

Tax Holiday Incentive Strategy During the Covid-19 Pandemic Period to Increase Investment in Indonesia

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Abstract

This study aims to evaluate tax incentive strategies related to tax holiday policies to increase investment during the Covid-19 Pandemic in Indonesia. The research approach used in this research is qualitative with data collection techniques using in-depth interviews, observation, literature study/documentation, and source triangulation. The study results found that every year there was an increase in the number of investment requests, but in fact, only a few received tax holiday facilities. Even in 2017, practically no new registrants were interested in the tax holiday scheme. This study concludes that the tax holiday policy has so far been quite effective in increasing investment in Indonesia, but its achievement has not been optimal. In implementing the tax holiday policy, especially during the Covid-19 Pandemic, there has not been any significant change in its incentive policy to attract investors to invest in Indonesia because it is still facing several obstacles. One of the main obstacles in the regulation is the provision of tax holiday decisions apart from the coverage of the 18 pioneer industrial sectors, only allowing other industries to apply for tax holiday facilities as long as there is an academic study which can prove that it can be categorized as a pioneer industry. The problem faced in obtaining approval from the Directorate General of Taxes is the process that will take a long time if the investment is not included in the scope of the list of pioneer industries. According to the mandate of Article 5 PMK. 150/2018, it must go through inter-ministerial discussions. These discussions are coordinated by BKPM and involve the Ministry of Finance and Ministries from related sectors.

Keywords: Tax Incentive Strategy, Tax Holiday, Investment, and the Covid-19 Pandemic

1. Introduction

Historically, the Tax Holiday regime existed in Indonesian taxation when Law no. 1 of 1967 was issued simultaneously with Law no. 11 of 1967 concerning Foreign Investment (PMA). This rule regulates various tax breaks. Our country used to implement this Tax Holiday policy before the 1983 tax reform, which was given to the upstream industry in the 1980s and succeeded in creating an upstream industry with high added value. However, the provisions on Tax Holiday were revoked with the enactment of the Income Tax Law No. 7 years in effect since January 1, 1984. From statistical records, it turns out that this policy has attracted many foreign investors' interest to invest heavily in Indonesia, which can be seen in the increase in foreign direct investment/domestic investment entering Indonesia, which increased from year to year. The implications of this policy turned out to have a positive impact on the Indonesian economy, increasing employment rates and income taxes on employee income and more small and medium enterprises (SMEs) that grew and developed related to FDI/PMDN investment [1]. Business actors are in great demand for tax holiday incentive facilities. The number of entrepreneurs who receive this facility continues to grow. Hestu Yoga Saksama, Director of Counseling, Services, and Public Relations, said that from mid-2018 to the end of August 2019, DGT had approved tax holiday incentives for 36 investors, "he told DDTC News, Thursday (10/10/2019) [2].

It is understandable how angry President Jokowi when he received a note from the World Bank regarding Indonesia's investment performance because 33 Chinese companies relocated their factories out of China, none of them entered Indonesia, 23 companies chose to build factories in Vietnam, while the rest moved their factories to Malaysia, Thailand, and Cambodia. In 2017, of the 73 Japanese companies that relocated factories, 43 companies moved to Vietnam, 11 to Thailand and the Philippines, and 10 to Indonesia. From this note, the President of the Republic of Indonesia Jokowi considered that the problem occurred due to internal factors [3]. Several reasons foreign investors prefer to invest in other countries such as Vietnam than in Indonesia are because of labor costs, office rent, and the income tax rate (PPh) of business entities in Vietnam is cheaper than Indonesia. The average wage for Vietnamese manufacturing workers is USD 3,673 per year, while in Indonesia, it is USD 5,421 per year. Office rent in Vietnam is cheaper than in Indonesia, which is USD17/m²/month for grade A offices in Ho Chi Minh, while in Jakarta, it is USD50/m²/month. The corporate income tax rate in Vietnam has been 20% since 2016, while Indonesia's rate is 25%. The Vietnamese Government has discounted corporate income tax rates for investment in underdeveloped areas to 17% and in very disadvantaged areas to 10% [4]. From the other side, we

can see that Indonesia has an index of ease of doing business no better than Vietnam (70th), India (63rd), Thailand (21st), Malaysia (12th), and Singapore (2nd). Ease of Doing Business (EODB) 2020 published by the World Bank shows Indonesia is ranked 73rd, still far behind Singapore, Malaysia, Thailand, and even Vietnam and India [5].

