effect on policy implementation success.

The Income Tax Article 21 borne by the government incentive policy is implemented based on the laws and regulations that have been set, which the implementor and the target group must

carry out. The compliance from DGT as the implementers in implementing this policy at the operational level is quite good. The implementers are running it according to policy rules and directives from the central leadership and superiors. It is partly because the entire administrative process of this policy is provided electronically by the system through a special channel on the DGT official website.

According to Ripley in Rachmawati (2015), an approach that focuses on the compliance of the target group is also an essential element in determining the success of policy implementation. In implementing this policy, the non-compliance of the target group that occurs is related to formal compliance with the obligation to submit reports on the realization of incentives. Assistant Minister of Finance for Tax Supervisory Nufransa Wira Sakti said the results of the DGT survey showed that there were still taxpayers who took advantage of tax incentives but had not reported the realization. From the results of the DGT survey, 6,107 respondents use tax facilities from the government. Of this amount, as many as 84% of respondents have reported the realization of incentives. As much as 16%, the rest have not submitted a report (DDTCNews, 2020a). Hestu Yoga Saksama conveyed the same thing. At that time, the Director of Dissemination, Services, and Public Relations stated that the compliance rate of taxpayers who submit reports on the utilization of tax incentives is still far from 100%. It has an impact on the absorption of the tax incentive budget. So it is true that taxpayers who have received approval to get incentives still need to improve the level of reporting compliance because, on average, only 73%-75% routinely report realization (DDTCNews, 2020b).

Based on this description, the level of compliance of policy implementers is quite good because the administrative process related to this incentive policy is entirely carried out electronically through the online system. However, from the side of the incentive recipients, the submission of reports on the use of incentives is still fraught with non-compliance, which can hinder the implementation of this policy, especially regarding the absorption of the incentive budget.

Smooth Execution of Routines

The success of policy implementation can be seen from the smooth execution that has been carried out in achieving policy objectives. It means that there are no problems that arise in the implementation process. The smooth implementation of the policy shows the process and its execution in the right corridor and carried out as it was designed. The implementing entity for the Income Tax Article 21 incentives for taxpayers affected by the Covid-19 pandemic is the DGT. It is because the DGT is the authority responsible for managing the central government's tax

administration. Moreover, the provision of incentives for Income Tax Article 21 borne by the government is provided through the administration of withholding Income Tax Article 21. Thus, the apparatus has understood the main tasks and functions related to the implementation of this policy.

Some of the routine programs in implementing this policy are socialization and dissemination related to this policy to the public and the supervision of the taxpayer compliance in using this incentive. The pandemic is an obstacle in the socialization and dissemination related to this policy, where it is not possible to carry out activities directly face to face. The online method has limitations that cause the delivery of information to be less than optimal. However, DGT has taken alternative ways to do this, such as sending information via email blast, social media, publications through print and online media, and surveys related to implementing the national economic recovery program conducted on strategic taxpayers. Also, in conveying this incentive policy, the DGT's official website, www.pajak.go.id, has prepared a special page called the "Directorate General of Taxes Responding to COVID-19", which can be accessed and downloaded by anyone. On this page, DGT provides all information related to announcements, press releases, regulations, and information related tax incentives provided to reduce the impact of Covid-19. The page also explains in simple terms various things such as the criteria for utilizing incentives, how to apply for incentives, the deadline for using incentives, and how to report the use of incentives.

In July 2020, the DGT conducted a national economic recovery survey (PEN-DJP survey) to determine how effective the National Economic Recovery program policies are, including tax incentive policies for the business world. The survey was attended by 12,822 strategic taxpayers, where most survey participants were decision-makers/managerial positions such as business owners, directors, commissioners, and managers. Based on this survey, most respondents who knew about the tax stimulus program stated that they received information through the DGT website (63%), online news portals (53%), and social media (44%). Based on this data, the special channel provided by DGT is beneficial for the public in obtaining information related to tax incentives for the business world, including the Income Tax Article 21 incentives for taxpayers affected by the Covid-19 pandemic.

The implementor is also tasked with supervising taxpayer compliance in the use of this incentive. Rudi Wijaya, DGT Tax Counselor, explained as follows: "Now there is monitoring through an application, every month it is monitored if the taxpayer does not report it, it means he is considered not to take advantage of the incentive, then Account Representative will be billed

the payable tax, the SOP for supervision uses the SP2DK (clarification letter) mechanism". Another informant, Ikram, Account Representative, explained the same thing as follows: "Supervision is carried out on the Monthly Incentive Utilization Realization Report if anyone has not reported it, the supervision procedure, clarification, is carried out to taxpayers through the SP2DK mechanism". However, In the implementing guidelines (SE-47/PJ/2020 regarding Instructions for Implementing of the Minister of Finance Regulation Number 86/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic as Amended by Regulation of the Minister of Finance Number 110/PMK.03/2020), the procedure for supervising Income Tax Article 21 incentives only regulates supervision related to formal requirements in the form of conformity of taxpayer's Classification of Business Fields code (KLU) with those required in the regulations. There are no implementing regulations regarding supervision over submitting incentive realization reports and supervision of its material compliance.

