Tax Administration in the Digital Age: Challenges and Opportunities


## Agenda

1. Overview
2. Challenges/problem and strategies
3. Conclusion and policy recommendation
Overview of the Republic of Indonesia

17,504 islands across the archipelago

~5.12% GDP growth on average over the past 5 years

8th largest economy

while Indonesia’s e-commerce market is the biggest and fastest growing in South-East Asia

4th most populous country in the world (262 m people in total)

Top investment destination in Asia and Southeast Asia

Investment grade ratings from S&P, Moody’s, Fitch, JCR and R&I

Source: EIU, Euromonitor, CIA World Factbook. World Bank, IMF, Standard and Poor, Moody’s, Fitch, PWC, BPS
2. Based on World Development Indicators Database, World Bank, 11 October 2016.

177.9 unique mobile users

132.7 million internet users

130 million active social media users
Overview of the Republic of Indonesia

Indonesia has a strong underlying to generate long-term growth.
Overview of the use of information technology (IT) in tax administration

Tax Amnesty Main Purpose Is To Strengthen Tax Database, While AEOI Aims To Avoid Base Erosion and Profit Shifting

Achievement of Tax Amnesty Program

- 3,660.7 billion (IDR)
- 4,884 trillion (IDR)
- 1,030.9 billion (IDR)
- 147.1 billion (IDR)

101 Countries In The World Agree to Share & Exchange Data For Taxation Purpose

www.pajak.go.id
Overview of the use of information technology (IT) in tax administration

- **eServices**: Provide tax services that can be accessed anywhere and anytime
  - Online Filing, Prefilled Returns, Online Payment, Online Billing

- **CORE**: Developing an integrated tax core system capable of providing high integrity data
  - Integrated Tax Administration System

- **BIG DATA**: Utilization of Big Data technology in data processing that is able to present information quickly and accurately
  - Data Quality and Analysis: Fraud detection
Challenges of Indonesia’s Taxation

Tax revenue consistently increases every year, but tax ratio is still low.
Challenges of Indonesia’s Taxation

The Number of Registered Taxpayers is so small, those who pay taxes even smaller
Tax Reforms Directions

EXISTING CONDITIONS
- Rigid and Unflexible Regulations & Business Process
- Low Quality Database
- Unreliable IT System
- Lacks of Coordination Among Units and Institutions.
- Low Tax Compliance.
- TAX RATIO = 11%

PILLARS OF TAX REFORMS
- Organisation
- Human Resources
- Business Process
- Technical Information & Database
- Regulatory

GOALS
- Good Database
- Sophisticated IT System
- Adaptive and Flexible Regulations & Business Process
- Optimal Coordinations Among Units and Institutions
- High Tax Compliance
- TAX RATIO = 14%

Tax Reforms Sequences
1st Priority: Tax Administrations Reforms
2nd Priority: Tax Policy Reforms

Observers Teams (International Organisations, Private Sectors, Mass Media, Society Advisor Teams (Professional Tax Practitioners))

External Assistance
Conclusion and Policy Recommendation

Efforts to Increase Tax Revenue

- Automatic Exchange of Information (AEoI)
  - Increasing tax base
  - Prevent tax evasion (Base Erosion Profit Shifting)
- Data and Information System of Tax: up to date and integrated (e-filing, e-form and e-faktur).
- Tax Compliance: sustainable compliance through e-service, mobile tax unit, Small/Micro Tax Office, and outbound call.
- Tax Incentives
  - Tax holiday and tax allowance
  - Review on tax exemption
- Human Resources and Regulation: Improving services and organization effectiveness
Thank you