Meanwhile, in recent years revenue from the fiscal sector has reached around 85% of total APBN revenue. The contribution of taxes is considered relatively high in financing state expenditures. Various policies in the form of extensification and intensification have been made by the Government to increase state revenue from the fiscal sector, which impacts society, business, and taxpayers. Even though state revenues from the fiscal sector have dominated all APBN revenues, revenue realization in the state budget has never reached the target set. During the 2015-2019 period, state revenue contributed significantly to 80%-83% tax revenue, except in 2018, where the contribution decreased to 78.14%. In addition, for the development of infrastructure and pioneering industries that can sustain economic growth, considerable development funds are needed. The Government has the very limited financial capacity to build infrastructure that has been recognized as very weak and inadequate, as well as the existence of vital pioneering industries that provide added value and high externalities, with new technology, and have strategic value for the national economy, all of which pose major challenges for the Government to be realized amidst limited government funds in accelerating development.

Tax incentives and facilities are among the many countries' many efforts to attract investors, especially investments that have a significant multiplier effect on the national economy. In addition, investment is expected to bring in new technology, mobilize sectors that have not been fully processed or specific sectors and regions that are national priorities, open up job opportunities, and ultimately contribute to increasing national income and national independence.

Previous research results indicate that "the tax holiday is considered to give effect to the increasing investment activities to Indonesia and will not negatively affect the form of the loss of the tax revenue. The tax holiday is considered capable of providing a positive impact on Indonesia's investment, but Indonesia still has to prioritize the improvement of the infrastructure and bureaucracy" [6]. Bank Indonesia will continue to monitor developments in financial markets and the economy, including the corona virus's impact, strengthen the policy mix and coordination with the Government and relevant authorities, maintain economic stability, boost economic growth momentum, and accelerate structural reforms [7]. Tax incentives may be effective in increasing FDI. However, in the group of countries with low investment levels and complex laws in taxation and other fields and unable to cope with innovation, bureaucracy, and poor governance, it is also important to develop the organizational infrastructure for investment [8].

The phenomenon of the problem raised in this research is that there are indications that the tax holiday policy has not provided optimal results in increasing investment and state revenue. It is still constrained by the tangled threads faced by the local government bureaucracy regarding formalities or procedures for implementing policies and the Online Single Submission system, which has not been well integrated to operationalize the tax holiday policy with optimal results. In fact, during the Covid-19 pandemic, it should be good momentum for Indonesia to stimulate investment optimism that bureaucrats can utilize. The absence of a legal law that provides certainty for granting tax holiday decisions apart from the coverage of 18 regulated pioneer industrial sectors. It requires only allowing other industries to apply for tax holiday facilities as long as an academic study can prove that it can be categorized as a pioneer industry. It adds to the long queues and complexity list in the regulation, which is a disincentive factor for Indonesia's investment. How deep we can make it easier for us to do business (EODB) during the Covid-19 pandemic. It will at least impact the EODB index for Indonesia issued by the World Bank that will be more corrected or improved to increase our competitiveness in acquiring foreign investment. Besides, the problem of not having a tax holiday facility for the shipbuilding industry, even though as an archipelagic country, which covers 2/3 of Indonesia's territory, consists of oceans and coastal areas, our country needs a lot of cargo ships for inter-isular shipping and large oceanic vessels (Feeder Vessels and Ocean going vessels) as well as fishing vessels of medium to large and modern sizes. The high dependence of shipping services is controlled by foreign ships, which reaches around 95% for international export-import activities, while foreign ships' share is 40% for domestic sea transportation. The study results by the Ministry of Finance also stated that foreign ships controlled 78% of the total number of ships, 94% of the carrying capacity, and 90% of the export-import cargo, while Indonesian ships only controlled ships with relatively small carrying capacities [9].

2. Methodology

The approach used in this study is qualitative. The design used is descriptive qualitative and case study methods [10]. Meanwhile, the data collection technique is done by triangulation of sources, in-depth interviews, observation, literature study, and documentation [11] [12]. In-depth, open-ended interviews were conducted to strengthen the results of analysis and discussion. Researchers conducted in-depth interviews with informants. Data

analysis used four theoretical triangulations: (1) method triangulation was conducted by comparing information or data in different ways; (2) Inter-researcher triangulation is carried out by using more than one person in data collection and analysis; (3) Triangulation of data sources is to explore the truth of certain information through various methods and sources of data acquisition; and (4) theory triangulation. The final result of qualitative research is in the form of an information statement or thesis statement. The information is then compared with relevant theoretical perspectives to avoid biasing the individual researcher on the findings or conclusions. Besides, theoretical triangulation can increase the depth of understanding as long as the researcher can dig in-depth theoretical knowledge on the data analysis results obtained [13].