From the description before, it is known that the implementation of socialization and dissemination of this policy is constrained by the pandemic situation, which causes the delivery method to be carried out online so that there are limitations that result in the delivery of information to the public being less than optimal. However, based on the survey conducted, the provision of a special channel on the official DGT website successfully disseminated information related to this incentive. For supervisory activities, based on the implementing rules, there are only implementation guidelines for supervision of formal compliance. No supervision on material compliance has been carried out.

The Achievement of Desired Goals and Policy Objectives

The provision of tax incentive policies for the business sector in the national economic recovery program generally aims to protect, maintain, and improve the economic capacity of business actors in running their businesses during the Covid-19 pandemic. In particular, the provision of the Income Tax Incentives Article 21 aims to maintain and increase people's purchasing power to provide a significant multiplier effect to economic recovery.

The success of this policy implementation also can be seen from the extent to which the impacts or goals that have been set can be achieved. The Income Tax Article 21 Incentives borne by the government are part of the tax incentive policy package for taxpayers affected by the Covid-19 pandemic regulated in a Minister of Finance Regulation. From the perspective of the underlying legal basis, the main objective of the tax incentive policy for taxpayers affected by the

Covid-19 pandemic is to maintain stability in economic growth, people's purchasing power and the productivity of certain sectors connected with the impact of the Covid-19 outbreak.

The Income Tax Article 21 borne by the government incentives has been implemented since April 1, 2020, through PMK-23/2020 and is still being given until June 2021 through several changes and or replacement of the PMK. From the third quarter of 2020 to the first quarter of 2021, economic growth and public consumption growth indicators have increased, although they are still in a negative corridor. However, of course, many things affect the increase in these indicators. As part of the National Economic Recovery (PEN) program, this incentive is one of the policies issued to maintain economic stability in the pandemic condition, together with other policies to maintain people's purchasing power. On the demand side, the government implements other policies as part of the PEN program for social protection in the form of Conditional Cash Transfer Program, Basic Foods, Social Assistance - Jabodetabek, Social Assistance - Non-Jabodetabek, Pre-Working, Electricity Discount, Logistical / Foods / Basic Foods, and Village Fund - Cash Transfer. The total budget provided for social protection is also quite large, namely 203.90 trillion Rupiah.

The achievement of this policy implementation also can be seen from the performance of its budget realization. As previously discussed, based on data from the Ministry of Finance, the Income Tax Article 21 incentive for taxpayers affected by the Covid-19 pandemic has an initial budget of 39.66 trillion Rupiah, the highest compared to the other tax incentive. However, the realization figure as of December 2020 was recorded at 1.71 trillion Rupiah or only 4.3% of the total initial budget. Furthermore, until the end of March 2021, the realization of the use of the Income Tax Article 21 incentive is still considerably low or only worth 615 billion Rupiah from the total budget of 2.82 trillion Rupiah. The low value of the use of these incentives can undoubtedly affect the achievement of the policy objectives that have been set.

Based on BPS-Statistics Indonesia data regarding the 2020 average wage or salary of employees working in 17 business sectors in Indonesia, the highest wage or salary in August 2020 is in Mining and excavation sector with 4,478,006 rupiahs (BPS, 2020b). The amount is lower than the lowest layer of non-taxable income of 4.5 million rupiahs per month. Moreover, the implementation of physical distancing and Large-Scale Social Restrictions in several areas in Indonesia due to the Covid-19 pandemic also affected the company's operations. BPS-Statistics Indonesia also held a survey in July 2020 to see the impact of Covid-19 on business actors. The survey results show that companies that respond to the pandemic situation by taking steps to reduce the number of employees working are 35.6%; choose not to reduce or increase the

number of employees working as much as 62.29% and chose to increase the number of employees working as much as 2.15%. When viewed from the size of the business scale, the reduction in the number of employees is more common in medium and large businesses by 46.64% compared to small and medium enterprises, which amount to 33.23%.