3. Result and discussion

3.1 The Effectiveness of Tax Holiday Policies in Increasing Tax Revenue in Indonesia.

Due to the crucial role of investment in Indonesia, the Government has created various types of tax incentives to attract investors to invest in Indonesia, one of which is making a tax holiday facility policy. This tax holiday policy's main objective is to increase investment through the underdeveloped pioneer industry in Indonesia by providing tax breaks, namely facilities to reduce corporate income taxes. In addition, the purpose of a tax holiday is to encourage economic growth and stabilize the economy. Having a company that invests in Indonesia and opening a company in Indonesia will help the Government open new jobs, thereby reducing unemployment.

Corporate taxpayers are making new investments in Pioneer Industry, based on PMK. 150/PMK.010/2018 dated November 26, 2018, can obtain a reduction in corporate income tax (PPh) on income received or obtained from Main Business Activities carried out. The minimum investment value of IDR 100 billion. The Pioneer industry itself is defined as an industry with broad relationships, adds high value and externalities, introduces new technology, and has strategic value for the national economy. The corporate income tax deduction is provided as follows: 1). 100% of the total corporate income tax payable for new investments with a minimum value of IDR 500 billion, with the following corporate income tax deduction periods: i). for five tax years for new investment with a minimum investment plan value of IDR 500 billion and less than IDR IDR 1 trillion; ii). for seven tax years for new investment with a minimum investment plan value of IDR 1 trillion and less than IDR 5 trillion; iii). for ten tax years for new investment with a minimum investment plan of IDR 5 trillion and less than IDR 15 trillion; iv). for 15 tax years for new investment with a minimum investment plan of IDR 15 trillion and less than IDR 30 trillion; v). for 20 tax years for new investment with a minimum investment plan of IDR 30 trillion; and 2) 50% of the total corporate income tax payable for new investments with a minimum value of IDR 100 billion and a maximum of less than IDR 500 billion, with a corporate income tax deduction period granted for five tax years.

The development of tax holiday regulations to the issuance of PMK.150/2018 reflects the Government's adaptive/elastic actions in facing changing and developing economic conditions to accommodate the challenges of increasing investment in Indonesia. In terms of effectiveness, this action is very positive.

The development of investment value from 2012 to 2018 can be seen from its effectiveness in achieving objectives, namely investment targets, as follows:

Table-1

Development of Target vs Realization of PMA and PMDN Investment
 2015 - 2019 (In IDR Trillion)

Year	Investment Realization of PMA (FDI)	PMDN Investment (DDI)	Total Investment Realization	FDI Investment Target	DDI Investment Target	Total Investment Target	% of FDI Investment Target	% of DDI Investment Target Achievement	% of Total FDI+DDI Target Achievement
2015	365,9	179,57	545,47	343,7	175,9	519,6	106,46%	102,09%	104,98%
2016	396,6	216,2	612,8	386,4	208,4	594,8	102,64%	103,74%	103,03%
2017	430,5	262,3	692,8	429	249,8	678,8	100,35%	105,00%	102,06%
2018	392,7	328,6	721,3	477,4	297,8	775,2	82,26%	110,34%	93,05%
2019	423,1	286,5	709,6	483,7	308,3	792	87,47%	92,93%	89,60%

Source: Processed BKPM Data

Based on Table-1 above, it can be seen from the Investment Activity Report (LKPM) received by the Investment Coordinating Board (BKPM) that the realization of the investment value of foreign investors compared to the target in 2015 to 2016 decreased by 3.82%. Then, in 2016 to 2017, it decreased again by 2.29%. From 2017 to 2018, it fell again by 18.09%. However, in 2019 the amount of foreign investment increased in relative (%) and absolute (IDR), which is 5.21%. It indicates that the Investment Coordinating Board (BKPM) was doing better

than the previous year. The implementation of investment policy (FDI) is considered quite effective. Unlike the case with domestic investors (DDI), there was growth from 2015 to 2018, both relative and absolute. The realization of investment value from domestic investors compared to the target from 2015 to 2016 increased by 1.66%, and then from 2016 to 2017, it increased again by 1.26%. From 2017 to 2018, it increased again by 5.34%. However, in 2019 the amount of domestic investment decreased relative and absolute terms, amounting to 17.41%. The implementation of the investment policy (DDI) had been effective.

Two things can be observed from Table-1 above. First, Indonesia's investment structure is still dominated by foreign investment (FDI) rather than domestic investment (DDI), although in terms of investment value, DDI has increased from year to year relatively well and absolute, where from 2015 to 2019, it increased 59-60%. To encourage increased DDI investment, Indonesia needed efforts to promote tax incentives to implement tax holiday reduction regulations that are more attractive to domestic investors and encourage domestic investment to increase capital spending in the real investment sector. Second, this is different from foreign investment (FDI), although, in terms of the value of FDI investment, it has increased from year to year both in relative and absolute terms, where from 2015 to 2019, it only increased by 15-16%. Investment experienced a significant increase in the foreign sector. Tax incentives were still said to be "empty of buyers" in 2017; only 137 taxpayers were used for tax allowances and even less for tax holidays only five companies used. Until early 2017, according to data from the Ministry of Industry (2017), since 2011 there have been five of the eleven companies that have received Tax Holiday approval, namely PT Unilever Oleochemical Indonesia, PT Petrokimia Butadine Indonesia, PT Energi Sejahtera Mas, PT Ogan Komerling Ilir Pulp & Paper Mills and PT Synthetic Rubber Indonesia (SRI) [14]. It can be interpreted that the tax holiday scheme until 2017 was not following the situation and needs of business actors/investors.

Moreover, the incentive criteria were not accommodating and challenging to fulfill by business actors/investors. It often overlooks incentives targeting businesses that play an important role in the national economy, such as some export-oriented business fields. For 2018, although there were improvements in the tax holiday scheme that increased the number of investors entering Indonesia, due to the tangled threads that were still found related to the OSS problem as a supporting system for the success of Tax Holiday, the increase in the number of foreign investment came slowly, and led to reduced revenues country of tax.

3.2 Tax Holiday Facilities Have Not Touched Investors in the Shipping Sector

To see the ships' profile with foreign flags carrying Indonesian exports from the Port of Belawan and their development over the last three years. The results showed that during the last three years, from 2013 to 2015, foreign ships still controlled the share of foreign sea freight traffic, especially those transported using container ships. In 2013, as many as 94% of exported goods in containers were transported by ships with foreign flags. In 2014, it decreased to 88% and again increased by 93% in 2015. The high share of cargo obtained by ships with foreign flags is an opportunity that must be taken seriously by the Government with various kinds of challenges, including the national ship capacity, which did not increase. Following the 2014 Annual Report of the Ministry of Transportation, which stated that the share of Indonesian marine cargo in 2014 reached 653,270,644 tons, 89% were carried by foreign vessels, while the Indonesian national fleet carried the remaining 11% [15]. However, it seems that there has not been any substantial change to foreign and domestic investors. They have utilized the Tax Holiday Facility to benefit from investment in the primary ship component manufacturing industry in Indonesia, even though the latter is one of the sectors included in the criteria for a pioneer industry to get a corporate Income Tax deduction. It is even more unfortunate that the list of pioneer industries that are the object of tax holidays is not included in the shipping sector.

As seen in 2015-2019, BKPM Strategic Plan in Table-1 regarding Comparison of Investment Determining Factors in ASEAN Countries, if we compare it to Singapore, the country still provides Tax Holiday facilities to pioneer companies, the manufacturing sector, financial services, and shipping. It also provides Tax Allowance, among others, for the maritime sector and financial services, with a tax rate of 5-15% for 3-20 years. So Singapore, which has only 697 km² (slightly wider than the Jakarta area, which according to BPS DKI Jakarta Province, is around 662.33 km²), has become the center of the largest marine transportation service industry in the world. It is awe-inspiring if the Singaporean Government pays very much attention to developing the shipping industry and maritime sector so that tax incentives are given Tax Holiday and Tax Allowance. It is not surprising that Singapore's ease of doing business is ranked 2nd in the world out of 190 countries surveyed by the World Bank. Ironically, Indonesia, an archipelagic or maritime country, does not even have tax holiday facilities for the shipping industry sector. There are only major components of the shipbuilding industry but do not include shipbuilding, while for the motorized vehicle sector facilities for the motor vehicle and component manufacturing industry, the

main motor vehicle is provided with a tax holiday. Then how to build a sophisticated shipping industry in realizing Indonesia's ideals as a world maritime axis as proclaimed by President Joko Widodo?