Surveys conducted by the World Bank provide information on the depth of problems in the labour market. The first round of the HiFy survey on the socioeconomic impact of Covid-19 on households showed that many workers who were active before the pandemic had to stop working at the end of May 2020, namely 24 percent of the survey respondents. The workers who are still working stated that as much as 64 percent experienced a decrease in income. (The World Bank, 2020). Likewise, data collection conducted by the Ministry of Manpower, both for formal and informal workers, found that there were at least 2.1 million workers affected by Covid-19. The details of the affected workers are that 383.6 thousand workers lost their jobs, 1.13 million workers were laid off, and 630.9 thousand informal workers lost their jobs or went bankrupt (Coordinating Ministry on Economics Affairs, 2021).

The other results of the survey, which is a research collaboration between the LIPI (Indonesian Institute of Sciences) Population Research Center, the Ministry of Manpower Research & Development Center and the University of Indonesia Demographic Institute released in May 2020, shows that there has been a wave of lay-offs and a decline in income since the onset of Covid-19. As many as 15.6 percent of workers experienced lay-offs, 40 percent of workers experienced decreased income, and 7 percent of workers' incomes fell to 50 percent (LIPI, 2020). BPS-Statistics Indonesia also released more specific data looking at the impact of the Covid-19 pandemic on employment in Indonesia during the February-August 2020 period. The data shows that the working-age population affected by Covid-19 is 29.12 million people, consisting of 2.56 million people unemployed due to Covid-19; 0.76 million Non-Labor Forces due to Covid-19; 1.77 million people are temporarily out of work due to Covid-19, and 24.03 million working residents have experienced a reduction in working hours due to Covid-19 (BPS, 2020a).

From several survey data summarize above, it can be known that the Covid-19 pandemic has impacted reducing the number of workers and has an impact on a decrease in the income or wage of workers in all employment fields. Thus, it will also affect the basis or target recipients who meet the policy criteria themselves, which eroded due to the pandemic conditions.

Another thing that might be the cause of taxpayers not taking advantage of this policy is from the employer's side. In this policy, the beneficiary and the party applying for the incentive are

two different parties. Employees cannot enjoy this incentive unless the company register or apply to the DGT. However, the company does not benefit from applying for this incentive. In addition to applying, the company must also submit a monthly report to the tax office. Therefore, there is an additional administrative burden for the company. This burden is something that companies avoid, especially when they are experiencing business difficulties during the pandemic. The absence of profits and additional administrative burdens is a demotivator for companies to join this program. In addition, there are concerns from employers that the use of incentives will lead to future scrutiny. It corresponds with a report from OECD (2020a) states that the misuse of incentives in the context of a pandemic needs to be watched out for because there is an excellent potential for misinformation or confusion by the tax authorities. It is due to the large number of incentive applicants who are not comparable to tax officials. Especially in the current pandemic situation, tax employees undergo mass work from home, so that supervision in selecting, providing, or evaluating incentives is looser than usual. In comparison to other countries, a survey conducted by PwC Romania stated that 40% of business actors who took part in the survey believed that the tax incentives provided by the government during the Covid-19 pandemic would lead to a new tax audit process (DDTCNews, 2021).

The broad significance of this study, based on the findings, would be an improvement in understanding the implementation of the Income Tax Article 21 incentive policy for taxpayers affected by the Covid-19 pandemic and anticipated to serve as a springboard for future studies. Practically, this study could also assess the policy's implementation and contribute to the development of solutions to emerging issues. For future research, it is recommended to conduct a more in-depth empirical analysis of policy achievements in terms of its direct impact on the economy, for example, by using the general equilibrium model, so that it can find out to what extent the provision of this incentives policy directly affects the economy.

CONCLUSIONS

Based on the result and discussion, although the Income Tax Article 21 incentives are very beneficial for policy targets, its implementation faces various challenges. In terms of the realization of the utilization of this incentive, it is relatively low compared to the provided budget allocation. Due to the pandemic, more workers have been laid off or have experienced a decrease in income below the non-taxable income, so they cannot take advantage of this government-borne tax incentive. Moreover, employers are reluctant to join the program because it can increase their administrative burden, considering that employers do not receive direct

benefits from this policy. In addition, there are concerns from employers that the use of incentives will lead to future scrutiny. Thus, with reduced basis targets recipients, the absorption of these incentives is low, resulting in the expected multiplier effect on the economy also less than optimal. Furthermore, the improvement in economic and public consumption growth cannot be linked directly to the Income Tax Article 21 incentives policy's contribution because many other things and policies can affect the economy.

It is suggested that to achieve the policy objectives, if necessary, the government can oblige all employers who meet the policy criteria to take advantage of this incentive, if possible, by giving sanctions for those who do not comply. In addition, the provision of incentives needs to be more focused and measurable for strategic economic activities with a strong multiplier effect. The government needs to consider other policies to complement this policy so that the stimulus can be more evenly distributed. With high participation and the high realization of incentives, it is expected to produce the multiplier effects needed to encourage economic growth.

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