Indonesia is an archipelago country having the 7th largest Exclusive Economic Zone (EEZ) in the world. Based on data from the Ministry of Marine Affairs and Fisheries (KKP), Indonesia's total area is 7.81 million km². The area consists of 2.01 million km² of land, 3.25 million km² of oceans, and 2.5 million km of EEZ (Pohan, 2019: 3). According to the Minister of Marine Affairs and Fisheries for the 2014-2019 period, Susi Pudjiastuti, with the broad area of the EEZ, if it is not handled seriously, Indonesia will become an easy target for illegal fish thieves [16]. In this regard, how we can rapidly develop the maritime industry from a small scale to a large scale if we do not have many ships to serve export and import cargoes for both inter-island shipping and oceanic/interstate shipping (feeder vessels and ocean-going vessels), including fishing vessels from medium to large sizes. The fishermen themselves are MSME actors who should be promoted and upgraded to become entrepreneurs who own large and modern fishing boats. It is in line with the explanation of IPB marine and fisheries experts Prof. Rokhmin Dahuri in a national workshop on "Indonesian Maritime Economy" on April 30, 2019, which stated, "The potential for Indonesia's maritime economy is tremendous. If the maritime economy is developed seriously and focused, it will be able to solve various problems of the nation, especially in the fields of economy and welfare". He gave an example if there are 500 modern ships in Natuna, which catch fish and are processed directly in the Natuna area, hundreds of thousands of workers will be absorbed. Natuna, which was originally quiet and prone to smuggling, was enlivened by a maritime economy, maritime industry, and a prosperous population. "The affairs of this country are finished if the world's maritime axis is carried out in such a sustainable economic way" [17].

3.3 OSS Problems as a Success Support System for Tax Holiday

According to Robert Andi Laweng, Executive Director of the Jakarta Regional Autonomy Monitoring Committee (KPPOD) (Kompas 12/10/19: p.6), one year of OSS implementation faces several obstacles as follows: (1) at the central level, integration of the licensing service sector Ministries/Institutions (K/L) with the OSS system are not optimal. Integration with the OSS system is limited to initial license processing, then following the sectoral regime rules. (2) Local governments control several major licenses. They also have their own rules of the game inheriting from the old working system (Pre-OSS). (3) integrated governance (OSS) and digital platforms (Si CANTIK) is difficult to be effective because licensing substances are still widespread and controlled by sectoral regimes and local governments. Local Regulations being standard operating procedures (SOPs), have the power to bend the rules for any reason. (4) Another fundamental agenda is guaranteeing land certainty as to the location basis for licensing. The location tagging feature in the OSS system did not function optimally because only 43 regions have Detailed Spatial Plans (RDTRs); even fewer have digital RDTRs. Uncertainty haunts service providers and licensees as there is no clear land block to reference the location permit.

3.4 Investment Development in Indonesia

Incentives provided by the Government to attract investors to invest in Indonesia is to stipulate several tax policies related to reduced yield taxes with certain provisions. The tax policy is in the form of a tax holiday and a tax allowance, which is the same thing in principle. In terms of tax holiday regulations, it has also been updated from the Minister of Finance Regulation (PMK) No. 130/PMK.011/2011 to PMK 192/PMK.011/2014, and the last amendment was issued PMK 150/PMK.010/2018, which is still in effect until the end of 2019.

Another problem that has become a disincentive factor for Indonesia's investment is the formalities regarding procedures and procedures for obtaining tax incentives for the industry in tax holidays and tax allowances in Indonesia, which are more complicated than in other countries such as Thailand. It makes many business people or investors reluctant to invest in Indonesia than in other countries. Based on the Directorate General of Taxes' records, Ministry of Finance, so far, there are 138 tax allowance users, while five taxpayers only use the tax holiday. In 2017, nine companies received a tax allowance, while for the tax holiday facility, no taxpayer received it. It was admitted by Airlangga, the Minister of Industry at that time, to obtain tax relief facilities in Indonesia, the procedure was indeed complicated. For example, to obtain tax holiday facilities, entrepreneurs must submit their proposals to the tax office.

Furthermore, the proposal is processed by the Ministry of Finance, then discussed by the verification committee to be given exemption facilities or reduction of corporate income tax. Apart from the lengthy process, submissions are also not necessarily approved. Several requirements are considered uncertain. Entrepreneurs also do not know whether to get a tax holiday or tax allowance [18].

With amendments as amended from PMK No. 130/2011, it turns out that interest in tax holidays does not attract FDI players' attention. Meanwhile, FDI is believed to increase economic growth, which has multiple effects on the Indonesian economy and particularly on state income. Until the end of 2017, the tax holiday was ineffective in

practice because it turned out that only five companies had received it in the last five years. According to BKPM informants, one of the things that make the tax holiday less interested is because even though many taxpayers have met the requirements, it seems that many do not accept it. The distance from when registering to when it is decided when to accept and reject is not regulated in PMK 159/PMK.010/2015 (and the conditions are the same until PMK. 150/ PMK. 010/2018). So, it can be said that there is no legal certainty for investors, and companies also cannot confirm from their capital how long the tax holiday period they will get. Apart from legal certainty, in general, it can be said that tax holidays are not the main reason for FDI players to invest in Indonesia, because there are many other factors that investors consider. Indonesia's improving investment climate is also a determining factor in Indonesia's FDI, including infrastructure, good governance, economic and political stability, and Indonesia's rich natural resources. Realizing the many deficiencies in PMK 159/2015 that made foreign and domestic investors not interested in investing in Indonesia, the Government then issued PMK.150/PMK.010/2018. These efforts are starting to show the improvement by increasing foreign investment flow into Indonesia in 2018 and 2019.

In 2018, the Ministry of Finance issued two regulations regarding the corporate income tax reduction facility's Provisions. It is PMK 35/PMK.010/2018 dated 29/3/18, which were later revoked with the issuance of PMK.150 / PMK.010 / 2018. The target for foreign investors who get tax holiday facilities is a pioneer industry in which PMK 35/2018 Article 3 paragraph (2) states that there are 17 target industrial sectors. In comparison, in PMK 150/2018, Article 3 paragraph (2), 18 pioneering industrial sectors, including The other 17 types together with PMK 35/2018. It means that there is only one additional type of pioneer industry, the digital economy, which includes data processing, hosting, and other activities connected to it.

Investment receipts from foreign investors in 2018 decreased, which means that the tax holiday facility policy's implementation was not optimal in increasing foreign investment growth. In that year, the realization of foreign investment income did not reach the target. An informant from the Directorate of Business Facility Services-BKPM stated that the application of tax reduction in the tax holiday facility policy is quite effective but optimal in helping increase investment from foreign investors because reducing tax rates is not the only factor considered in investment. Tax holidays as tax exemptions/deductions in Indonesia cannot be granted for a long time (not more than 20 years). As we know, tax incentives in the form of tax holidays are the most widely used form of incentives. This incentive gives taxpayers the right not to be taxed within a certain period determined by the Government. However, caution is required when considering granting these incentives. What needs to be considered is how long the tax holiday will take and how long the investment can pay off. If this industry is able to meet the criteria and the number is sufficient, the provision of facilities in that industry will also be revoked and replaced with other industries that are new and not yet available in Indonesia. The term temporary investment income may not reach the target even though many have obtained facilities, but according to an informant from BKPM that the goals and targets desired in the tax holiday policy have been achieved, namely encouraging and growing the growth of pioneer industries even though temporary investment income is still not optimal.

Based on the table above, it can be seen from the Investment Activity Report (LKPM) received by the Investment Coordinating Board (BKPM) that the realization of investment value from foreign investors in 2016 to 2017 has increased by Rp. 33.9 trillion, but in 2018 it experienced a decrease of IDR 37.8 trillion from the previous year, 2017. Now, we can see how the trend of foreign investment after the enactment of PMK 150/2018. Based on Table-1, the data of companies that received tax holiday facilities for the 2016 to 2018 period above shows that the number of companies receiving tax holiday facilities is more than foreign investors compared to domestic investors. In 2016, only one foreign investment company received a tax holiday facility. In 2017, it didn't even exist at all, and in 2018, the number of companies that received tax holiday facilities increased significantly to 8 (eight) foreign investment companies that received tax holiday facilities. This indication shows a positive signal towards encouraging investment developments in Indonesia, but, according to observers interviewed by researchers, that if Indonesian government agencies, including BKPM, are able to create a system that allows potential foreign investors/investors to obtain facilities in managing permits to invest in Indonesia with an efficient cost, not bureaucracy, and in a shorter time, tens or even hundreds of investors will enter Indonesia to invest in various business fields to obtain tax holiday facilities. We are still less aggressive than neighboring countries like Vietnam in reforming their investment climate.

The Directorate General of Taxes at the Ministry of Finance said 31 taxpayers received tax holiday facilities or reduced corporate income tax. The increase in the number of taxpayers who received tax holidays occurred after the issuance of Minister of Finance Regulation Number 150/PMK.010/2018 concerning the Provision of Corporate Income Tax Reduction Facilities. "In this year's Decree, in 2018 there were 10 decrees, while in 2019 only 6 months there were 21 decrees. Of the 31 companies, said Yunirwansyah (Director of Taxation Regulation II DGT), 29 companies were new investments and 2 were in business expansion. The taxpayers who receive tax holiday

facilities come from Indonesia, China, Singapore, Hong Kong, Japan, South Korea, Malaysia, the Netherlands, Thailand, and the British Virgin Islands [19].

In 2018, if seen in Table-1 above, there has been an increase in foreign investors who received tax holiday facilities from the previous years. It was eight foreign companies that received tax holiday facilities. Meanwhile, for Indonesia, the Standard Classification of Indonesian Business Fields (KBLI) from the industry that received the tax holiday facility itself, investors' period varies from five years to 20 (twenty) years. However, if you saw investment receipts from foreign investors in 2018 have decreased. It means that the tax facility policy holiday's implementation was not optimal in increasing foreign investment income. In that year, the realization of foreign investment revenue did not reach the target. However, responding to this condition, according to an informant from the Directorate of Business Facility Services, "So far, this tax holiday policy is only complementary to help increase investment receipts from foreign investors. So, it is still ineffective because the data that has been included investment receipts has not reached the target even though they have received the facility."

3.5 Constraint and Driver Entities

In increasing investment from foreign investors through the tax holiday facility, the obstacles faced by BKPM in 2018 were more inclined towards other factors such as the factor of granting business permits in locations related to investment, finding land that was difficult to open a business following KBLI. An informant said from the Directorate of Investment Deregulation-BKPM that the data comes first from the old licensing process, which is sometimes unclear and transparent. If everything is online in the center, so it is faster, but permits from the sector, for example, there are several businesses whose permits are not clear to whom, then related to land that is difficult to obtain. Investors consider other factors in terms of security, high labor costs, political stability, the industrial market in KBLI itself, and terms of other taxes imposed such as Income Tax Article 21, VAT, and so on because, in 2018, the tax policy holiday rules are clear and detailed in terms of what benefits will be obtained by investors. In PMK 150/2018, the Online Single Submission (OSS) system has been connected to various institutions related to tax holiday policies. However, because the system is still new, it is still not optimal, there are still many difficulties in the field. It was revealed by tax observers from DDTC that the OSS system itself was not yet optimal, seen from the OSS system disruption sometimes it went down, when there was a change in KBLI, changed the certificate of establishment, etc., sometimes it had to go directly to BKPM because it couldn't be resolved via OSS. Another obstacle entity that becomes an obstacle in providing tax holiday facilities when there is an inspection in the field, there are still some investors who do not match the commitments made at the beginning of the facility request with the realization in the field because every year, investors are required to make reports related to investment realization. If something like this is found, then the tax holiday facility can be revoked if the type of business in the field does not match the KBLI in the initial application. The tax holiday facility can be readjusted if the field's investment value does not match the initial application.

3.6 Investment Barriers in Indonesia

In addition to the global economic slowdown in countries such as the United States, Germany, Britain, and China, it can cause the risk of an economic recession, which impacts Indonesia's economic slowdown. The Investment Coordinating Board (BKPM) in vivanews.com, September 15, 2019, stated that investors often face at least five obstacles in investing in Indonesia that make foreign investment interest in Indonesia decrease. The five obstacles are (1) convoluted regulations; (2) difficult land acquisition; (3) uneven public infrastructure; (4) taxes and other non-fiscal incentives that do not support investment; and (5) inadequately skilled labor. Apart from the things mentioned above, from the description of BKPM at Hotel Borobudur May 23 2017 [20], It is necessary to underline several things that hinder investment in Indonesia: i. Investment as an engine of growth for economic growth needs to increase business actors, especially domestic investment; ii. In terms of convoluted regulations, it is explained that there are 42,000 regulations governing investment (12,000 at the central level and 30,000 at the regional level). The many levels of regulations that govern investment are at the level of Laws, Government Regulations, Presidential Regulations, Director-General Regulations, and Regional Regulations. There are also overlaps in the types of permits regulated by law: i) Business license regulated by sector law, ii) Spatial Planning Permit, Coastal and Water Utilization, Location Permit, iii) Environmental licensing refers to spatial planning and environmental management, iv) Building permits, Social security; BPJS Ketenagakerjaan and BPJS Kesehatan; v) others.

Meanwhile, an informant from PwC responded that one of the inhibiting factors is the pioneer industry itself. Other pioneer industries must be added in addition to the coverage of 18 regulated pioneer industrial sectors so that more investors are willing to invest so that investment in Indonesia continues to increase every year with clear legal certainty. It is in line with the statement of the Head of BKPM Thomas Lembong in 2018 [21], "The tax holiday that we offered at that time only covered 3 percent of all subsectors in the economy. So the criteria are too strict,

too narrow, and do not kick. So we are now pushing for a kickier tax holiday. Not only in terms of the number of years given but covering various sectors in the economy, and also deregulation or other reforms that can return momentum to investment realization". But the problem is, according to an informant from DDTC saying that if they were not included in the pioneer industry, still in PMK 103/2016, he could submit an academic paper that shows that if he is a pioneer industry, now it's difficult because the KBLI is clear.

4. Conclusions

The effectiveness of taxation policies in providing tax holiday facilities to increase foreign investment in BKPM in 2018 is quite effective but not optimal enough to attract foreign investors to invest in Indonesia. It can be indicated by a decrease in the realization of foreign investment receipts, even though in 2018, the number of foreign investors receiving tax holiday facilities has increased compared to previous years. Ironically, Indonesia, an archipelago of maritime country, does not even have a tax holiday facility at PMK. 150/PMK.010/2018 given to the shipping industry sector (shipbuilding) even though this sector is needed to support realizing the vision and commitment stated by the President of Indonesia to realize Indonesia as a world maritime axis.

The World Bank recommends that Indonesia focus on attracting a lot of investment, where foreign investment (FDI) to Indonesia is still low compared to other ASEAN countries. The Government must immediately take strategic steps to overcome all investment obstacles, as stated above, regarding obstacles to investment in Indonesia. To expand investment, among the main obstacles in the regulation of tax holiday decisions apart from the coverage of 18 pioneer industrial sectors stipulated in PMK 150/PMK.010/2018, other sectors can still get tax holidays as long as they are able to prove that their sector meets the criteria to be categorized as a pioneer industry. Therefore, during the Covid-19 pandemic should be a good momentum for Indonesia to stimulate Indonesia's investment optimism. Regulations must be simplified and made in such a way as to attract investors to invest in Indonesia. Therefore, it is better to cover more pioneer industrial sector being held so that there will be an expansion in business/investment opportunities and employment. However, to ensure legal certainty, the addition of these new pioneering industrial sectors must be stipulated in the minister of finance regulation.

Other obstacles in the application of tax holiday policies are inefficient bureaucracy and government regulations, the inconsistency of the Government regarding the determination of tax holiday regulations, and weak regional autonomy, including constraints in terms of providing land permits for investment locations and other factors such as political stability, labor costs which is expensive and so on. Another obstacle is that the investors themselves are not right in applying for a tax holiday with the realization of their investment.

Researchers recommend that the tax authorities revise the current tax holiday scheme policy by adding other business fields in the pioneer industry, which can guarantee legal certainty, and make several efforts to overcome obstacles such as simplifying business licensing, limiting the decision to get Tax Holiday approval in BKPM level that does not need to involve DGT. The other recommendations are improving the integration of central and regional policies, expanding the socialization of Tax Holiday and Licensing Services for Integrated Business Electronically or Online Single Submission, supervision, and inspection of taxpayers who perform Tax Avoidance or Tax Avoidance must be increased so that state tax revenues can be optimized.

Indonesia, an archipelagic or maritime country, does not even have a tax holiday facility for the shipbuilding industry sector. The Indonesian Government must be committed to the President of Indonesia's vision and commitment to realize Indonesia as a world maritime axis that aims to make Indonesia a large, strong, and prosperous maritime country. By restoring Indonesia's identity as a maritime country, securing maritime interests and security, empowering maritime potential to realize economic equality in Indonesia, reviewing the tax holiday policy, which is also based on maritime countries, the maritime sector (including the shipbuilding industry) will progress better.

The government or related institutions should improve and review the licensing process's integration at the central and local levels. Although the tax holiday itself does not have obstacles at the central level, other constraints that have an impact on increasing investment from foreign investors must be corrected, especially licensing problems in the regions because the Government must guarantee investors to obtain business permits and land where a business is easy to run. In addition, related institutions must be more active in foreign investors' needs for the tax incentive itself, especially for tax holidays. BKPM and the Directorate General of Taxes must carry out adequate supervision and regular field inspections so that investors comply with applicable regulations.

With this less optimal OSS system, it is hoped that BKPM will continue to update the system to make it easier for foreign investors to access the system. In addition, the omnibus law is needed as the only primary law regulating licensing, to integrate policy content (recodification) and rationalization of various licenses spread across 70 sector

laws that discourage investment, to provide certainty about the types of permits, and reduce the number to a proportional size [22].

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